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Douglas C. Tingey
Associate General Counsel

July 10, 2013

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
PO Box 2148
Salem OR 97308-2148

Re: UE 266 – PGE’s Net Variable Power Costs (NVPC) and Annual Power Cost Update (APUC)

Attention Filing Center:

Enclosed for filing in the above-referenced docket are an original and five copies of the:

- **Stipulation; and**
- **Joint Testimony in Support of Stipulation (UE 266/ Crider – Jenks – Weitzel – Deen - Lindsay/100).**

These documents are also being filed by electronic mail with the Filing Center and electronically served upon the UE 266 service list.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Tingey", is written over a faint blue circular stamp.

Douglas C. Tingey
Associate General Counsel

DCT:qal
Enclosures
cc: Service List-UE 266

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 266

In the Matter of
PORTLAND GENERAL ELECTRIC
COMPANY

Net Variable Power Costs and Annual Power
Cost Update

STIPULATION

This Stipulation (“Stipulation”) is among Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), the Citizens’ Utility Board of Oregon (“CUB”), the Industrial Customers of Northwest Utilities (“ICNU”), and the Renewable Northwest Project (collectively, the “Stipulating Parties”).

I. INTRODUCTION

As part of its general rate case filing, docketed as UE 262, on February 15, 2013, PGE filed its annual power cost update as required by Tariff Schedule 125. That filing included testimony and work papers, including substantial minimum filing requirements (“MFRs”). Consistent with Schedule 125, PGE updated and supplemented its power cost filing and information required under the MFRs on April 1, 2013.

By order of the Commission, this docket was created for the power cost portion of PGE’s general rate case.

The parties in this docket sent and PGE responded to data requests. PGE has filed, and will continue to file, updates to its power costs in accordance with the schedule set by the ALJ in this docket. Staff, CUB, ICNU, and RNP filed testimony on May 21, 2013. No other party filed testimony. The Stipulating Parties held a settlement conference on June 5, 2013. As a result of those discussions, the Parties have reached agreement settling the

issues raised in this proceeding. The Stipulating Parties request that the Commission issue an order adopting this Stipulation.

II. TERMS OF STIPULATION

1. This Stipulation settles all issues in this docket as of the date of the Stipulation. Parties will be provided an opportunity to review and challenge any aspect of PGE's update filings.

2. Capacity Contracts. The capacity contracts resulting from the recent request for proposal process, discussed in PGE's supplemental testimony dated May 24, 2013, will be included in power cost modeling in Monet.

3. Biomass Test Burn. Power costs as filed include the costs of the biomass test burn scheduled for 2014 at the Boardman plant. PGE will monitor progress toward the test burn, and will remove these costs from 2014 projected power costs if progress indicates that the test burn will not likely occur in 2014. If the costs remain modeled in 2014 power costs but the test burn does not actually occur in 2014, the estimated biomass test burn net cost will be refunded, with interest at PGE's overall cost of capital, in PGE's 2015 AUT.

4. WECC Operating Reserve. No changes will be made in this docket regarding the proposed WECC operating reserve criteria change. No costs for this change are included in power costs in this docket, so no modeling change is necessary.

5. BPA Wind Integration. No change to power costs will be made regarding possible BPA charges for additional reserves.

6. Wind Integration Day-Ahead Forecast Error. PGE proposed to update the costs of the day-ahead forecast error for wind generation. Other parties opposed this update. As settlement of this issue in this docket the Stipulating Parties agree that the cost

of the day-ahead forecasting error will be increased from \$0.50 per megawatt-hour of wind generation, to \$0.87 per megawatt-hour of wind generation. PGE further agrees to include and discuss in its initial testimony in its 2015 power cost filing its proposed updates to the day-ahead forecasting error costs. If PGE does not include its updated day-ahead forecasting error costs in its initial testimony for its 2015 Automatic Update Tariff (AUT) filing, then the costs for day-ahead forecasting error that PGE asks for in its 2015 AUT filing cannot exceed those included in PGE's initial filing in this proceeding.

7. BPA VERBS 30/60 Wind Integration Option. RNP filed testimony regarding PGE's recent election for balancing services with BPA and PGE's opportunity to change that election in April 2014. RNP withdraws its proposal that the Commission set PGE's rate recovery for the last quarter of 2014 at the lowest BPA VERBS rate available to PGE in the April 2014 election. RNP did not intend to make, but hereby withdraws, any other adjustment proposal or any cost disallowance proposal in this docket. PGE agrees to meet with RNP at least twice, no later than December 2013 and March 2014, to present PGE's analysis of whether it will elect a shorter scheduling commitment or a self-supply option at BPA's April 2014 mid-rate-period election opportunity (for integration services from October 2014 through September 2015). All other Parties will be invited to these meetings.

a. At minimum, PGE will present to RNP:

i. The assumptions underlying its cost-benefit analysis, including:

1. Presence of additional counterparties in the sub-hourly market;

2. Status of system improvements that will be available to improve PGE's within-hour flexibility from October 2014 through September 2015;
 3. Categories of additional costs directly associated with electing shorter scheduling or self-supply; and
 4. Life cycle value of system improvements associated with electing shorter scheduling or self-supply.
- ii. Rough magnitude of the system value of discounted BPA rates.
 - iii. Rough magnitude of additional costs and risks, incremental to a shorter scheduling election or self-supply, that are not reflected in the system value analysis.
 - iv. Assessment of whether any additional costs or risks expected for the rate period could be justified in light of longer-term cost savings and other system benefits.
- b. PGE shall generally describe the nature and status of its analysis of the April 2014 mid-rate-period election opportunity in testimony in its 2015 power cost case.

8. Wind Generation Forecast Calculation and Transmission Resale Revenues.

PGE proposed to use a 5-year rolling average to forecast wind generation. ICNU opposed this change. ICNU also proposed inclusion in power costs of a forecast of transmission resale revenues. As settlement of these two issues, it is agreed that:

- a. power cost modeling in this docket will use a 5-year rolling average to forecast wind generation,
- b. PGE will hold at least one workshop with the Stipulating Parties prior to

its 2015 power cost filing to discuss the wind generation forecast issue,
and

- c. PGE will include in its initial filing in its 2015 power cost case a proposed forecast of transmission resale revenues, and an explanation of how the forecast was created.

9. Power Cost Reduction. In settlement of all issues in this docket, projected power costs will be reduced by \$4.5 million to resolve the issues raised by the Parties.

10. This settlement is not precedential as to any issue or party, except as otherwise provided in the settlement.

11. The Parties recommend and request that the Commission approve the adjustments described above to PGE's 2014 power costs as appropriate and reasonable resolutions of the issues settled herein.

12. The Stipulating Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable and will meet the standard in ORS 756.040.

13. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the parties. Without the written consent of all parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

14. The Stipulating Parties have negotiated this Comprehensive Settlement as an integrated document. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation,

each Stipulating Party reserves its right (i) to withdraw from the Stipulation, upon written notice to the Commission and other Parties within five (5) business days of service of the final order that rejects this Stipulation, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration or to appeal the Commission order under ORS 756.610. Nothing in this paragraph provides any Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

15. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-01-0350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. The Stipulating parties also agree to cooperate in drafting and submitting an explanatory brief and written testimony per OAR § 860-001-0350(7), unless such requirement is waived. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

16. This Stipulation may be signed in any number of counterparts, each of

which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 9th day of July, 2013.



PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

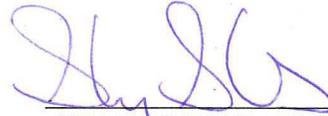
INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

RENEWABLE NORTHWEST PROJECT

which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 3rd day of July, 2013.

PORTLAND GENERAL ELECTRIC
COMPANY



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

RENEWABLE NORTHWEST PROJECT

which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 3rd day of July, 2013.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON



CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

RENEWABLE NORTHWEST PROJECT

which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 1st day of July, 2013.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON



INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

RENEWABLE NORTHWEST PROJECT

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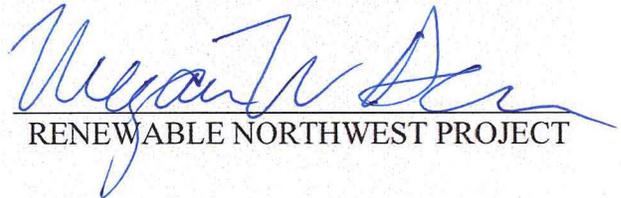
DATED this 9 day of July, 2013.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES



RENEWABLE NORTHWEST PROJECT

**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

UE 266

PORTLAND GENERAL ELECTRIC COMPANY

Joint Testimony in Support of Stipulation

*John Crider
Bob Jenks
David Weitzel
Michael C. Deen
Jimmy Lindsay*

July 9, 2013

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I. Introduction

1 **Q. Please state your names and positions.**

2 A. My name is John Crider. I am a Senior Utility Analyst for the Public Utility Commission of
3 Oregon (OPUC). My qualifications appear in Exhibit 101.

4 My name is Bob Jenks. I am the Executive Director of the Citizens' Utility Board of
5 Oregon ("CUB"). My qualifications appear in CUB Exhibit 101.

6 My name is David Weitzel. I am a Project Manager, Regulatory Affairs, for Portland
7 General Electric (PGE). My qualifications appear in PGE Exhibit 700.

8 My name is Jimmy Lindsay. I am a Regulatory Analysis Manager for Renewable
9 Northwest Project (RNP). My qualifications appear in RNP Exhibit 100.

10 My name is Michael C. Deen. I am employed by Regulatory and Cogeneration Services,
11 Inc. ("RCS"), a utility rate and consulting firm. I am testifying on behalf of the Industrial
12 Customers of Northwest Utilities ("ICNU"). My qualifications appear in ICNU Exhibit 101.

13 **Q. What is the purpose of your testimony?**

14 A. Our purpose is to describe and support a stipulation ("Stipulation") between OPUC Staff
15 (Staff), Citizens' Utility Board (CUB), Industrial Customers of Northwest Utilities (ICNU),
16 Renewable Northwest Project (RNP) and PGE (the "Stipulating Parties") regarding issues
17 raised in this docket (UE 266) up to the date of the signing of the Stipulation. The
18 Stipulation resolves all issues related to PGE's 2014 forecast of net variable power costs
19 ("NVPC") identified by the Parties up to the date of the signing of the Stipulation. While
20 there are other parties to this case, we are not aware of any who oppose this Stipulation. For
21 example, Noble Energy Solutions does not join the Stipulation, but does not oppose it.

22 **Q. Please summarize the activity in this proceeding leading up to this stipulation.**

1 A. PGE filed its initial forecast of 2014 NVPC on February 15, 2013 as part of its general rate
2 case filing (UE 262). The NVPC portion of the filing was assigned its own docket, UE 266.
3 The forecast was updated on April 1, 2013. On May 9, 2013 parties held a work shop to
4 discuss issues and review Monet’s functionality. ICNU, Staff, CUB, and RNP submitted
5 reply testimony on May 21. On May 24, PGE submitted supplemental testimony describing
6 its proposed capacity contracts. On June 5, the Parties held settlement discussions, which
7 resulted in a settlement agreement.

8 **Q. Please summarize the issues addressed in the Stipulation.**

9 A. The Stipulation resolves all issues related to PGE’s 2014 forecast of NVPC up to the date of
10 the Stipulation including:

- 11 • New Capacity Contracts
- 12 • Boardman Biomass Test Burn
- 13 • Change in WECC Operating Reserve Criteria
- 14 • Charges for additional reserves under BPA’s Variable Energy Resource Balancing
15 Service (VERBS) 30/60
- 16 • Wind Integration Day-Ahead Forecast Error Cost Update
- 17 • PGE’s election of BPA’s VERBS 30/60 Wind Integration Option
- 18 • Use of a 5-Year Average to Forecast Annual Output of PGE’s Biglow Plants and
19 Vansycle Contract
- 20 • Transmission Resale Revenues

21 PGE will make update filings and Parties will be provided an opportunity to review and
22 challenge any aspect of these filings. We explain the resolution of each of these issues
23 below.

II. Capacity Contracts

1 **Q. Does PGE anticipate updates to Monet in the 2014 AUT to add capacity contracts?**

2 A. Yes. PGE intends to include three new capacity contracts beginning with the July 16 Monet
3 update filing.

4 **Q. Have any parties expressed concern about including these contracts in the 2014 test**
5 **year?**

6 A. Yes. In their direct testimony, CUB stated:

7 *While CUB does not have a general objection to the addition of new contracts in*
8 *future updates, CUB cannot endorse allowing something with a description as*
9 *general as “other products available” to be included in the updates without*
10 *knowing the details of those proposed products, particularly if a product is*
11 *new.(Jenks/100/3/18-22).*

12 **Q. Has PGE addressed CUB’s concerns?**

13 A. Yes. To inform parties, PGE submitted supplemental testimony regarding its progress in
14 negotiations to obtain capacity. (PGE Exhibit 1600). The supplemental testimony included
15 current drafts of the contracts and estimates of the costs of the contracts that would be
16 included in the 2014 test year. The three contracts are outcomes of PGE’s integrated
17 resource planning process and outline the terms of standard tolling agreements.

18 **Q. Do Parties agree that this issue has been resolved?**

19 A. Yes. Parties have agreed that inclusion of these contracts in the 2014 test year is reasonable.
20 Parties agree that this inclusion of the new capacity contracts in the July Monet update filing
21 is not precedential for updates in future AUT proceedings.

III. Boardman Biomass Test Burn

1 **Q. Why has PGE included the net costs of the Boardman biomass test burn in the 2014**
2 **AUT?**

3 A. PGE's current forecast is that the Boardman biomass test burn will take place in April, 2014,
4 prior to the plant's spring maintenance outage. PGE has included the net cost of
5 approximately \$5.2 million in the test year for the Boardman biomass test burn
6 (400/p.24/line 1-2). This is consistent with the OPUC Staff Report in UM 1571 provided in
7 OPUC Order No. 12-141:

8 *the Staff Report documents the agreement between Staff, PGE, and other parties*
9 *that torrefied biomass would be, "treated as fuel and run through the Company's*
10 *AUT" (Order No. 12-141, Appendix A, page 2). (400/p.23/line 17-19)*

11 **Q. Have any of the parties questioned the inclusion of these costs in the 2014 AUT?**

12 A. Yes. In their opening testimony, ICNU states:

13 *Given the experimental nature of this test, ICNU is concerned the test burn may*
14 *not occur as scheduled in 2014. If the test burn does not occur, ICNU*
15 *recommends that customers not be charged the forecasted costs. (Deen/2/23-25).*

16 *To the extent the test burn does occur, then it should be handled per usual under*
17 *the standard PCAM process for power cost variance. (Deen/10-11/22; 1-2)*

18
19 In CUB's opening testimony, they state:

20 *Because it is not clear when the test burn will happen, it cannot be considered*
21 *known and measurable for the purposes of the test year in this docket. It should,*
22 *therefore, be rejected. PGE can seek recovery through the PCAM or through a*
23 *deferral. (Jenks/11/7-10)*

24 **Q. Have parties resolved this issue in the Stipulation?**

25 A. Yes. PGE has agreed to remove the test burn in a future update if PGE learns that it will
26 likely not take place in 2014. The costs will remain in the 2014 test year if, at the date of
27 the final filing update, PGE expects the test burn to occur. In addition, Parties have agreed

1 that if the test burn remains in the 2014 test year and the test burn does not actually occur in
2 2014, the projected net cost of the test burn will be refunded to customers in the 2015 AUT
3 with accrued interest. There is recent precedent for this approach. In UE 180, PGE agreed
4 to refund the difference in GTN gas transportation contract costs if the rates that resulted
5 from the GTN FERC case were lower than forecast. Indeed, this was the case and PGE
6 refunded the difference in costs in docket UE 192. Parties agree that the deferral and
7 potential return of the Boardman biomass test burn costs in the next AUT is not precedential
8 for similar costs in the future.

IV. WECC Operating Reserve Requirements

1 **Q. What is the proposed new WECC operating reserve standard?**

2 A. The proposed new standard would require operating reserves equal to 3% of generation plus
3 3% of control area load.

4 **Q. Is there an update of the forecasted effective date of the new standard?**

5 A. Yes. PGE's latest forecast is that the new standard will be effective in the last quarter of
6 2014, which would increase the NVPC forecast during that period. The new standard is not
7 currently modeled in the 2014 NVPC forecast.

8 **Q. Did any of the parties express concerns about the inclusion of these costs in the 2014
9 test year?**

10 A. Yes. In their reply testimony, CUB states: (Jenks/9/1-3):

11 *CUB believes this cost is not known and measurable for the test year. Because the*
12 *impact, if any in the test year, is expected to be small, there is little harm in*
13 *waiting until these costs are known and measurable for 2015.*

14 **Q. Have parties resolved this issue in the Stipulation?**

A. Yes. Parties have agreed that no change in the WECC operating reserve requirements will
be made in Monet for the test year.

V. Charges for Additional BPA VERBS 30/60 Reserves

1 **Q. What is BPA's Variable Energy Resource Balancing Service (VERBS)?**

2 A. This is a service that BPA provides to PGE and other customers to compensate for
3 differences between wind generation and scheduled wind. BPA's service includes three
4 components: regulating reserves, following reserves, and imbalance reserves. PGE pays for
5 each of these services on a per kilowatt per month basis.

6 **Q. Have Parties taken issue with the charges for these services?**

7 A. No. The "standard" charges for these services are not at issue in this docket.

8 **Q. If the standard charges for these services are not at issue, what issues were raised?**

9 A. CUB expressed concern about potential charges for *additional* BPA VERBS 30/60 reserves
10 that PGE suggested it might include in its July update. These charges would have been in
11 addition to the standard charges that PGE has paid, and will pay, under BPA's tariff. The
12 amount of the charges for additional reserves was not known at the time that PGE filed its
13 April 1 update. CUB stated:

14 *CUB has serious concerns about including in a later update some of the other*
15 *costs that have not yet been reviewed by Staff and Intervenors. (Jenks/4/4-5)*

16 **Q. Have parties resolved this issue in the Stipulation?**

17 A. Yes. There is no longer an issue regarding charges for additional (VERBS) 30/60 reserves.
18 In a partial settlement of its current rate case, BPA is eliminating charges that it initially
19 proposed for additional VERBS 30/60 reserves for customers electing the "base" level of
20 service which PGE selected. Therefore no additional charges for reserves will be modeled
21 in the 2014 test year.

VI. Wind Integration Day-Ahead Forecast Error Cost Update

1 **Q. What is the cost associated with day-ahead forecast errors for wind?**

2 A. As stated in PGE's direct testimony:

3 *The cost of day-ahead forecast error is the cost incurred to re-optimize PGE's*
4 *portfolio in order to account for the difference between the day-ahead and the*
5 *hour-ahead forecast for wind generation. These costs materialize in the form of*
6 *market transactions (purchases and sales) and the re-dispatch of available*
7 *generation resources. (Niman-Peschka/24/5-8)*

8 **Q. How are these costs determined?**

9 A. PGE has developed an in-house model that produces the cost estimate.

10 **Q. Did PGE plan to update this cost estimate for 2014?**

11 A. Yes. PGE had planned to provide an update in the July filing.

12 **Q. Did any of the Parties have objections to the update?**

13 A. Yes. OPUC Staff stated:

14 *Although Staff believes the general methodology is sound, Staff also believes that*
15 *the final value for day-ahead error cost resulting from the updated Wind*
16 *Integration Study needs to be vetted before it can be accepted as accurate. Staff*
17 *believes that all Parties should have ample opportunity to perform discovery and*
18 *analyze the inputs to the study for accuracy. It is likely that a substantial change*
19 *in the day-ahead forecast error cost will have significant impact in net variable*
20 *power cost. Introducing such a relevant change after the time for staff and*
21 *intervenors to file testimony does not allow a reasonable time for Parties to*
22 *perform the necessary analysis. (Crider/Ordonez/7/1-9)*

23 ICNU did not agree that the methodology was sound, and testified:

24 *PGE's proposal to change the cost for day-ahead forecast error in July after any*
25 *opportunity by parties to file responsive testimony in this proceeding is*
26 *inappropriate and should be rejected by the Commission. (Deen/3, 8-9)*

27 **Q. Have parties resolved this issue in the Stipulation?**

28 A. Yes. Parties have agreed that a partial adjustment to the filed cost is appropriate. The cost
29 in the initial filing was \$0.50 per megawatt-hour of wind generated. As part of a revised

1 response to RNP Data Request No. 6, PGE provided RNP with a preliminary updated cost
2 estimate of \$1.24 per megawatt-hour of wind generated. Parties have agreed that the cost of
3 the day-ahead forecast error will be increased by half of the difference between the
4 preliminary updated cost estimate and the existing estimate in Monet. The resulting cost is
5 \$0.87 per megawatt-hour of wind generated. The increase in NVPC is approximately
6 \$500,000. This will be included in the July NVPC update.

7 **Q. Are there additional requirements in the Stipulation?**

8 A. Yes. PGE has agreed to provide an updated estimate of the cost of day-ahead forecast error
9 in its initial filing of the 2015 AUT, including the methodology for developing the estimate.
10 This is a compromise in the positions of the Parties, some of which believe PGE should
11 have included this type of update only in PGE's initial filing in a general rate case and not in
12 an AUT. Depending on the scope of the methodology changes, this may allow Parties
13 adequate time to review the model logic and parameters. If PGE does not provide an
14 updated estimate of the cost of day-ahead forecast error in its initial filing of the 2015 AUT,
15 then the costs will be no greater than the costs in the initial filing in this proceeding.

VII. PGE's Election of BPA's VERBS 30/60 Wind Integration Option

1 **Q. Has PGE elected to self-integrate its wind resources in 2014 or will it rely on BPA for**
2 **certain wind integration services?**

3 A. PGE made its April 2013 scheduling election for balancing services with BPA and selected
4 BPA's Base Variable Energy Resource Balancing Service (VERBS) 30/60 option. This is
5 the rate that was specified in the initial filing of the 2014 AUT. PGE will rely on BPA for
6 integration services at least through the third quarter of 2014.

7 **Q. Has PGE provided documentation to parties explaining its decision to select the 30/60**
8 **option?**

9 A. Yes. In a response to OPUC Data Request No. 009, issued two days after the deadline for
10 Staff and Intervenor opening testimony, PGE provided a detailed justification for its
11 decision. The response included the options considered, the criteria used to evaluate the
12 options, and the results of the quantitative and qualitative analyses conducted.

13 **Q. Has any party taken issue with PGE's decision to select the 30/60 option?**

14 A. Yes. In their opening testimony filed before PGE provided a detailed justification,
15 Renewable Northwest Project (RNP) stated:

16 *In concept, we do not dispute the possibility that PGE may have experienced costs*
17 *due to its participation in the subhourly scheduling pilot (though, again, we have*
18 *no evidence that participation resulted in a net cost to PGE). Offsetting costs are*
19 *reasonable to weigh in comparison with the rate savings and long-term cost*
20 *advantages of moving to a shorter scheduling paradigm. However, PGE has not*
21 *detailed any such offsetting costs. (Yourkowski-Lindsay-Dubson/7/9-14)*

22 Although RNP did not recommend that the Commission adjust PGE's forecast of BPA
23 charges for the first three quarters of 2014, RNP proposed that the forecast for the final
24 quarter of 2014 be adjusted downward to reflect PGE's opportunity to elect discounted BPA
25 charges in April 2014 (for the period beginning October 2014):

1 *PGE has made, and cannot change, its election for the VERBS rates it will pay to*
2 *BPA through September 2014; it will incur costs in the amount of \$1.20/kW-month*
3 *during the first three quarters of 2014. This is a dynamic time for the wind*
4 *integration market, and it is possible that PGE can demonstrate that its VERBS*
5 *rate election was a reasonable choice for its customers for this period. Our*
6 *recommendations in this docket focus on PGE's path forward. For Q4 2014, PGE*
7 *still has the option to elect a discounted rate or self-supply. We recommend that,*
8 *for Q4 2014, the Commission set PGE's rates based on the best available BPA*
9 *VERBS rate (\$0.73/kW-month for 30/15 committed), unless PGE can provide an*
10 *adequate explanation of why unique costs would exceed the short-term rate benefit*
11 *and long-term cost savings opportunities of moving to subhourly scheduling. We*
12 *explain this in more detail below. (Yourkowski-Lindsay-Dubson/9/8-19)*

13 **Q. Has PGE responded to RNP's concerns?**

14 A. Yes. In a supplemental response to RNP Data Request No. 1, PGE provided RNP with its
15 response to OPUC Data Request No. 009, which contained confidential information
16 detailing PGE's decision process in electing BPA's VERBS 30/60 option in April 2013.

17 **Q. Does the Stipulation address RNP's concerns?**

18 A. Yes. As part of the Stipulation, PGE has agreed to the following:

- 19 • Meet with RNP at least twice, no later than December 2013 and March 2014, to present
20 PGE's analysis of whether it will elect a shorter scheduling commitment or a self-supply
21 option at BPA's April 2014 mid-rate-period election opportunity (for integration services
22 from October 2014 through September 2015). Other parties will be invited to these
23 meetings.
- 24 • Present the assumptions underlying its cost-benefit analysis to RNP and other parties.
- 25 • Describe the nature and status of its analysis of the April 2014 mid-rate-period election
26 opportunity in testimony in its next power cost rate case.

VIII. Wind Generation Forecast and Transmission Resale Revenues

A. Use of a 5-Year Average to Forecast Wind Generation

1 **Q. What was the basis for the wind energy generation forecast in PGE’s AUT filing?**

2 A. As stated in PGE’s direct testimony (Niman/Peschka/400/p. 9-10/lines 15-20; 1-2):

3 *The Biglow Canyon energy forecast used in this filing is based on a five-year*
4 *average using PGE’s actual generation history at the facility, coupled with the*
5 *energy forecast previously used in MONET as established in the UE 215*
6 *proceeding (2011 GRC). For this initial filing, full-year actual generation data*
7 *for each Phase of Biglow Canyon through year-end 2011 are used. The previous*
8 *MONET energy forecast is then used for the remaining years in order to calculate*
9 *a five-year average for the entire plant for the 2008–2012 period. PGE’s April 1*
10 *update filing in this proceeding will incorporate actual generation data through*
11 *year-end 2012 into the five-year average.*

12 **Q. What is PGE’s position on the use of a five-year average of actual generation data for**
13 **wind power?**

14 A. Again, as stated in PGE’s direct testimony (Niman/Peschka/400/p. 10/lines 11-17):

15 *A forecast based on actuals is fair, transparent, reflects changing operational*
16 *experiences, incorporates the effects of recent environmental conditions, is not*
17 *tied solely to outdated forecasting techniques, and is consistent with other aspects*
18 *of PGE’s power cost forecast where actuals serve as the basis for the forecasted*
19 *value (e.g., thermal forced outage rates, generation under certain wind PPAs*
20 *(Klondike II), and the BPA imbalance premium). The method we propose allows*
21 *for a smooth transition from the values previously used in MONET to a forecast*
22 *based on PGE’s actual experience.*

23 **Q. Have any of the Parties objected to the use of a five-year average?**

24 A. Yes. ICNU proposes instead that “the planning numbers from its [PGE’s] earlier consultant
25 study” be used and does “not recommend using actual values to set the forecast, without at
26 least 10 years of actual data.” (ICNU/Dean/100/p. 8/lines 4-10).

27 **Q. Does the Stipulation address this disagreement?**

28 A. Yes, for this docket only. Parties have agreed that:

- 1 • The wind generation forecast based on 5-year averaging will be retained for the 2014 test
2 year. Parties have not agreed that a 5-year average is appropriate for future proceedings.
- 3 • PGE will conduct one or more workshops beginning in 2013 to explain its use of a 5-
4 year average and engage in discussions with stakeholder regarding the most appropriate
5 wind energy forecast methodology for future cases.

B. Transmission Resale Revenues

6 **Q. What are the transmission resale revenues at issue?**

7 A. PGE transmits power to its customers using BPA Point-to-Point (PTP) transmission
8 contracts. When opportunities arise, PGE can “resell” these transmission rights on a short-
9 term basis. While these sales generate incremental revenues, the sales are not typically
10 costless to transact.

11 **Q. Are these revenues currently included in Monet?**

12 A. No. They currently flow through the PCAM.

13 **Q. What is ICNU’s proposal for the treatment of these revenues in NVPC?**

14 A. ICNU’s reply testimony states:

15 *A reasonable value for transmission resale revenues should be included as an*
16 *offset to the Company’s NVPC collected through rates. Since PGE declined to*
17 *include a forecast value for 2014, ICNU recommends that the average value of*
18 *\$4.95 million from the 2009-2012 period be included in this case. This*
19 *represents a fair average value based on known and measurable results from*
20 *recent years. (Deen/4/12-16)*

21 **Q. What is PGE’s position regarding these revenues?**

22 A. These sales are not costless and the countervailing costs should be netted against the
23 revenues.

24 **Q. Does the Stipulation resolve this issue?**

- 1 A. Yes. For the purposes of the Stipulation, Parties have agreed that:
- 2 • Transmission resale revenues will not be explicitly included for the 2014 test year.
- 3 • PGE will develop a methodology for forecasting transmission resale revenues and will
- 4 include the resulting forecast in its initial filing of the 2015 AUT.

IX. Reduction to Power Costs and Recommendation to Commission

1 **Q. Does the Stipulation include an adjustment to NVPC to settle all outstanding issues?**

2 A. Yes. The NVPC forecast in the 2014 test year will be lowered by \$4.5 million to settle the
3 issues. Parties have not reached agreement on certain methodologies used by PGE, but have
4 reached agreement that a reduction of \$4.5 million is a reasonable resolution of the concerns
5 raised by the Parties in this case.

6 **Q. What is your recommendation to the Commission regarding the adjustments**
7 **contained in the Stipulation?**

8 A. The Parties recommend and request that the Commission approve these adjustments. Based
9 on careful review of PGE's, Staff's, CUB's, RNP's, and ICNU's filings; consideration of
10 the documentation provided in PGE's MFRs; and thorough discussion of the issues during
11 the settlement conferences, we believe the proposed adjustments represent appropriate and
12 reasonable resolutions to the issues in this docket. Rates reflecting these adjustments will be
13 fair, just, reasonable, and provide PGE with adequate revenues consistent with the standard
14 in ORS 756.040.

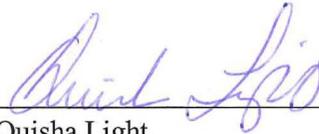
15 **Q. Does this conclude your testimony?**

16 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing **STIPULATION AND JOINT TESTIMONY IN SUPPORT OF STIPULATION**, by electronic mail to those parties whose email addresses appear on the attached service list for OPUC Docket No. UE 266.

DATED at Portland, Oregon, this 10th day of July, 2013.



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