

ORDER NO. 11 481

ENTERED DEC 06 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 243

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

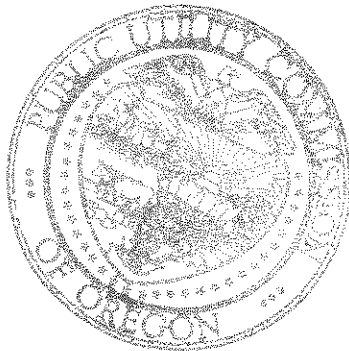
Steam Contract Between PGE and ConAgra
Foods Lamb Weston, Inc.,
Advice No. 2011-S4.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on December 6, 2011, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter, attached as Appendix A.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 6, 2011

REGULAR _____ CONSENT X EFFECTIVE DATE December 15, 2011

DATE: November 23, 2011

TO: Public Utility Commission

FROM: Steve Schue *SS*

THROUGH: *Lee, by JAC* Lee Sparling and *MEF* Maury Galbraith

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UE 243/Advice No. 2011-S4) Provides special contract arrangements between Portland General Electric and ConAgra Foods Lamb Weston, Inc., for steam.

STAFF RECOMMENDATION:

I recommend the Commission approve Portland General Electric Company's (PGE or Company) Advice No. 2011-S4 request that a new special contract go into effect with meter readings on or after December 15, 2011.

DISCUSSION:

Overview:

The OPUC received PGE's Advice No. 2011-S4 on October 20, 2011. This filing requests approval of a new five-year special contract, under which PGE's Coyote Springs natural gas-fired generating plant would provide steam to ConAgra Foods Lamb Weston, Inc. (ConAgra Foods), beginning December 15, 2011. The new contract replaces a similar agreement currently in place, and was filed in accordance with ORS 757.007. PGE asks that the Commission approve the new contract for the following reasons:

- 1) The contract is not discriminatory,
- 2) The revenue from steam sales to ConAgra Foods will cover relevant costs,
- 3) PGE customers are held harmless, and
- 4) The contract incorporates opportunity-cost pricing, i.e. the steam sales pricing is based on the market value of the electricity that would otherwise be produced.

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New Contract Elements:

Compared to the current agreement, the new contract does not change the base steam sale quantity. However, it does change two other provisions. First, the opportunity cost of foregone electricity revenues will be based on a flat Mid-Columbia (Mid-C) Index calculated by PGE, adjusted downwards for transmission costs and line losses. Opportunity cost in the current agreement is based on the on- and off-peak Mid-C prices, as well as transmission and distribution costs, associated with PGE Tariff Schedule 83. Second, PGE will be able to update operations and maintenance (O&M) costs on 30 days notice. Under the current agreement, O&M costs are updated annually.

Review:

Based on my review, I find that the assertions made by PGE are valid. The contract is non-discriminatory because agreements between PGE and all other steam customers have similar pricing structures. PGE customers are held harmless because revenues from the steam sales to ConAgra Foods will cover relevant costs. Most importantly, costs include the opportunity cost of foregone electricity revenues. This opportunity cost provision is consistent with the provisions of Order No. 01-489 in Docket UE 125. In addition, PGE has the ability to update O&M expenditures on 30 days notice. For these reasons, I conclude that the steam sale contract between PGE and ConAgra Foods is in the public interest.

PGE's request that the special contract go into effect with meter readings on or after December 15, 2011 requires a waiver of OAR 860-022-0032. Granting a waiver is appropriate because it would facilitate proper matching of costs and revenues under the new contractual provisions.

PROPOSED COMMISSION MOTION:

Pursuant to a waiver of OAR 860-022-0032, PGE's Advice No. 2011-S4 and the new special contract with ConAgra Foods go into effect with meter readings on or after December 15, 2011.