

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 22, 2005**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE**  April 1, 2005

**DATE:** March 10, 2005

**TO:** Public Utility Commission

**FROM:** Bill McNamee

**THROUGH:** Lee Sparling, Ed Busch and Jack Breen III

**SUBJECT:** PORTLAND GENERAL ELECTRIC: Updates the company's avoided cost information for the second quarter 2005.

**STAFF RECOMMENDATION:**

I recommend approval of Portland General Electric (PGE) Company's second quarter 2005 avoided energy cost filing.

**DISCUSSION:**

OAR 860-029-0080(4) requires electric utilities contracting to buy non-firm power from a Public Utility Regulatory Policies Act (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.<sup>1</sup>

The quarterly avoided cost filing represents the price PGE will pay for non-firm electric power. During the second quarter of 2005, 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 2005 second quarter.

The Oregon Public Utility Commission (OPUC) received PGE's second quarter (*April, May, June*) 2005 avoided energy cost filing on February 14, 2005. Based on discussions with Staff regarding the region's worsening water conditions, PGE

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<sup>1</sup> 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.

submitted updated second quarter avoided cost estimates on March 10, 2005. The revised estimates are approximately 1 cent per kWh higher than the original February estimates.

PGE's updated second quarter energy cost estimates are 6.20 cents per kWh for on-peak power and 5.39 cents per kWh for off-peak power. These values are comparable with the first quarter 2005 estimates of 6.03 cents per kWh for on-peak power and 5.35 cents per kWh for off-peak power. PGE's energy cost estimates were developed from the Company's most recent forward market price curves. The updated second quarter 2005 energy cost estimates reflect poor water conditions, an improving regional economy, and high gas prices.

**PROPOSED COMMISSION MOTION:**

Portland General Electric Company's second quarter 2005 avoided cost filing be allowed to go into effect on April 1, 2005.