

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 192

In the Matter of)

PORTLAND GENERAL ELECTRIC,)

2008 Annual Power Cost Update Tariff.)

OPENING BRIEF

OF THE

CITIZENS' UTILITY BOARD OF OREGON

August 28, 2007



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I. Introduction

PGE’s proposed forced outage rate for its Boardman plant is inflated due to the inclusion of periods of abnormal plant operation in the Company’s calculation. Though the Company removes the Boardman 2005-2006 deferral and the second 2006 outage periods from its calculation, the plant’s operation before and after these periods are both marked by extremely high forced outage rates, do not represent normal plant operation, and should not be used to forecast the plant’s performance for normalized ratemaking purposes. The Commission should instead use the most recent four years of normal plant performance, 2001-2004, to forecast Boardman’s forced outage rate for 2008.

II. Argument

The purpose of a forced outage rate for ratemaking is to forecast normal plant operation. Neither the period before the deferral in 2005 nor the period after the official end of the outage in 2006 represent normal Boardman operation, and should not,

therefore, be used for normalized ratemaking. For purposes of clarity, we lay out the following timeline of Boardman's operation in 2005 and 2006:

Period	From	To
Pre-Deferral	Jan 1, 2005	Nov 17, 2005
Deferral	Nov 18, 2005	Feb 5, 2006
Second Outage	Feb 6, 2006	June 6, 2006
Post-Second Outage	June 7, 2006	Dec 31, 2006

A. Boardman's Forced Outage Rate Should Forecast Normal Plant Operation

At the Commission direction, PGE appropriately removed the deferral period for Boardman's extraordinary 2005-2006 outage from its calculation of the plant's forecast forced outage rate for 2008. In addition, the Company removed the second outage period for which the Company did not seek recovery through a deferral. PGE/100/Tooman-Tinker-Schue/6. However, the problem of the cracked rotor in 2005 started well before the beginning of the deferral period, as the vibrations were first detected in July and the plant was taken offline in October, so Boardman's performance during that time can hardly be considered normal operation. CUB/100/Brown/2. The deferral period itself is an artificial construct defined by regulatory filing dates, and is not a reflection of Boardman's actual operations. The post-second outage period, with its dramatic forced outage rate, followed an extensive 8-month outage and indicates a period of turbulent maintenance. In fact, though the official second outage period, as defined by PGE, ended June 6th, Boardman was not available for dispatch until July 1st, which begs the question of whether it's possible to have a forced outage when a plant isn't even running.

CUB/100/Brown/3.

The abnormal operation of Boardman during the pre-deferral and post-second outage periods is highlighted by the plant's forced outage rates in early 2005 and late 2006 both in comparison to past Boardman performance, as well as in comparison to North American Electric Reliability Corporation (NERC) averages for similar-sized, coal-fired plants. CUB/100/Brown/3-4. Boardman's forced outage rates during early 2005 and late 2006 were the highest they had been in the years we examined, 1998 through 2006, and the plant's forced outage rate in 2006 is significantly above its average during those years. CUB/100/Brown/4. In addition, Boardman's forced outage rates during the pre-deferral and the post-second outage periods are multiple times the NERC average for similar plants from 2001-2005. *Ibid.*

Compounding PGE's proposed use of an abnormally high forced outage rate for Boardman in 2008, the Company also proposes a high number of planned outage days, as well. While we do not take issue with the Company's forecast of planned outages in this case, the combination of forced and planned outage days that PGE proposes for 2008 is well beyond normal. CUB/100/Brown/6-7. In examining the combination of planned and forced outages from 1998 through 2006, the equivalent number of days the Company proposes for 2008 is, again, strikingly above average for the period 1998-2006. CUB/105/Brown/2. This highlights the abnormality of Boardman's performance in early 2005 and late 2006, and supports the removal of those periods from a calculation designed to forecast future normal plant performance.

B. PGE's Objections To CUB's Adjustment Are Not Sound

PGE makes three arguments in its Rebuttal as to why the Commission should dismiss CUB's argument regarding the Boardman forced outage rate: 1) This "is not the appropriate docket" for CUB's adjustment; 2) CUB's approach "is results-driven, and not based on the methodology of the calculation"; and 3) CUB does not "correctly apply the four-year average methodology." PGE/300/Tooman-Tinker-Schue/6. None of these arguments hold water.

i. The Normalized Forced Outage Rate Is An Appropriate Topic In This Docket

The issue that we address here is not the generic issue described by Staff that is to be addressed in a future docket investigating "the appropriate methodology for determining 'normal' equivalent forced outage rates." Staff/100/Galbraith/4. Contrary to PGE's assertion, CUB's proposed adjustment to Boardman's forced outage rate is not only appropriate to this docket, but is directly pertinent to the use of past performance to forecast future normalized plant operations of a specific plant. CUB's proposed adjustment in this case adheres to the Commission's "long-standing practice of using actual plant outage rates to predict the future activity of that plant." OPUC Order No. 07-015 at 15. CUB's adjustment is intended to use the four most recent years of normal Boardman operation to forecast the plant's future normal operation. We are not proposing any methodological change to the use of a 4-year rolling average; we are, however, arguing that the data used in that average should be data from periods of normal plant operation. CUB/100/Brown/2-4.

ii. CUB's Adjustment Is Based On Traditional Normalized 4-Year Rolling Average

The Company argues that CUB's adjustment is somehow a deviation from the Commission's use of a 4-year rolling average of past performance to forecast future, normal plant operating performance for ratemaking purposes. The Company's proposed forecast for Boardman's normal forced outage rate in this case covers the years from 2003 through 2006, with the plant's operation during the deferral and second-outage periods, November 18, 2005 through June 6, 2006, removed from the calculation. PGE/100/Tooman-Tinker-Schue/8. The removal of these periods from PGE's calculation results in a shortened period for the 4-year average: 41 months, as opposed to 48, thus 3.4 years instead of 4.¹ The emphasis here should be on the word "normal," as the Commission clearly found Boardman's deferral period to be exceptional, and therefore not appropriately used to forecast future normal plant operation. Unfortunately, PGE's proposed 3.4-year rolling average forced outage rate for Boardman in this case includes periods outside of the deferral period when the plant was also not operating normally, and so deviates from the Commission's traditional use of a 4-year average both in its inclusion of periods of non-normal plant operation, as well as in that it is only a 3.4-year average.

a. 2001 Through 2004 Represents Normal Boardman Operation

PGE argues that CUB's inclusion of Boardman's good performance in 2001 is "arbitrary data selection." PGE/300/Tooman-Tinkero-Schue/7-8. There are two

¹ As proposed by PGE, Boardman's rolling average 4-year forced outage rate would include all of 2003 (365 days), all of 2004 (366 days), January 1st through November 17th of 2005 (321 days), and June 7th through December 31st of 2006 (158 days).

problems with this argument. First, we simply used the four most recent years of normal plant operations. As Boardman's performance in 2005 and 2006 was exceptionally poor and does not represent normal operation, the most recent available data of normal plant operation comes from 2001 through 2004.

Second, the range of Boardman's equivalent forced outage rates from 2001 through 2004 is reasonably wide, including both a relatively good year, 2001, and a relatively poor year, 2004. See Confidential Exhibit CUB/103/Brown/1, row labeled "Modified EFOR." From data supplied in CUB's Reply Testimony, one can see that Boardman's performances in 2001 through 2004 appear reasonably normal in comparison to earlier data. Boardman's performance in 2001 is close to that in 1998. The plant's performance in 2004 is the same as its performance in 2000. From the data provided in CUB's testimony, the use of Boardman's 4-year forced outage rate from 2001 through 2004 is a far more accurate forecast of the plant's normal operating behavior than an average including the plant's performance in 2005 and 2006. Yes, Boardman's forced outage rate in 2001 is relatively low, but it is not unreasonable to estimate that the plant will perform that well once in every four years. Likewise, the plant's performance in 2004 was relatively poor, and our proposed adjustment recognizes that it is not unreasonable that Boardman will perform that poorly once every four years.

b. Forced Outage Rate Used To Forecast Future, Not To Recover For Past Events

We would also reiterate our concern from UM 1234 and UE 180 that PGE is attempting to use Boardman's forced outage rate as a tool for recovery of past operational failures, instead of its intended purpose of forecasting future normal plant operation. In PGE's application for deferral of the Boardman outage, the Company makes clear that it

intends to recover part of that extraordinary event through Boardman's forced outage rate if the Company does not get satisfaction from the Commission's order in PGE's deferral application.

If the Commission authorizes this deferral, PGE will forecast Boardman's availability as if it was 100% available during the deferral period. This is predicated upon the Commission authorizing the deferral using output of 383 MWa and 380 M[W]a for 2005 and 2006, respectively, which is Boardman's output at 100%. This is not the output, however, used in the 2005 and 2006 RVMs, which, based on the assumption that forced outages occur evenly across the year, show an output of 358 MWa over the deferral period. If the Commission uses the 358 MWa instead, PGE would need to assume a 6.5% forced outage rate for the deferral period to achieve a neutral result.²

UM 1234 PGE/100/Lesh/7.

This is despite PGE's own claim that the 2005-2006 Boardman outage was an extreme event and not normal operation. UM 1234 PGE/100/Lesh/5-6.

In UE 180, PGE continues its misconception that Boardman's normalized 4-year rolling average forced outage rate should be adjusted to account for the level of recovery granted by the Commission for this extreme event.

We state in our application for deferred accounting that, to the extent that PGE receives recovery of the cost of replacing Boardman, the forced outage rate calculation should not reflect days included in that recovery ...

[I]ncluding Boardman's unexpected forced outage days in the rolling average used for forecasting increases the likelihood of a negative variance ... This result would deprive PGE of the opportunity to recoup our loss from the outage period, to the extent that the Commission did not allow us direct recovery of the costs through deferral.

UE 180 PGE/400/Lesh-Niman/5-6.

² As is seen in PGE's filing in this case, this is not what the Company eventually did.

For extraordinary events such as the Boardman outage, a deferral is the appropriate avenue for the Company to recover a reasonable share of the cost. Boardman's 4-year rolling average forced outage rate for ratemaking purposes has nothing to do with past events, and instead serves the purpose of forecasting normal plant operation. Boardman's operation during the pre-deferral and post-second outage periods does not come close to representing normal plant operation, and is not appropriately used to recover for past anomalous plant performance, regardless of the filing dates for the deferral period or the dates PGE assigned to the second outage.

c. Order 07-015 Doesn't Address Pre-Deferral Or Post-Second Outage Operation

PGE claims that "CUB basically dismisses the decision of the Commission in Order No. 07-015 and substitutes its own judgment." PGE/300/Tooman-Tinker-Schue/6. We object to PGE's assertion that we "dismissed" the Commission's judgment. In fact, as quoted by PGE only 5 lines earlier, we state that removal of the deferral and second outage periods "from Boardman's four-year average of forced outages is appropriate and consistent with the Commission's Order." CUB/100/Brown/2. What PGE fails to point out in its Rebuttal Testimony, is that, in its Order in UE 180, the Commission addresses only the 2005 portion of the Boardman outage deferral period, not whether Boardman's performance before or after the deferral period represents normal operating performance.

[W]e adjust the traditional four-year average calculation of Boardman's "normal" forced outage rate by removing the hours in the ... deferral period from the forced outage hours.

UE 180 OPUC Order No. 07-015 at 15.

In its resolution of the Boardman arguments in Order No. 07-015, the Commission never discusses Boardman's performance in the pre-deferral or post-second

outage periods. We agree with the Commission in its decision regarding the 2005 portion of the Boardman deferral period, and we agree with PGE that the second outage period should also be removed. Nevertheless, in this case, we provide additional analysis demonstrating that, in order to achieve “the most accurate forecast of forced outages,”³ the periods of non-normal performance in the pre-deferral and post-second outage periods should also be removed from Boardman’s forced outage calculation.

iii. CUB Calculation Of 4-Year Average

In PGE’s Rebuttal Testimony, the Company suggests that our recommended calculation of Boardman’s 4-year rolling average forced outage rate is over-simplified, and though the difference between the resulting numbers is insignificant, that our methodology was incorrect. PGE/300/Tooman-Tinker-Schue/8. In our Reply Testimony we present two numbers for Boardman’s equivalent forced outage rate from 2001 through 2004. One of those numbers is confidential and its calculation can be found in Confidential Exhibit CUB/103/Brown/1.

The other, found in footnote 17 on page 9 is an approximation from publicly available numbers. This number is, indeed, the result of a simple average calculation, and would be incorrect, but this is not the calculation we used in our actual recommendation to the Commission. The purpose of this footnote was to provide a non-confidential approximation of our recommended Boardman forced outage rate. To the best of our knowledge, the confidential number provided to the Commission was calculated using the correct methodology.

³ UE 180 OPUC Order No. 07-015 at 15.

III. Conclusion

Boardman's forced outage rates in early 2005 and late 2006 were abnormally high, were impacted by the turbine's cracked rotor, include a period of turbulent plant operation following an 8-month outage, and do not represent normal operating performance. We recommend that the Commission use Boardman's 2001-2004 modified equivalent forced outage rate, as proposed in CUB's Reply Testimony, to forecast Boardman's normal operation for 2008.

Respectfully Submitted,
August 28, 2007

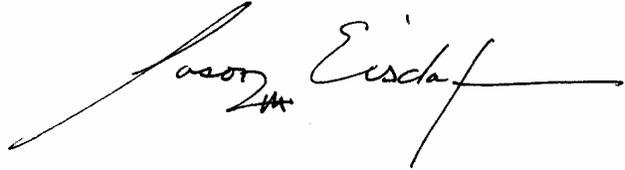
A handwritten signature in black ink, appearing to read "Jason Eisdorfer". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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

CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of August, 2007, I served the foregoing Opening Brief of the Citizens' Utility Board of Oregon in docket UE 192 upon each party listed below, by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending 6 copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

Respectfully submitted,



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W=Waive Paper service, C=Confidential, HC=Highly Confidential

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