

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 20, 2005

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2006

DATE: December 7, 2005

TO: Public Utility Commission

FROM: Bill McNamee

THROUGH: Lee Sparling, Ed Busch and Bonnie Tatom

SUBJECT: PORTLAND GENERAL ELECTRIC: Updates the company's avoided cost information for the first quarter 2006.

STAFF RECOMMENDATION:

I recommend approval of Portland General Electric (PGE) Company's first quarter 2006 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.¹

The quarterly avoided cost filing represents the price PGE will pay for non-firm electric power. During the first quarter of 2006, 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 2006 first quarter.

The Oregon Public Utility Commission (OPUC) received PGE's first quarter (*January, February, March*) 2006 avoided energy cost filing on November 14, 2005.

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.

PGE's updated first quarter energy cost estimates are 8.30 cents per kWh for on-peak power and 7.32 cents per kWh for off-peak power. These values are comparable with the fourth quarter 2005 estimates of 7.65 cents per kWh for on-peak power and 6.44 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 first quarter 2006 energy cost estimates reflect an improving regional economy, high gas prices, and below normal water conditions.

PROPOSED COMMISSION MOTION:

Portland General Electric Company's first quarter 2006 avoided cost filing be allowed to go into effect on January 1, 2006.