

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 20, 2001**

REGULAR AGENDA _ CONSENT AGENDA X EFFECTIVE DATE April 1, 2001

DATE: March 5, 2001
TO: Phil Nyegaard through Lee Sparling and Jack Breen III
FROM: Bill McNamee
SUBJECT: Portland General Electric -- Avoided cost filing to reflect second quarter 2001 decremental power costs

SUMMARY RECOMMENDATION

I recommend approval of Portland General Electric (PGE) Company's second quarter 2001 avoided energy cost filing.

DISCUSSION

OAR 860-29-0080(4) requires electric utilities to submit quarterly filings of avoidable energy costs. The OPUC received PGE's second quarter (*April, May, June*) 2001 avoided cost filing on February 15, 2001.

The quarterly avoided cost filing represents the price PGE will pay a PURPA qualifying facility (QF) for non-firm electric power. During the second quarter of 2001, PGE expects that the Ogden Martin solid waste facility in Brooks, Oregon, may receive payments based on quarterly avoided costs. The PGE contract with this facility states that energy delivered in excess of 110 percent of scheduled delivery will be purchased at the non-firm rate. Ogden Martin is likely to deliver excess power during the 2001 second quarter.

PGE's second quarter energy cost estimate is 30.77 cents per kWh for on-peak power and 27.55 cents per kWh for off-peak power. These values were developed from PGE's most recent forward market price curves. PGE states that its second quarter energy cost estimates reflect strong regional load growth, poor hydro conditions, and California's unstable electricity marketplace.

PGE is continually monitoring its market price predictions with actual market results. The predicted 2001 second quarter decremental power costs are substantially higher than what has been experienced in recent years. Therefore, PGE has agreed to provide Staff with a comparison of its actual 2001 second quarter power costs to the values predicted in this quarterly avoided cost filing.¹

¹ This information will be provided no later than July 31, 2001.

Phil Nyegaard
March 5, 2001
Page 2

STAFF RECOMMENDATION

I have reviewed the PGE filing and determined that the quarterly avoided cost values are a reasonable estimate of PGE's avoidable energy costs for the second quarter of 2001. I recommend approval of PGE's second quarter 2001 avoided energy cost filing.

PGE's Second Quarter 2001 Avoided Costs/March 20, 2001