

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 192**

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC	)	MOTION TO ADMIT TESTIMONY AND
COMPANY	)	EXHIBITS OF THE INDUSTRIAL
	)	CUSTOMERS OF NORTHWEST
2008 Annual Power Cost Update Tariff	)	UTILITIES
Filing.	)	
_____	)	

Pursuant to Administrative Law Judge Grant’s July 27, 2007 Memorandum, the Industrial Customers of Northwest Utilities (“ICNU”) moves that the prefiled testimony and exhibits of Randall J. Falkenberg (ICNU/100-102) be admitted into the record in this proceeding. Along with this Motion, ICNU is filing an affidavit executed by Mr. Falkenberg attesting that the prefiled testimony and exhibits are true and correct.

In addition, ICNU moves to admit the attached hearing exhibits labeled as ICNU/200-205, which are Portland General Electric Company’s responses to ICNU data request Nos. 49, 50, 56, 57, 58, and 61. Exhibit ICNU/205 is confidential subject to the Protective Order in this proceeding. ICNU has contacted the other parties to this proceeding, and no other party objects to the introduction of these exhibits into the record.

WHEREFORE, ICNU requests that this Motion to Admit Testimony and Exhibits  
be granted.

Dated this 27th day of July, 2007.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Matthew Perkins

S. Bradley Van Cleve

Matthew W. Perkins

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Of Attorneys for Industrial Customers  
of Northwest Utilities

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 192**

In the Matter of	)	
	)	AFFIDAVIT OF RANDALL J.
PORTLAND GENERAL ELECTRIC	)	FALKENBERG
COMPANY	)	
	)	
2008 Annual Power Cost Update Tariff Filing.	)	
_____	)	

I, Randall J. Falkenberg, being first duly sworn on oath, depose and say:

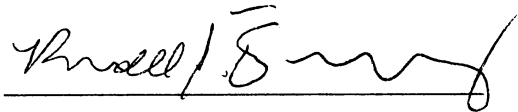
1. My name is Randall J. Falkenberg. I am a utility rate and planning consultant holding the position of President and Principal with the firm of RFI Consulting, Inc. I am appearing in this proceeding as a witness for the Industrial Customers of Northwest Utilities (“ICNU”). My business address is: PMB 362, 8343 Roswell Road, Sandy Springs, Georgia 30350.

2. I sponsored pre-filed testimony and exhibits on behalf of ICNU in Oregon Public Utility Commission Docket No. UE 192. Specifically, my pre-filed direct testimony and exhibits, ICNU/100-102, were filed on June 13, 2007.

3. My testimony and exhibits that were previously filed are true and accurate, and no corrections need to be made. If I were asked the same questions today, my answers would be the same.

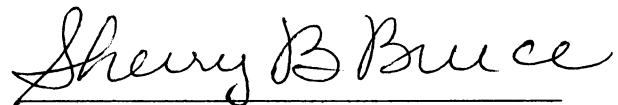
I HEREBY DECLARE THAT THE ABOVE STATEMENT IS TRUE TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND THAT I UNDERSTAND IT IS MADE FOR USE AS EVIDENCE AND IS SUBJECT TO PENALTY FOR PERJURY.

SIGNED THIS 26 day of July, 2007, at Sandy Springs, Georgia.



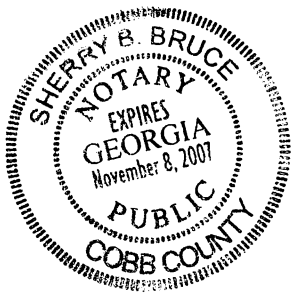
Randall J. Falkenberg

SUBSCRIBED AND SWORN to before me this 26 day of July, 2007.



NOTARY PUBLIC FOR GEORGIA

My Commission Expires: 11-8-07



July 25, 2007

TO: Brad Van Cleve  
Industrial Customers of Northwest Utilities

FROM: Randy Dahlgren  
Director, Regulatory Policy & Affairs

**PORTLAND GENERAL ELECTRIC  
UE 192  
PGE Response to ICNU Data Request  
Dated July 11, 2007  
Question No. 049**

**Request:**

**Please refer to the following statement on page 9 of PGE/300: “ICNU’s analysis is entirely dependent on the 2000-2001 energy crisis, a very unusual event.” Does PGE acknowledge that ICNU’s analysis differed from the 2000-2001 energy crisis in that prices were capped at \$250/MWh in the analysis but not during the energy crisis?**

**Response:**

No. ICNU’s numerical result is entirely driven by the time period of the West Coast energy crisis. ICNU includes a price cap and some sort of downward adjustment. However, the base energy crisis electric prices are so high that the average adjusted (both price cap and downward adjustment) electric prices for the days in which ICNU’s analysis dispatches the Cold Snap contract are \$180 per MWh.

The testimony of ICNU Witness Falkenberg (ICNU/100 at 9) asserts that ICNU’s extrinsic value calculation (ICNU/102) uses information from the analyses provided by PGE in response to ICNU Data Request No. 123 in Docket UE 180. However, Mr. Falkenberg does not provide any specific information about what data and assumptions he did and did not use in his analysis.

PGE has not made a comparison of the data and assumptions used by ICNU in its Cold Snap contract analysis (ICNU/102) in this docket with data and assumptions included in PGE’s response to ICNU Data Request No. 123 in Docket UE 180, which included PGE’s analysis of the Super Peak contract for purposes of ranking capacity resources bid into PGE’s 2003 Request for Proposals.

July 25, 2007

TO: Brad Van Cleve  
Industrial Customers of Northwest Utilities

FROM: Randy Dahlgren  
Director, Regulatory Policy & Affairs

**PORTLAND GENERAL ELECTRIC  
UE 192  
PGE Response to ICNU Data Request  
Dated July 11, 2007  
Question No. 050**

**Request:**

**Please refer to the following statement on page 9 of PGE/300: “ICNU’s analysis is entirely dependent on the 2000-2001 energy crisis, a very unusual event.” Does PGE acknowledge that ICNU’s analysis differed from the 2000-2001 energy crisis in that prices in the analysis were adjusted downward to reflect lower average prices expected at a time subsequent to the energy crisis?**

**Response:**

No. See PGE’s response to ICNU Data Request No. 049.

July 25, 2007

TO: Brad Van Cleve  
Industrial Customers of Northwest Utilities

FROM: Randy Dahlgren  
Director, Regulatory Policy & Affairs

**PORTLAND GENERAL ELECTRIC  
UE 192  
PGE Response to ICNU Data Request  
Dated July 11, 2007  
Question No. 056**

**Request:**

**Please refer to the following statement on page 9 of PGE/300: “The calculation . . . is inconsistent with the contract’s maximum ‘take’ provision.” Does PGE agree that Monet models the Cold Snap contract and does not reflect any maximum take provision?**

**Response:**

No. Given limited resources, PGE has used the following approach to forecast the dispatch of the Cold Snap contract: First, we allow the contract to dispatch against forward curves in Monet. If this ‘preliminary’ dispatch does not exceed the maximum take, then the forecast is complete. Second, if the preliminary dispatch exceeded the maximum take, then we would augment Monet to make the contract dispatch meet the maximum take provision. Given the forward curves in our April 2, 2007, filing and our July 11, 2007, update, the ‘preliminary’ dispatch is zero. Therefore, the second step has not been necessary.

July 25, 2007

TO: Brad Van Cleve  
Industrial Customers of Northwest Utilities

FROM: Randy Dahlgren  
Director, Regulatory Policy & Affairs

**PORTLAND GENERAL ELECTRIC  
UE 192  
PGE Response to ICNU Data Request  
Dated July 11, 2007  
Question No. 057**

**Request:**

**Please refer to the following statement on page 10 of PGE/300: “As part of its Response to ICNU Data Request No. 020 in Docket UE 180, PGE provided an extrinsic value analysis for the Cold Snap contract comparable to that adopted by the Commission for the Super Peak contract. Both came from the scoring process that PGE used to rank capacity products bid into its 2003 Request for Proposals. The Cold Snap analysis showed an extrinsic value of less than zero. PGE Confidential Exhibit 301C is a copy of the Cold Snap contract portion of its Response to ICNU Data Request No. 020 in UE 180.”**

**Attached is PGE’s response to ICNU data request 2.20 (PGE 020) in UE 180, including the attachments. Does PGE acknowledge the referenced information is not included in the information provided in the response?**

**Response:**

PGE cannot verify whether ICNU received the Excel spreadsheets attached to our response to ICNU Data Request No. 020 in Docket UE 180. In May 2006, PGE responded to ICNU Data Request No. 020. That response noted that it included a CD that “contains a folder for each of the relevant contracts.” A list of the contracts was provided in part (f) of the response. PGE can find no record of ICNU contacting PGE regarding any missing contracts or other information. Therefore, PGE presumed that ICNU had received the contracts and associated spreadsheets, including the Cold Snap analysis.

When we received ICNU Data Request No. 057 in this docket, we checked our UE 180 data response records for ICNU Data Request No. 020. We found that our master CD for this response did not include several contract directories, although the information did reside in our



PGE's Response to ICNU Data Request No. 057  
July 25, 2007  
Page 2

master data base directory. Since ICNU now states that it did not receive the information regarding the Cold Snap contract, PGE will modify its testimony accordingly. Specifically, the testimony quoted in this request from Page 10 of PGE Exhibit 300 will now read:

An extrinsic value analysis for the Cold Snap contract comparable to that adopted by the Commission for the Super Peak contract showed an extrinsic value of less than zero. PGE Confidential Exhibit 301C is a copy.

In addition, the testimony on Lines 1-3 of Page 14 of PGE Exhibit 300 will now read:

The ICNU analysis disregards the contractual year maximum "take" provision of the Cold Snap contract.

The "referenced information" was provided to ICNU in the confidential work papers that accompanied PGE Exhibit 300 in this docket, specifically the file "Cold Snap\_WP\_CONF.xls."

Due to the revised testimony above, this data response is being provided to all OPUC Staff and CUB.

July 25, 2007

TO: Brad Van Cleve  
Industrial Customers of Northwest Utilities

FROM: Randy Dahlgren  
Director, Regulatory Policy & Affairs

**PORTLAND GENERAL ELECTRIC  
UE 192  
PGE Response to ICNU Data Request  
Dated July 11, 2007  
Question No. 058**

**Request:**

**Please refer to the following statement on page 10 of PGE/300: “As part of its Response to ICNU Data Request No. 020 in Docket UE 180, PGE provided an extrinsic value analysis for the Cold Snap contract comparable to that adopted by the Commission for the Super Peak contract. Both came from the scoring process that PGE used to rank capacity products bid into its 2003 Request for Proposals. The Cold Snap analysis showed an extrinsic value of less than zero. PGE Confidential Exhibit 301C is a copy of the Cold Snap contract portion of its Response to ICNU Data Request No. 020 in UE 180.” Is it PGE’s position that no adjustment related to extrinsic value should be made for the Cold Snap contract because the contract has no extrinsic value?**

**Response:**

PGE believes that no extrinsic value adjustment should be made because in Docket UE 180 the Commission determined, based on evidence presented, that the Cold Snap contract has zero extrinsic value, and this is not the appropriate docket for re-litigating this issue.

It has been PGE’s position, both in Docket UE 180 and in this docket, that the Cold Snap contract has zero extrinsic value. PGE entered into this contract because it was one of the least expensive capacity resources bid into PGE’s 2003 Request for Proposals. As Order No. 07-015 states, this contract can “assure supply for peak loads and emergency events, and therefore provide service to customers.” (Order No. 07-015 at 13).

July 25, 2007

TO: Brad Van Cleve  
Industrial Customers of Northwest Utilities

FROM: Randy Dahlgren  
Director, Regulatory Policy & Affairs

**PORTLAND GENERAL ELECTRIC  
UE 192  
PGE Response to ICNU Data Request  
Dated July 11, 2007  
Question No. 061**

**Request:**

**Please refer to the statement on page 14, lines 1-3 of PGE/300. Please provide any studies or analyses performed by PGE regarding how it would affect the extrinsic value of the Cold Snap contract to factor in to Mr. Falkenberg's analysis the contractual year maximum "take" provision of the contract. Please provide any electronic files in the originating software with all formulae intact.**

**Response:**

PGE objects to this request because it is overly broad and unduly burdensome. Without waiving its objection, PGE responds as follows:

Attachment 061-A is an Excel workbook, "DR\_061\_Attach A\_CONF.xls." This workbook summarizes the result of correcting Mr. Falkenberg's analysis for the following three errors:

1. Given the historical data approach, failure to use data from 2002 to the present.
2. Violation of the contract's maximum 'take' provision by a factor of 10.
3. Inappropriate use of historical energy crisis data to forecast extrinsic value in the 2008 test year.

Correction of only the first two errors would greatly reduce Mr. Falkenberg's result. More importantly, correction of the third error reduces the result to zero. Mr. Falkenberg's result is contingent on his use of base energy crisis electric prices which are so high that the average

PGE's Response to ICNU Data Request No. 061

July 25, 2007

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adjusted (both price cap and downward adjustment) electric prices for the days in which his analysis dispatches the Cold Snap contract are \$180 per MWh. (See PGE's response to ICNU Data Request No. 049). Basing any adjustment for the 2008 test year on electric prices that average \$180 per MWh is not appropriate. The highest hourly electric price in Monet, consistent with the forward curves used in PGE's original filing in this docket, is approximately \$90 per MWh. If Mr. Falkenberg used more appropriate electric price data based on the forward curves used in Monet for the 2008 test year, he would never dispatch the contract, and his erroneous handling of the maximum 'take' provision would be irrelevant.

Finally, the Commission approved a power cost adjustment mechanism (PCAM) in UE 180. The purpose of the PCAM is to share power cost variations between shareholders and customers by examining variations comprehensively. If circumstances arise such that the Cold Snap contract actually dispatches in 2008, the PCAM will capture the effects of that dispatch, as well as the associated effects of the conditions that lead to the contract dispatch on PGE's entire net variable power costs. Mr. Falkenberg's suggested approach is piecemeal in the sense that he would forecast a dispatch benefit for the Cold Snap contract while ignoring the other potential consequences of energy crisis type conditions.

Attachment 061-A is confidential and subject to Protective Order No. 07-135 and is provided electronically (CD) under separate cover.

**UE 192**  
**Attachment 061-A**

**Confidential and Subject to Protective Order No. 07-135**  
**Provided electronically (CD)**

Excel File "DR\_061\_Attach A\_CONF.xls"

**CONFIDENTIAL**

**INFORMATION**

**OMITTED**

# Davison Van Cleve PC

Attorneys at Law

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Suite 400  
333 S.W. Taylor  
Portland, OR 97204

July 27, 2007

*Via Electronic and US Mail*

Public Utility Commission  
Attn: Filing Center  
550 Capitol St. NE #215  
P.O. Box 2148  
Salem OR 97308-2148

Re: In the Matter of PORTLAND GENERAL ELECTRIC COMPANY 2008 Annual  
Power Cost Update Tariff Filing  
**Docket No. UE 192**

Dear Filing Center:

Enclosed please find the original and one copy of the Motion to Admit Testimony and Exhibits and the Affidavit of Randall J. Falkenberg, as well as an original and five copies of the Confidential Hearing Exhibits and the Redacted Hearing Exhibits of the Industrial Customers of Northwest Utilities in the above-referenced docket.

Thank you for your assistance.

Sincerely,

/s/ Christian Griffen  
Christian W. Griffen

Enclosures

cc: Service List

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that I have this day served the foregoing Motion to Admit Testimony and Exhibits, the Affidavit of Randall J. Falkenberg, and Hearing Exhibits of the Industrial Customers of Northwest Utilities upon the parties, on the service list, by causing the same to be deposited in the U.S. Mail, postage-prepaid, or via electronic mail to those parties who waived paper service in this proceeding.

Dated at Portland, Oregon, this 27th day of July, 2007.

*/s/ Christian Griffen*  
Christian W. Griffen

<b>OREGON PUBLIC UTILITY COMMISSION</b> MAURY GALBRAITH PO BOX 2148 SALEM OR 97308-2148 maury.galbraith@state.or.us	<b>DEPARTMENT OF JUSTICE</b> STEPHANIE S ANDRUS 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us
<b>PORTLAND GENERAL ELECTRIC</b> DOUGLAS C TINGEY RATES & REGULATORY AFFAIRS 121 SW SALMON 1WTC13 PORTLAND OR 97204 doug.tingey@pgn.com pge.opuc.filings@pgn.com	<b>CITIZENS' UTILITY BOARD OF OREGON</b> LOWREY R BROWN JASON EISDORFER ROBERT JENKS 610 SW BROADWAY, SUITE 308 PORTLAND OR 97205 lowrey@oregoncub.org jason@oregoncub.org bob@oregoncub.org