

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC48

In the Matter of)	WRA RESPONSE TO PGE’S
)	REPLY COMMENTS
PORTLAND GENERAL ELECTRIC)	
)	
2009 Integrated Resource Plan)	

The Willard Rural Association (“WRA”) thanks the Oregon Public Utility Commission (“PUC”) for the opportunity to comment on the Cascade Crossing portion of PGE’s 2009 Integrated Resource Plan (“IRP”).

In another IRP docket, the PUC’s staff recently recommended that the PUC acknowledge Idaho Power’s plan to build a transmission line between Boardman and Idaho (“Boardman to Hemingway” or “B2H”). The PUC’s staff found that Idaho Power demonstrated that historical electrical energy consumption in Idaho Power’s service territory has been growing for years. Idaho Power also identified large business customers who were indicating near-term need for more electricity. Finally, the B2H line is intended to serve the Boise area – which is a major market for Idaho Power.

Contrasting the present docket to the Idaho Power matter, as PUC statistics reflect, PGE must necessarily admit that historical electrical energy consumption in PGE’s service territory has been a flat line since 1998. PGE also must admit that its peak load within its service territory has not exceeded the record set in 1998 – twelve years ago. These are strong factors that indicate there is no present need to build a large power line into Salem.

Also, unlike Idaho Power, PGE submitted no evidence that it has large business customers (or any customers, for that matter) who are presently indicating they will need to use more electricity in the near term. In fact, all things point in the opposite direction, particularly with PGE’s industrial customers.¹

PGE has no real market in Salem compared to the Portland metro area. Therefore, unlike the Idaho Power situation, PGE wants to build a transmission line that terminates in an area that does not represent the bulk of its existing service territory.

PGE’s sole argument in response is: “In short, focusing only on PGE’s load growth history over the last decade is not a sound basis for forecasting future results”

¹ PGE does indicate that it may have connection requests from power generating sources (discussed later). However, if this representation is legitimate, these sources only put power on a line upstream of the end user – which means little, unless there are new consumers or businesses flipping electric switches in the Willamette Valley.

(PGE's reply comments, page 25). Recent load growth history is one of the few things that involve known facts and no speculation. PGE needs to provide a believable explanation as to why historically flat electrical consumption will suddenly ramp up from this point in time going forward – which PGE has not done.

PGE is already overstating near-term forecasts concerning load growth. In PGE's most recent rate case, PGE senior level management predicted short-term *declines* in energy consumption and energy sales in PGE's service area from where they are now. PGE's senior management also regularly informs investors that energy consumption is flat in Oregon.

It is true there are economic factors that have caused less electrical consumption in Oregon in recent years, but there have also been strong energy efficiency measures in Oregon, along with movement toward a less energy intensive economy. No one is going to believe what PGE is suggesting – i.e., there has been no growth in power consumption because Oregon has been in a perpetual economic recession since 1998.

When load growth begins to trend upwardly in PGE's service territory, as reflected by actual statistics, then at that point in time PGE may have evidence for showing a need for more power lines, assuming BPA does not provide the lowest transmission costs. But when there has been no real growth in energy consumption in Oregon for over a decade, PGE cannot play on fear and argue that transmission line capacity is suddenly reaching a crisis.

Next, if PGE had any reliable data or evidence demonstrating that the consumers who pay the bills will be better off if PGE self-builds the Cascade Crossing, as opposed to using BPA transmission lines, then surely PGE could make a clear case for it. Instead, PGE's own cost-benefit analysis in the IRP indicates that a self-build is a bad deal for Oregon rate payers in 60% of PGE's scenarios and close to break-even in the other 40%, if all of PGE's assumptions are accepted.²

Last year, according to FERC statistics, PGE paid BPA about \$65 million for use of BPA's transmission lines. PGE reports in the IRP that BPA currently handles something in the neighborhood of about 2/3 of its total transmission requirements. The real question is this: How much of \$65 million in annual cost is saved if the Cascade

² PGE did not respond to concerns about PGE's low estimates of right-of-way acquisition costs. PGE is short-sighted if it believes it can acquire a new 220 mile right-of-way for \$40.3 million dollars. PGE was asked to recalculate its assumptions based on doubling or tripling that estimate. If right-of-way cost is doubled, the project is at the point where it does not make financial sense for Oregon rate payers under any PGE scenario, even with PGE's assumptions and PacifiCorp's participation. PGE has no idea about land use issues or the net present value of lost income streams that are being generated from agricultural lands in east Marion County alone. If PGE attempts to build this project in east Marion County it is likely to result in record compensation awards to local land owners.

Crossing is built? PGE's current payments to BPA will need to be reduced significantly as a result of building the Cascade Crossing in order to justify financing a project of this size. It should not be a close question – PGE needs to clearly establish Oregonians will get a better deal if PGE builds the project.

PGE has not been candid about the cost of Willamette Valley upgrades. In response to a data request, PGE indicated that it had no information concerning the cost of transmission line upgrades needed to carry power to Oregon City from Salem. In response to another data request, PGE indicated it had not analyzed this issue before the IRP was filed. Now it is saying that it actually included some of the cost attributable to Willamette Valley upgrades in its estimate of the total cost of the Cascade Crossing. It remains unclear whether PGE is addressing the new 40 mile line it is presently telling the Oregon DOE that PGE wants to build between the Bethel substation and Oregon City or whether PGE is simply referring to the costs of upgrading the Bethel substation or upgrading connections between Bethel and the city of Salem. The copper in the wires needed for the Salem to Oregon City leg will cost more than what PGE is now stating it allocated to Willamette Valley upgrades.

During a June 7 workshop, PGE did concede that most of PGE's market is in the Portland metropolitan area and not Salem. However, at that time, PGE told the PUC that the need to incur the added cost of upgrading the line from Bethel to Oregon City is uncertain. Months earlier, PGE was sending letters to residents in east Marion County (and holding open houses) telling them the Bethel to Oregon City line would need to be built. On June 30, PGE was in Oregon City telling locals that the Bethel to Oregon City leg needed to be built. The ongoing pattern of shifting positions between what is said inside and outside PUC walls taints PGE and the review process itself.

PGE's latest assertion is that third parties are clamoring to put power generation resources on the Cascade Crossing. PGE now asserts, apparently for the first time, that it is in "receipt of requests to interconnect 2292.4 MW of winter generator capacity to Cascade Crossing." And PGE suggests that the parties requesting the connections are very serious about it - because PGE requires a \$10,000 fee to study the feasibility of each connection request (Reply comments page 20).

Unless PGE neglected to mention it in the IRP due to oversight, inside the space of 10 months PGE suddenly received a series of "new" interconnection requests for a power line that will not be built for another 5 years (according to PGE's estimates). The sheer size of the number is absurd if one considers that the amount of transmission capacity allegedly requested (2292.4 MW) for a line that terminates in Salem is approximately equal to the *total* average load for *all* of PGE's customers in the state today.

PGE also argues that these new requests justify building a double-circuit line into Salem over a single-circuit line because a single-circuit line is incapable of carrying a load of such magnitude. It is interesting because PGE's memorandum of understanding (MOU) with PacifiCorp (which is publically available) states that PacifiCorp intends to

use 600 MW of the double-circuit line's capacity. If these alleged new requests are legitimate, PacifiCorp's share of the line will not leave enough for PGE to handle all the new connection requests, even with the upgrade to double-circuit. Presumably, someone will now say the Cascade Crossing is not enough and a second line will be needed into Salem.

It is also interesting that PGE is not paying attention to what the "new" sources of generation are telling the Oregon DOE about interconnections. Here is a summary from DOE's current queue:

- Antelope Ridge (300 MW peak (wind)): "The Facility is expected to be interconnected to the **Bonneville Power Administration's (BPA) transmission system....**" See NOI at B-1 (www.oregon.gov/ENERGY/SITING).
- Baseline Wind Energy Facility (500 MW peak (wind)): "Electrical power from the proposed Facility will interconnect to the proposed Diamond Butte Substation and existing **Bonneville Power Administration's (BPA) Ash-Marion 500 kilovolt (kV) transmission line.** See NOI at B-1 (www.oregon.gov/ENERGY/SITING).
- McCarty (PGE's own natural gas generating station): "PGE is evaluating two Transmission Line Options; Option 1 is the preferred option and would utilize the **existing 500-kV Boardman to Slatt transmission line....**" See NOI at B 2-3 (www.oregon.gov/ENERGY/SITING).
- Montague Wind Power Facility (404 MW peak (wind)): "The Facility will interconnect to the existing 500-kilovolt (kV) **Bonneville Power Administration (BPA) Slatt-Buckley transmission line** at the Slatt Interconnection substation (Slatt substation)...." See NOI at B-1 (www.oregon.gov/ENERGY/SITING).
- Klamath Falls Bioenergy (35 MW) "The generated power will be transmitted to the power purchaser via the **PacifiCorp transmission system.**" See NOI at B-1 (www.oregon.gov/ENERGY/SITING).
- Saddle Butte Wind Park (564 MW (wind)): "The facility will interconnect to the **Federal Columbia River Transmission System at the Bonneville Power Administration's 230kV/500kV substation** located adjacent to its Slatt Switching Station. See NOI at Ex. B (www.oregon.gov/ENERGY/SITING).
- Summit Ridge Wind (200 MW (wind)): "The Facility is expected to be interconnected to the 230 kV **Bonneville Power Administration (BPA) Big Eddy to Maupin-Redmond transmission line....**" See NOI at B-1 (www.oregon.gov/ENERGY/SITING).

PGE concedes that the IRP did not disclose to the PUC that BPA has nearly completed a major power line in eastern Oregon for the purpose of addressing the above wind power interconnections. Now, PGE states that the new line stops at “John Day,” as if it is meaningful. There is plenty of transmission line capacity in the leg west from the new line into the Portland metropolitan area, and PGE knows it.

In June of this year, PGE gave notice that its PGE to Bethel [Salem] and PGE to Gresham posted transmission paths on OASIS would be deactivated (under “open access”). PGE stated, “Transmission service has never been requested on these paths nor have schedules ever been transacted.” Also, in June, FERC assessed a \$375,000 civil penalty against PGE for underreporting the actual amount of available transmission capacity it currently has on PGE-owned lines that were supposed to be made available for “open access.” PGE was under reporting available transmission capacity for the purpose of favoring its own wholesale merchant affiliate, PGEM.

All of the above things point to both lack of need and lack of candor. While many parties are concerned about the cost of closing Boardman, the PUC needs to recognize that the Cascade Crossing is the single largest capital cost project set forth in the IRP. The costs attributable to all the Boardman scenarios do not appear to come close to the cost of the Cascade Crossing and the rate increases it will cause.

The PUC held a single workshop concerning the Cascade Crossing with practically no advance public notice. What the PUC needs to do here is refuse to acknowledge the Cascade Crossing in the present docket proceeding. Let PGE come back in its next round of planning, in two years, and present better and more concise information in the next IRP about the actual need for this project - and give the public the same opportunity to contribute to the process as the current Boardman issue. With all due respect, the PUC will do the public a grave disservice if it acknowledges the need for the Cascade Crossing project on the basis of the information PGE has provided in this IRP docket.

DATED this 1st day of September 2010.



Bruce A. Kaser
Willard Rural Association
P.O. Box 958
Silverton, OR 97381-0958
brucekaser@comcast.net