

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 196

In the Matter of)	
)	THE CITIZENS' UTILITY BOARD
PORTLAND GENERAL ELECTRIC,)	OF OREGON'S REPLY IN
)	SUPPORT OF STAFF'S MOTION TO
Application to Amortize the Boardman)	HOLD MATTER IN ABEYANCE
Deferral.)	
_____)	

I. Introduction

The Citizen's Utility Board supports Staff's Motion to Hold Matter in Abeyance. CUB has independently contemplated such a filing. We will not restate the case made in Staff's motion to hold UE 196 in abeyance pending the outcome of a circuit court case concerning the same underlying facts, Turlock Irrigation District v. Portland General Electric (Multnomah County Circuit Court Case No. 0710-12156). Instead, we will set out three points the Commission may want to consider and may lead it to conclude that the best course of action is to stay this proceeding, and to see what additional facts the separate investigation may uncover.

II. Lack of documentation of a major investment decision

CUB's Surrebuttal Testimony has already set out how frustrating this case was in that information recording the decision-making process inside of PGE was so difficult to

acquire. CUB wanted to know how PGE came to invest in turbines at Boardman that represented a new technology. Frankly, we did not receive the kind of quality information through discovery that we expected. The deeper our review went, the more it felt as though something were not quite right. Take this, somewhat lengthy, excerpt from our Surrebuttal Testimony (CUB/200/Jenks/5-7, footnotes omitted).

BEGIN EXCERPT

B. PGE's Record Of Its Analysis Does Not Establish Prudence

PGE's minimal record documenting the Company's major decision at Boardman does not carry the burden of proof necessary to establish prudence in this case.

i. A Few Pages Of Financial Calculations Do Not Constitute An Analysis

The documentation of PGE's analysis that the Company has provided demonstrates only a cursory financial analysis and no meaningful technical analysis. In CUB's Reply Testimony, we state:

In our testimony we are relying on the complete set of responses provided by PGE. In response to CUB data requests for project analyses, PGE provides a paucity of documentation. PGE provided a summary of the analysis in response to CUB DR 7(b). PGE provides only one document in response to DR 7(c) [CUB Exhibit 106], as it objects to the broad nature of the question. The question we asked pertains directly to the analysis PGE undertook to examine the risks of this investment; in the prudence phase of this docket, this is the most germane and pertinent question. If PGE will not or cannot provide evidence of its risk analysis in a prudence proceeding, it must live with the record as it stands

UE 196 CUB/100/Jenks/5/footnote 13.

CUB Exhibits 105 and 106 provide PGE's response to CUB's initial request for PGE's documentation of the Company's analysis justifying its decision to proceed with the installation at Boardman. We further pressed the Company for information and documentation after filing our Reply Testimony, specifically in CUB data requests 17

and 18, but have received little more than what was originally provided. Apparently, this is not a concern to PGE, as it states its comfort with the one-page summary of its analysis to proceed with such a major undertaking that involved experimental components:

CUB Exhibit [105] accurately summarized the rationale behind PGE's decision to upgrade to more efficient, cost-saving turbine technology.

UE 196 PGE/300/Quennoz/7.

ii. CUB Data Request 7

In CUB data request 7, we asked PGE for:

- 7(b) Please provide the analysis (including any feasibility studies) which PGE relied upon for its decision to proceed with these upgrades; and
- 7(c) Please provide copies of any analyses that was provided to Enron management and/or the PGE Board of Directors regarding this upgrade.

In response to requests for what we consider to be significant documentation of a major decision, PGE provided, in response to 7(b) and 7(c), six pages of documentation, one of which contained signatures and one of which contained definitions. These responses are provided as CUB Exhibits 105 and 106. In response to a request for “the analysis (including any feasibility studies) which PGE relied upon for its decision to proceed with these upgrades,” PGE provided four pages of documentation.

iii. CUB Data Requests 17 & 18

In CUB data requests 17 and 18, we again asked PGE to demonstrate the analysis the Company undertook when deciding to proceed with an installation involving experimental components at Boardman:

Excerpt from CUB 17: If, in fact, there are additional analyses of any sort that underlie the summaries offered in response to CUB DR 007, please provide them. Asked in the parlance of PGE's Rebuttal Testimony, please provide all due diligence documentation that PGE conducted relating to these turbine upgrades.

Excerpt from CUB 18: Please provide all documentation relating to PGE’s consideration of the turbine blades and shafts that were used in the upgrade. Please describe the process by which PGE conducted due diligence regarding these components.

The Company’s responses to these requests were, likewise, underwhelming.

Though more voluminous, the substantive content was equally deficient. Excerpts of PGE’s response to CUB data request 17 are included as CUB Exhibit 202, and the Company’s response to CUB data request 18 is included as CUB Exhibit 203.

iv. PGE Failed To Maintain Important Records

In PGE’s responses to CUB data requests 17 and 18, the Company informs us that “The analysis supporting PGE’s decision to upgrade the low pressure turbines at Boardman took place approximately 10 years ago. PGE does not generally archive files from that long ago,” and “[r]elevant documents would be approximately 10 years old. In the general course of business, PGE does not retain documents that are that old.” Boardman is a major generating unit, and the “section of turbine shaft that cracked had a normal service life of 30 years. We are not sure what PGE means by “the general course of business.” However, it doesn’t seem unreasonable to us for a homeowner to maintain all documentation related to the purchase, the loan, the house inspector’s report, and any modifications to the property for the duration of ownership, and for a period beyond for tax and liability purposes.

END EXCERPT

CUB’s Testimony continues for another three pages maligning the lack of information available to CUB to form conclusions about the prudence of the Company’s actions. It is interesting to note that, despite the fact that PGE was unable to deliver financial and technical analyses that would document the major decision to invest in new

turbines at Boardman, at cross-examination, Stephen Quennoz discussed at length the several year collaboration between PGE and Siemens-Westinghouse that led to the new turbine technology.

III. Lack of clarity in turbine operations

Another major issue in the case relates to the operation of the new turbines, which may or may not have contributed to the outages in question. This issue is highly complex and requires extremely sophisticated operations and maintenance analysis. It is safe to say that none of the parties, other than PGE, have people on staff qualified to perform such an analysis.

As the case progressed and curious elements of the case came to light, ICNU did hire an expert witness to study the root cause analyses. Yet, due to time and budget constraints, this review was largely limited to a top-down review of the analyses provided by PGE, some of which were conducted by parties who themselves may have financial exposure as a result of the outage. An in-depth, bottom-up analysis of the evidence was never a real possibility given the time and budget constraints.

In the civil case, a deeper operations analysis can be expected. The Plaintiff in the civil case has already received over 70,000 pages of discovery. Staff's Motion, page 2. This leads us to believe that the operations analysis could be a more rigorous investigation in the civil court case.

IV. The dangers of going forward and the benefits of waiting

The parties in this case have done the best we can given time, work load, and budget constraints. The civil case will be different in terms of the motivations of the parties, the time available to conduct an analysis, and the more-formal discovery process.

The civil case could legitimately generate new information and develop a deeper analysis. If this is the outcome of the civil case, then the Commission would be given a better, perhaps more accurate, record of what happened, thus enabling the Commission to render a more-informed and fair decision.

On the other hand, given the existence of the civil case on the same set of facts, in our mind, it would be irresponsible for the Commission to render judgment now, even as additional information is brought to light. Furthermore, the Commission should not rule now, and risk that its decision could be used in the civil case to stifle further investigation. Even more, if the Commission were to rule on this docket and additional information or analysis then came to light in the civil case, questions must be raised about the Commission's process.

Yet if the Commission were to grant Staff's motion, PGE would not be harmed financially, as the deferred amounts would continue to accrue interest. As ratepayers, it is worth the risk of paying interest for a little while longer, if we feel that the process has allowed for a full investigation.

Dated this 7th day of August, 2008,
Respectfully submitted,

A handwritten signature in black ink that reads "Jason Eisdorfer". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Jason Eisdorfer #92292. Attorney for
The Citizens' Utility Board of Oregon

UE 196 – CERTIFICATE OF SERVICE

I hereby certify that, on this 7th day of August 2008, I served the foregoing Reply In Support of Staff's Motion To Hold Matter In Abeyance of the Citizens' Utility Board of Oregon in docket UE 196 upon each party listed by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending 2 copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jason Eisdorfer". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Jason Eisdorfer Attorney #92292
The Citizens' Utility Board of Oregon

Summary Report

UE 196 PORTLAND GENERAL ELECTRIC

Category: Electric Rate Case
Filed By: PORTLAND GENERAL ELECTRIC
In the Matter of
PORTLAND GENERAL ELECTRIC COMPANY
Application to Amortize the Boardman Deferral.
Electronically filed by Randy Dahlgren. Hard copy rec'd 10/10/07.

Filing Date: 10/9/2007
Case DURRENBERGER, ED (503) 373-1536
Law Judge(s): WALLACE, SARAH K 503-378-6208

SERVICE LIST:

LOWREY R BROWN -- CONFIDENTIAL
CITIZENS' UTILITY BOARD OF OREGON
610 SW BROADWAY - STE 308
PORTLAND OR 97205

MELINDA J DAVISON -- CONFIDENTIAL
DAVISON VAN CLEVE PC
333 SW TAYLOR - STE 400
PORTLAND OR 97204

JASON EISDORFER -- CONFIDENTIAL
CITIZENS' UTILITY BOARD OF OREGON
610 SW BROADWAY STE 308
PORTLAND OR 97205

ROBERT JENKS -- CONFIDENTIAL
CITIZENS' UTILITY BOARD OF OREGON
610 SW BROADWAY STE 308
PORTLAND OR 97205

JASON W JONES -- CONFIDENTIAL
DEPARTMENT OF JUSTICE
REGULATED UTILITY & BUSINESS SECTION
1162 COURT ST NE
SALEM OR 97301-4096

JOHN R MARTIN -- CONFIDENTIAL
PACIFIC ENERGY SYSTEMS
15160 SW LAIDLAW RD, STE. 110
PORTLAND OR 97229

CARLA OWINGS -- CONFIDENTIAL
OREGON PUBLIC UTILITY COMMISSION
PO BOX 2148
SALEM OR 97308-2148

PATRICK HAGER RATES & REGULATORY AFFAIRS --
CONFIDENTIAL
PORTLAND GENERAL ELECTRIC
121 SW SALMON ST 1WTC0702
PORTLAND OR 97204

DOUGLAS C TINGEY -- CONFIDENTIAL
PORTLAND GENERAL ELECTRIC
121 SW SALMON 1WTC13
PORTLAND OR 97204