

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2007**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2008

DATE: December 6, 2007

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 2008.

STAFF RECOMMENDATION:

I recommend approval of Portland General Electric (PGE) Company's first quarter 2008 avoided energy cost filing.

DISCUSSION:

Oregon Administrative Rule 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.

The quarterly avoided cost filing represents the price PGE will pay for non-firm electric power. During the first quarter of 2008, 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 2008 first quarter.

The Oregon Public Utility Commission received PGE's first quarter (*January, February, March*) 2008 avoided energy cost filing on November 16, 2007. PGE's updated first quarter energy cost estimates are 6.62 cents per kWh for on-peak power and 5.84 cents per kWh for off-peak power. These values are comparable with the fourth quarter 2007 estimates of 6.80 cents per kWh for on-peak power and 5.95 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 2008 energy cost estimates reflect average hydro conditions for the Pacific Northwest. In addition, PGE's forward market price curves include long-term upward trends for power and natural gas prices.

PROPOSED COMMISSION MOTION:

Portland General Electric Company's first quarter 2008 avoided cost filing be allowed to go into effect on January 1, 2008.