

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: September 23, 2008**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE**  October 1, 2008

**DATE:** September 16, 2008

**TO:** Public Utility Commission

**FROM:** Kelcey Brown

**THROUGH:** Lee Sparling, Ed Busch and Bonnie Tatom

**SUBJECT:** PORTLAND GENERAL ELECTRIC: Updates the company's avoided cost information for the fourth quarter 2008.

**STAFF RECOMMENDATION:**

I recommend approval of Portland General Electric (PGE) Company's fourth quarter 2008 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.

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

The Public Utility Commission of Oregon (OPUC) received PGE's fourth quarter (*October, November, December*) 2008 avoided energy cost filing on August 15, 2008. PGE's fourth quarter energy cost estimates are 7.541 cents per kWh for on-peak power and 6.704 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 fourth quarter 2008 energy cost estimates are -32% and -20% lower than PGE's third quarter

2008 cost energy cost estimates for on-and off-peak power, respectively. This decrease is consistent with past PGE filings for fourth quarter avoided energy cost estimates.

The present fourth quarter estimates are an increase over the previous fourth quarter estimates by 11% and 13%, respectively. PGE attributes this growth in forecasted energy cost estimates, over the previous year, to its observed and forecasted increase in natural gas prices.

**PROPOSED COMMISSION MOTION:**

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