

ORDER NO. 12 183

ENTERED MAY 23 2012

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 252

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

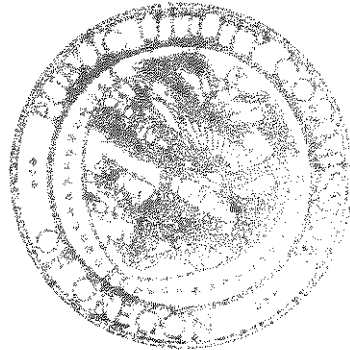
Steam Contract Between Portland General
Electric Company and JSH Farms, Inc.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on May 22, 2012, 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. CA8

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 22, 2012

REGULAR _____ CONSENT X EFFECTIVE DATE May 31, 2012

DATE: May 14, 2012

TO: Public Utility Commission

FROM: Steve Schue ^{SS}

THROUGH: Bryan Conway and Maury Galbraith ^{BAC MG}

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UE 252/Advice No. 2012-S1) Provides special contract arrangements between Portland General Electric and JSH Farms, Inc., for steam.

STAFF RECOMMENDATION:

I recommend the Commission approve Portland General Electric Company's (PGE or Company) Advice No. 2012-S1 request that a new special contract go into effect with meter readings on or after May 31, 2012.

DISCUSSION:

Overview:

The OPUC received PGE's Advice No. 2012-S1 on April 17, 2012. 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 JSH Farms, Inc. (JSH Farms), beginning May 31, 2012. 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 JSH Farms 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. Opportunity cost in the current agreement is tied to the market-based Schedule 83S (Large Commercial) quarterly pricing option on- and off-peak rates. 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 JSH Farms 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 JSH Farms is in the public interest.

PGE's request that the special contract go into effect with meter readings on or after May 31, 2012 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. 2012-S1 and the new special contract with JSH Farms go into effect with meter readings on or after May 31, 2012.