



# Oregon

Theodore R. Kulongoski, Governor

## Public Utility Commission

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June 13, 2007

OREGON PUBLIC UTILITY COMMISSION  
ATTENTION: FILING CENTER  
PO BOX 2148  
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RE: **Docket No. UE 192** - In the Matter of PORTLAND GENERAL ELECTRIC  
COMPANY 2008 Annual Power Cost Update Tariff Filing.

Enclosed for electronic filing in the above-captioned docket is the Public Utility  
Commission Staff's Direct Testimony.

*/s/ Kay Barnes*

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

(503) 378-5763

Email: [kay.barnes@state.or.us](mailto:kay.barnes@state.or.us)

c: UE 192 Service List (parties)

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**PUBLIC UTILITY COMMISSION  
OF OREGON**

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**UE 192**

**STAFF DIRECT TESTIMONY OF**

**Maury Galbraith**

**In the Matter of  
PORTLAND GENERAL ELECTRIC COMPANY  
2008 Annual Power Cost Update Tariff Filing.**

**June 13, 2007**

CASE: UE 192  
WITNESS: Maury Galbraith

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 100**

**Direct Testimony**

**June 13, 2007**

1 **Q. PLEASE STATE YOUR NAME AND POSITION.**

2 A. My name is Maury Galbraith. The Public Utility Commission of Oregon (OPUC)  
3 employs me as a Senior Economist. My qualifications are shown at Exhibit  
4 Staff/101.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. The purpose of my testimony is to present Staff's recommendations regarding  
7 Portland General Electric's (PGE's) forecast of net variable power costs (NVPC)  
8 for 2008.

9 **Q. WHAT ARE STAFF'S RECOMMENDATIONS?**

10 A. Staff recommends that the Commission adopt PGE's forecast of NVPC for 2008.  
11 PGE's initial forecast is for NVPC to be \$776 million in 2008. PGE should update  
12 its forecast according to the schedule set in this docket and file its final forecast  
13 on November 14, 2007. Staff also recommends that the Commission clarify that  
14 PGE should update its forecast of net ancillary services revenues as part of each  
15 Annual Update proceeding.

16 **Q. PLEASE SUMMARIZE THE REMAINDER OF YOUR TESTIMONY.**

17 A. I provide testimony regarding three issues that were presented to the  
18 Commission in PGE's last general rate case. First, I address the issue of the  
19 extrinsic value of PGE's flexible purchased power agreements and natural gas-  
20 fired generating plants. Second, I address the issue of 'normal' equivalent forced  
21 outage rates for PGE's Boardman and Colstrip coal-fired generating plants.  
22 Finally, I address the issue of the tracking of net ancillary services revenue in  
23 PGE's power cost adjustment mechanism (PCAM).

Extrinsic Value

1  
2 **Q. IN PGE'S LAST RATE CASE STAFF RECOMMENDED AN ADJUSTMENT**  
3 **TO POWER COSTS TO ACCOUNT FOR THE EXTRINSIC VALUE OF PGE'S**  
4 **FLEXIBLE PURCHASED POWER AGREEMENTS AND NATURAL GAS-**  
5 **FIRED GENERATING PLANTS. DOES STAFF RECOMMEND A SIMILAR**  
6 **ADJUSTMENT IN THIS CASE?**

7 A. No. In Order No. 07-015, the Commission adopted a \$1.4 million decrease to  
8 test period power costs to reflect the extrinsic value of PGE's Super Peak  
9 contract, ordered PGE to submit a report on stochastic power cost modeling by  
10 September 1, 2007, and indicated that it will open a new docket to consider  
11 whether stochastic modeling should be used to forecast net variable power costs.  
12 See Order No. 07-015 at 55-56.

13 In this case, PGE has reduced its power cost forecast by \$1.4 million to  
14 account for the extrinsic value of its Super Peak contract. See PGE/100,  
15 Tooman – Tinker – Schue/12. Any further adjustment to PGE's power costs to  
16 account for the extrinsic value of purchased power agreements or generating  
17 resources should be made after PGE files its report on stochastic power cost  
18 modeling and interested parties have had an opportunity to make  
19 recommendations regarding the regulatory treatment of the real option value of  
20 these resources in the Commission's upcoming stochastic modeling  
21 investigation.

22 **Q. IN RESOLUTION OF THE EXTRINSIC VALUE ISSUE IN PGE'S LAST RATE**  
23 **CASE, IT APPEARED AS THOUGH THE COMMISSION WOULD HAVE**  
24 **ADOPTED AN ADJUSTMENT TO THE COLD SNAP CONTRACT HAD THERE**  
25 **BEEN EVIDENCE ON THE RECORD. SEE ORDER NO. 07-015 AT 13. DOES**



1 A. No. In Order No. 07-015, the Commission adopted a \$4.6 million reduction to  
2 test period power costs to adjust for an extreme forced outage at the Boardman  
3 plant in 2005. The Commission also indicated that it would open a new docket to  
4 review the appropriate method for determining 'normal' forced outage rates for  
5 generating plants. See Order No. 07-015 at 55-56.

6 In this case, PGE has adjusted the Boardman equivalent forced outage rate  
7 consistent with the Commission resolution in Order No. 07-015. See PGE/100,  
8 Tooman – Tinker – Schue/6-8. The Commission's upcoming investigation into  
9 the appropriate methodology for determining 'normal' equivalent forced outage  
10 rates is the appropriate docket to revisit the use of NERC data, or other methods,  
11 for determining forced outage rates.

### 12 Ancillary Services

13 **Q. IN RESOLUTION OF THE NET ANCILLARY SERVICES REVENUE ISSUE IN**  
14 **THE LAST RATE CASE, THE COMMISSION INDICATED THAT THE**  
15 **DIFFERENCE BETWEEN ACTUAL AND FORECAST NET REVENUE**  
16 **SHOULD BE ACCOUNTED FOR IN PGE'S ANNUAL PCAM. SEE ORDER NO.**  
17 **07-015 AT 16 AND 27. HAS PGE UPDATED ITS FORECAST OF NET**  
18 **ANCILLARY SERVICES REVENUE IN THIS CASE?**

19 A. No. PGE has not updated its forecast of net revenue from the sale of ancillary  
20 services because this is not a general rate case. See PGE/100, Tooman –  
21 Tinker – Schue/13.

22 **Q. IS PGE'S TREATMENT OF ANCILLARY SERVICES REVENUE CONSISTENT**  
23 **WITH COMMISSION ORDER NO. 07-015?**  
24

1 A. No. Staff believes the Commission intended for forecast net ancillary services  
2 revenue to be part of the Annual Update process and for differences between  
3 actual and forecast net revenue to be part of the annual PCAM. PGE, on the  
4 other hand, would fix the annual forecast of net ancillary services revenue at \$1.4  
5 million, the amount adopted by the Commission in Order No. 07-015. See PGE  
6 Response to OPUC Data Request No. 013 at Staff/102, Galbraith/1-4.

7 **Q. DOES STAFF PROPOSE AN UPDATED FORECAST OF NET ANCILLARY**  
8 **SERVICES REVENUE FOR 2008?**

9 A. No. For the 2008 Annual Update, the forecast of \$1.4 million remains  
10 reasonable. See Staff/102, Galbraith/2. Staff raises this issue, at this time, in  
11 order for the Commission to resolve this dispute prior to future Annual Update  
12 proceedings. Staff recommends that the Commission clarify that PGE should  
13 update its forecast of net ancillary services revenue as part of each Annual  
14 Update proceeding.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.



CASE: UE 192  
WITNESS: Maury Galbraith

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 101**

**Witness Qualification Statement**

**June 13, 2007**

### WITNESS QUALIFICATION STATEMENT

**NAME:** Maury Galbraith

**EMPLOYER:** Public Utility Commission of Oregon

**TITLE:** Senior Economist, Energy Division

**ADDRESS:** 550 Capitol Street NE Suite 215  
Salem, Oregon 97301-2551

**EDUCATION:** Graduate Student in Environmental Studies Program (1995 – 1997)  
University of Montana  
Missoula, Montana

Master of Arts in Economics (1992)  
Washington State University  
Pullman, Washington

Bachelor of Science in Economics (1989)  
University of Oregon  
Eugene, Oregon

**EXPERIENCE:** The Public Utility Commission of Oregon has employed me since April 2000. My primary responsibility is to provide expert analysis of issues related to power supply in the regulation of electric utility rates.

From April 1998 through March 2000 I was a Research Specialist with the State of Washington Office of the Administrator for the Courts in Olympia, Washington.

From April 1993 through August 1995 I was a Safety Economist with the Pacific Institute for Research and Evaluation in Bethesda, Maryland.

CASE: UE 192  
WITNESS: Maury Galbraith

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 102**

**Exhibits in Support  
of Direct Testimony**

**June 13, 2007**

May 22, 2007

TO: Vikie Bailey-Goggins  
Oregon Public Utility Commission

FROM: Randy Dahlgren  
Director, Regulatory Policy & Affairs

**PORTLAND GENERAL ELECTRIC  
UE 192  
PGE Response to OPUC Data Request  
Dated May 10, 2007  
Question No. 013**

**Request:**

**In Order 07-015, the Commission stated, "...in light of PGE's argument that its ancillary service revenues are difficult to forecast, the difference in revenues should also be incorporated in calculation of the annual PCAM, adopted below. Order 07-015 at 16.**

- a. How does PGE proposed to include ancillary service revenues in its annual PCAM?**
- b. Has PGE updated its forecast of ancillary service revenues in its 2008 Annual Update? If yes, please explain the basis of the updated forecast**

**Response:**

- a. How does PGE proposed to include ancillary service revenues in its annual PCAM?**

Order No. 07-015 (Page 16) directs that approximately \$1.4 million in net ancillary service revenues be included in Other Revenues. This order also directs that the difference between actual net ancillary service revenues and the assumed approximately \$1.4 million is included in the power cost adjustment mechanism. In calculating the Annual Variance (PGE Schedule 126), PGE will adjust (down) the base net variable power costs (NVPC) used to set rates by the approximately \$1.4 million and then include actual net ancillary service revenues (as a reduction) in the calculation of Actual NVPC.

**b. Has PGE updated its forecast of ancillary service revenues in its 2008 Annual Update? If yes, please explain the basis of the updated forecast**

PGE has not updated its forecast of net ancillary service revenues in its 2008 Annual Update filing. The estimate of approximately \$1.4 million remains reasonable. See PGE's Responses to Part a. above and to OPUC Data Request No. 014. The Response to Request No. 014 contains the most recent data we have and confirms that \$1.4 million is a reasonable estimate for 2008.

May 22, 2007

TO: Vikie Bailey-Goggins  
Oregon Public Utility Commission

FROM: Randy Dahlgren  
Director, Regulatory Policy & Affairs

**PORTLAND GENERAL ELECTRIC  
UE 192  
PGE Response to OPUC Data Request  
Dated May 10, 2007  
Question No. 014**

**Request:**

**Please provide, in electronic format, detail monthly actual data for 2005 to date that identifies all revenue from ancillary services received by the company from other parties. For all revenue components, please identify counter-party and specific ancillary service provided, for example, contingency reserves.**

**Response:**

Attachment 014-A is an Excel file "DR\_014\_Attach A\_CONF.xls," which provides the requested information. All sales have been to the California Independent System Operator. The appropriate data are those on Row 33 of the attachment. They net out grid management charges, consistent with the discussion on Page 16 of Order No. 07-015 (UE 180). In UE 180, the Commission determined that annual net revenues from the sale of ancillary services were approximately \$1.4 million. (Order No. 07-015, Page 16). This is the sum of cells D33 through O33 of Attachment 014-A. Attachment 014-A is confidential and subject to Protective Order No. 07-135. It is provided under separate cover.

**UE 192**  
**Attachment 014-A**

**Confidential and Subject to Protective Order No. 07-135**

Net Revenues from Sales of Ancillary Services

**CERTIFICATE OF SERVICE**

**UE 192**

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 13th day of June, 2007.



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Stephanie S. Andrus

Assistant Attorney General

Of Attorneys for Public Utility Commission's Staff

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**UE 192**

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