

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1443

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Investigation to Determine if PORTLAND
GENERAL ELECTRIC's Rate Revision Has
Been Consistent With the Methodologies and
Calculations Required by Order No. 05-584

ORDER

**DISPOSITION: UPDATED AVOIDED COST RATES AFFIRMED;
DOCKET CLOSED**

I. INTRODUCTION

The Public Utility Commission of Oregon (Commission) opened this investigation to determine whether the avoided cost filing made by Portland General Electric Company (PGE) is consistent with the methodologies and calculations required by Order No. 05-584. We find that the filing is consistent with the requirements of Order No. 05-584. We therefore order this docket closed.

II. PROCEDURAL HISTORY

On January 20, 2004, the Commission opened Docket UM 1129 to consider policies regarding electric utility purchases from qualifying facilities (QFs) under the Public Utility Regulatory Policies Act (PURPA). On May 13, 2005, the Commission entered Order No. 05-584 addressing issues related to the standard contract terms and conditions for QFs, including the calculation of avoided costs.

Pursuant to the directive in Order No. 05-584 and in compliance with OAR 860-029-0080(8) PGE filed Advice No. 09-16 on July 10, 2009, requesting to revise Schedule 201, Qualifying Facilities 10 MW or Less, Avoided Cost Power Purchase Information. On August 20, 2009, Commission Staff issued a Staff Report recommending that the Commission approve PGE's Advice No. 09-16, allowing the updated rates in Schedule 201 to become effective August 26, 2009, and open an expedited investigation into the new rates. The Industrial Customers of Northwest Utilities (ICNU) also requested that

the Commission conduct an investigation and hearing into whether the rate revisions proposed were fair, just and reasonable before the new rates became effective. A number of QF facilities joined ICNU in requesting suspension and an investigation and hearing.

On September 8, 2009, at a Public Meeting, the Commission approved PGE's Advice No. 09-16, subject to an investigation into the filing's consistency with the methodologies and calculations required by Order No. 05-584. A prehearing conference was held on September 16, 2009. ICNU, the Community Renewable Energy Association (CREA), the Oregon Department of Energy (ODOE), and PacifiCorp dba Pacific Power intervened in the docket, and a schedule was adopted. PGE, ICNU and Commission Staff filed testimony, and PGE and ODOE filed opening briefs.¹

III. DISCUSSION

A. Scope of Hearing

In a prehearing conference memorandum issued on September 17, 2009, an administrative law judge expressly limited this docket to an investigation to determine whether PGE's filing was consistent with the methodologies and calculations required by Order No. 05-584. Testimony and briefs concerning the underlying validity of Order No. 05-584 are beyond the scope of this investigation, and are not addressed in this order.

B. Compliance with the Requirements of Commission Order No. 05-584

In Order No. 05-584, the Commission readdressed how avoided costs should be calculated to accurately estimate the incremental costs incurred by a utility to obtain power from a QF. The Commission reaffirmed that the calculation of avoided costs should be differentiated to reflect whether a utility is in a resource deficiency or resource sufficiency period.² For PGE, when the Company is resource deficient, the Commission reaffirmed use of the methodology historically used in Oregon to calculate avoided cost rates when a utility is in a resource deficient position.³ Under this methodology, avoided cost rates reflect the variable and fixed costs of a combined cycle combustion turbine (CCCT).⁴ When PGE is in a resource-sufficient position, the Commission determined that avoided cost would be valued based on monthly on- and off-peak, forward market prices as of the avoided cost filing.⁵

¹ The Commission also opened a separate docket, UM 1442, to similarly investigate the avoided cost filing made by Pacific Power in Advice No. 09-012. A prehearing conference memorandum issued on September 17, 2009, addressed both this docket and UM 1442, but indicated that the dockets would proceed independently.

² Order No. 05-584, p. 27.

³ *Id.* at 27-29.

⁴ *Id.*

⁵ *Id.*

1. Parties' Positions

PGE filed an opening brief and direct and reply testimony from Doug Kuns. Mr. Kuns' testimony described the methodology, inputs and calculations used to establish the avoided cost prices in PGE's Schedule 201. The testimony stated that the methodologies from Commission Order No. 05-584 were followed, the proper inputs were used, and the calculations involved were accurate.

Staff filed opening and rebuttal testimony from Ed Durrenberger. Mr. Durrenberger analyzed whether PGE used the methods described in Order No. 05-584, if the inputs used to calculate the rate were appropriate and if the conclusion reached accurately reflected the rate that had been filed and was consistent with previous similar avoided cost rate updates that the company has made and that the Commission adopted under the same methodologies. Mr. Durrenberger found that although a decrease in avoided cost rates caught many parties in the docket by surprise, the timing of the rate filing was consistent with the requirements in the order and the methods PGE used to price avoided costs complied with the order.

ODOE submitted an opening brief. ODOE noted that PGE complied with the existing process for avoided cost rate filing, but that recent market events may require a fresh look at the methodology to assure current and future QFs of a stable and predictable financial environment. ODOE stated that it supported the opening of a separate and generic investigation into the avoided cost rate determination process.

ICNU filed opening testimony from Randall J. Falkenberg. Mr. Falkenberg's testimony noted that because the scope of this docket was narrowed to whether PGE's filing was consistent with the Commission's avoided cost methodology, ICNU believed the narrowed scope did not permit a full investigation into the accuracy of the avoided cost rate filed by PGE. Mr. Falkenberg stated that ICNU continues to believe that the methodology used in computing avoided cost rates is inaccurate and results in less than full avoided costs, and remains concerned about the fact that PGE continues to acquire new capacity and energy resources, but continues to base its short-term avoided costs on costs less than the full per unit cost of these new resources.

2. Resolution

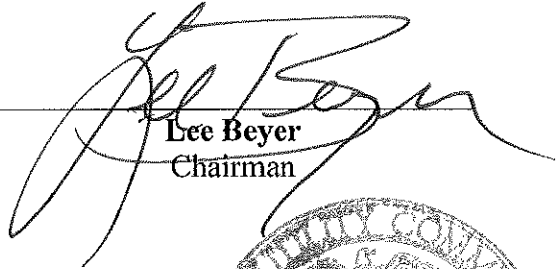
This investigation was opened to determine whether PGE's Advice No. 09-16 is consistent with the methodologies and calculations required by Order No. 05-584. After reviewing the parties' testimony and briefs, we find that no evidence was submitted to contest the finding that Advice No. 09-16 complies with the requirements of Order No. 05-584. The parties' testimony and briefs did not raise any substantive issues regarding the accuracy of the rates. Consequently, we affirm the validity of the updated avoided cost rates, and close this docket.

III. ORDER

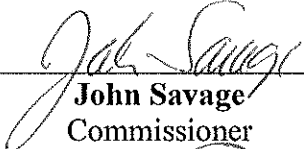
IT IS ORDERED that:

1. Updated avoided cost rates set forth in Advice No. 09-16 are affirmed; and
2. Docket UM 1443 is closed.


Made, entered, and effective _____.



Lee Beyer
Chairman



John Savage
Commissioner



Ray Baum
Commissioner



A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.