

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 9, 2001**

REGULAR	X	CONSENT	EFFECTIVE DATE	October 13, 2001
	T			

DATE: October 3, 2001

TO: Phil Nyegaard through Lee Sparling and Jack Breen III

FROM: Bill McNamee

SUBJECT: Portland General Electric Company (Advice 2001-S5) – Requests approval of an extension of an existing steam sale contract between PGE and Logan International, Ltd., from October 13, 2001, through December 13, 2001.

SUMMARY RECOMMENDATION

I recommend that the Commission allow, with the conditions listed in the Staff Recommendation, Portland General Electric (*PGE*) Company's Advice No. 2001-S5 to go into effect on October 13, 2001, with less than statutory notice.

DISCUSSION

On October 3, 2001, PGE filed Advice No. 2001-S5 per ORS 757.005, ORS 757.007, and ORS 757.009. The filing is a request for an extension through December 13, 2001, of an existing steam sale contract between PGE and Logan International, Ltd. (*Logan*). Without the extension the contract will terminate on October 13, 2001.

Logan is a potato processor located at the Port of Morrow. The Logan facility uses approximately 25,000 pounds of steam per hour for 75 to 85 percent of the year.

The Logan steam sale contract, which has been in effect since October 12, 1996, is the first steam sale executed by PGE's Coyote Springs gas-fired generation plant. This contract was not subject to OPUC review and approval because ORS 757.005(b)(G) exempts from Commission regulation a sale that involves "furnishing heat to a single thermal end user from an electric generating facility, plant or equipment that is physically interconnected with the single thermal end user."

Phil Nyegaard
October 3, 2001
Page 2

PGE's Coyote Springs plant now has several steam sale customers. Therefore, the execution of a new PGE/Logan contract for steam sales beyond October 12, 2001, is subject to OPUC review and approval. PGE and Logan, however, have not been able to complete negotiations and finalize a new contract. Therefore, in order to provide time to complete negotiations, PGE is requesting that the Commission allow the current (October 12, 1996) steam sale contract to remain in effect through December 13, 2001.

STAFF RECOMMENDATION

At its June 15, 2001, public meeting the Commission approved a steam sale contract between PGE and Columbia River Processing (*Columbia*), a cheese processing facility located at the Port of Morrow (see *Advice No. 2001-S1*). Steam sale pricing was a major issue in the Staff review of the Columbia contract. The Staff review identified that the Logan contract would be terminating in the Fall of 2001. To address price discrimination concerns regarding future steam sale contracts, PGE agreed to incorporate the Columbia contract's pricing formulation into the renewal of the Logan contract.

It is Staff's understanding that Logan is still considering whether or not to sign a new steam sale contract which PGE has offered. The new contract offered by PGE correctly includes the Columbia pricing formulation.

There appears to be two alternatives for OPUC action: (1) Disallow the requested extension of the existing contract. With this alternative PGE would be legally required to cease steam deliveries to Logan upon contract termination (October 13, 2001); or (2) Allow the extension of the existing contract through December 13, 2001.

Based upon my review, I do not believe that PGE's other customers would be harmed by a short-term extension of the existing Logan steam sale contract. Therefore, I recommend that the Commission allow the requested extension with the following conditions: (1) No subsequent extensions will be approved; (2) The parties must submit a finalized contract for OPUC review and approval no later than November 9, 2001; (3) The finalized contract should include the Columbia contract's pricing formulation; and, (4) Unless a new contract receives Commission approval prior to December 13, 2001, PGE will be required to cease steam deliveries to Logan on December 14, 2001.

I recommend that the Commission allow PGE Advice No. 2001-S5 to go into effect, with the above listed conditions, on October 13, 2001, with less than statutory notice.

October 9, 2001/PGE 2001-S5