

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2003**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2004

DATE: December 8, 2003

TO: Lee Sparling through Ed Busch and Jack Breen III

FROM: Bill McNamee

SUBJECT: PORTLAND GENERAL ELECTRIC: Updates the company's avoided cost information for the first quarter 2004.

STAFF RECOMMENDATION:

I recommend approval of Portland General Electric (PGE) Company's first quarter 2004 avoided energy cost filing.

DISCUSSION:

OAR 860-029-0080(4) requires electric utilities contracting to buy non-firm power from a PURPA qualifying facility (QF) to submit quarterly filings of avoidable energy costs. PGE is the only one of Oregon's three investor-owned electric utilities with such a contract.¹

The OPUC received PGE's first quarter (*January, February, March*) 2004 avoided energy cost filing on November 17, 2003. The quarterly avoided cost filing represents the price PGE will pay for non-firm electric power. During the first quarter of 2004, PGE expects that the Covanta Marion 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. Covanta Marion is likely to deliver excess power during the 2004 first quarter.

PGE's first quarter energy cost estimates are 4.33 cents per kWh for on-peak power and 3.71 cents per kWh for off-peak power. These values are comparable to the fourth quarter 2003 estimates of 4.89 cents per kWh for on-peak power and 4.05 cents per

¹ Oregon PURPA Statutes (ORS 758.505 to 758.555) and Rules (OAR Division 29) do not apply to public utilities that satisfy public purpose obligations under ORS 757.612. Although PGE is no longer subject to Oregon PURPA statutes and rules, because of QF contract terms with Covanta Marion the Company has agreed to continue to file quarterly avoided cost information.

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kWh for off-peak power. PGE's energy cost estimates were developed from the Company's most recent forward market price curves. PGE indicates that the first quarter 2004 energy cost estimates reflect a slow regional economy and below normal water conditions.

PROPOSED COMMISSION MOTION:

Portland General Electric Company's First Quarter 2004 Avoided Cost filing be allowed to go into effect on January 1, 2004.