

ORDER NO. 16 271

ENTERED JUL 19 2016

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 231

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

First Amendment to Steam Contract between
PGE and Columbia River.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

This order memorializes our decision, made and effective at our July 19, 2016 Regular Public Meeting, to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

Dated this 19 day of July, 2016, at Salem, Oregon.

COMMISSIONER HARDIE WAS
UNAVAILABLE FOR SIGNATURE

Lisa D. Hardie
Chair




John Savage
Commissioner


Stephen M. Bloom
Commissioner

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 Circuit Court for Marion County in compliance with ORS 183.484.

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ITEM NO. 3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT

PUBLIC MEETING DATE: July 19, 2016

REGULAR X CONSENT EFFECTIVE DATE N/A

DATE: July 12, 2016

TO: Public Utility Commission

FROM: Max St. Brown^{MSB}

THROUGH: Jason Eisdorfer and Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UE 231) Extends the expiration date of the existing steam sale agreement between PGE and Columbia River Processing from August 1, 2016 to December 31, 2016.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve the application (Application) by Portland General Electric Company (PGE or Company) to extend the expiration date of their existing steam sales agreement with Columbia River Processing (CRP) from August 1, 2016 to December 31, 2016. Staff further recommends the Commission grant the Company's request for approval of the agreement without requiring 30 days' prior notice of the request (commonly known as a request for approval on "less than statutory notice" or LSN).

DISCUSSION:

Issue

Whether the Commission should approve PGE's application to extend the expiration date of their existing steam sale agreement with CRP.

Applicable law

ORS 757.005(1)(b)(E) exempts from regulation as a public utility the provision of heat, but not electricity, to a customer. CRP is located in the Port of Morrow, outside of PGE's electricity service territory, thus PGE's steam sales contract with CRP qualifies as the furnishing of heat, but not electricity, and therefore the service is exempt under ORS

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757.005(1)(b)(E). However, pursuant to ORS 757.007(1), persons that are otherwise exempt from regulation under ORS 757.005(1)(b)(E) must still file with the Commission their contracts, and schedules establishing rates, for the provision of heating services. In this manner, the Commission regulates steam sales contracts pursuant to ORS 757.007. Under this statute, the Commission may suspend the effective date of the contract for an additional period of not more than 120 days in order to determine the reasonableness of the contract, taking into consideration the services being provided, the costs and risks of service, the availability and costs of alternative forms of service and other reasonable considerations, including the impact of the contract on existing customers and on the public generally. ORS 757.007(2).

Discussion and Analysis

On July 7, 2016, PGE filed its Application with the Commission for approval to extend the expiration date of its existing steam sale agreement with CRP from August 1, 2016 to December 31, 2016. In its Application, PGE states that PGE and CRP "are working on the terms and conditions of a new steam sale agreement and require additional time to complete the negotiations."¹

Staff and PGE met in Salem on April 18, 2016, in order to discuss PGE's ideas on revising its steam sales contracts coming up for renewal. PGE indicates these changes include:

- Implementing a capacity charge to recover fixed costs;
- Splitting the variable steam charge into a Base Steam charge and Peak Steam charge; and
- Implementing a charge for excessive steam volume changes if the customer's Steam Block and control value is not operational.²

The last time the Commission reviewed the contract steam rates was in PGE Advice No. 2011-S2. In that advice filing, Staff reviewed the steam sale pricing calculation between PGE and CRP in order to determine if:

- The expected revenue was sufficient to cover relevant costs;
- The contract was non-discriminatory; and
- PGE's electric customers were held harmless.³

Staff notes that the PGE request is for a fairly short time period of several months at which time PGE will seek Commission approval for new effective rates.

¹ UE 231 7/7/16 Supplemental Application at 1.

² *Ibid.*

³ Staff Report for PGE Advice No. 2011-S2. June 30, 2011. Available at: <http://www.puc.state.or.us/meetings/pmemos/2011/070511/ca1.pdf>

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Conclusion

PGE's extension request is for a fairly short period of time. Further, PGE is actively working with Staff in regards to its steam sales contracts coming up for renewal. In addition, the PGE-CRP contract was previously approved by the Commission and it is currently in effect. For these reasons, Staff does not see a need at this time to conduct an in-depth investigation into the terms and rates of the PGE-CRP contract. Staff did generally review the contract terms and recently met with PGE's representatives to obtain answers to questions it had. Staff intends to conduct a more intensive analysis of PGE's steam sales contracts, using the ORS 757.007 criteria for "reasonableness," when the Company seeks to implement permanent changes to them, including its agreement with CRP. Under these circumstances, Staff believes it is reasonable to allow PGE additional time to negotiate changes to its steam sales contracts generally, including its contract with CRP.

Finally, Staff supports PGE's request including the request for less than statutory notice (LSN) for the same reasons: because PGE's extension request is for a fairly short period of time and because the Company is actively working with Staff with regards to its steam sales contracts coming up for renewal.

PROPOSED COMMISSION MOTION:

Approve, with LSN, PGE's request to extend the expiration date of its existing steam sale agreement with Columbia River Processing from August 1, 2016 to December 31, 2016.