



Oregon

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June 30, 2011

Via Electronic Filing

OREGON PUBLIC UTILITY COMMISSION
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**RE: Docket No. UE 228 – In the Matter of PORTLAND GENERAL
ELECTRIC COMPANY 2012 Annual Power Cost Update Tariff.**

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

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

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**PUBLIC UTILITY COMMISSION
OF OREGON**

UE 228

**STAFF OPENING TESTIMONY OF
ED DURRENBERGER**

**In the Matter of
PORTLAND GENERAL ELECTRIC COMPANY
2012 Annual Power Cost Update Tariff**

June 30, 2011

CASE: UE 228
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

Opening Testimony

June 30, 2011

PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Ed Durrenberger. I am a Senior Utility Analyst in the Electric & Natural Gas Division of the Public Utility Commission of Oregon. My business address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. My Witness Qualification Statement is found in Exhibit Staff/101.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to discuss my analysis of Portland General Electric Company's (PGE or Company) 2012 Annual Update Tariff Filing (AUT) docketed as UE 228 and certain findings I made as the result of my analysis of the filing.

Q. WILL YOU BE INCLUDING ANY WORK PAPERS OR EXHIBITS WITH THIS FILING?

A. No, I have not prepared any exhibits.

Q. PLEASE DESCRIBE THE POWER COST FILING.

A. On April 1, 2011 PGE filed an initial forecast of the Company's net variable power costs. The 2012 power costs are \$724.9 million, and are based on contract and forward power and natural gas price curves from February 2011 and on a load forecast performed in March 2011. This equates to a net variable power unit cost of \$36.15 per megawatt hour (MWh). This is a decrease in net variable power costs of \$0.94/MWh or 2.5% from the final cost projection for the 2011AUT.

Q. WHAT ARE THE MAIN DRIVERS FOR THE POWER COSTS FORECAST IN 2012?

A. PGE forecasts net variable power costs by inputting a forecast of loads, generation, contracts, forward fuel and power costs, and other factors into the Company's power dispatch model "Monet". When the model is run it performs an hourly economic dispatch of the PGE system from which forecasts of annual net variable power costs can be obtained.

PGE's forecast of the 2012 system load is 19,174 million kWh. When losses are added, the result is a total load of 20,052 million kWh at the bus bar. This is a 1.6% increase in load over the 2011 load forecast. PGE estimates its sales to customers will be

PGE considers the specifics of the power cost model run to be confidential; however, the main cost drivers for the 2012 power costs are as follows:

1. Fuel, both gas and coal, accounts for about one third of the net variable power costs.
2. Contract power purchases account for another one third of the power costs.
3. Of the remaining one third of the costs about half are for undefined market power purchases based on the forward wholesale market price curve generated by the PGE trading floor, and the rest is transmission costs, hydro and wind costs, and other relatively small variable costs related to power procurement.

Q. THE OVERALL LOAD IS INCREASING FOR 2012 BUT THE NET VARIABLE POWER COST IS FORECAST TO DECREASE. WHICH OF THE COST AREAS IDENTIFIED WILL HAVE DECREASING COSTS?

A. The PGE testimony provides a small table that summarizes some of the factors leading to the power cost decrease. See UE 228/PGE/ 100, Niman-Weitzel/13, Table 3. According to the Table and an analysis of the Monet power cost model run summary report, the main area in which power costs are significantly different is in Contract Power Purchases, where costs are down significantly. Contract Power Purchase costs are lower due to a combination of factors tied to the expiration of higher cost long term non-hydro power contracts and the generally soft wholesale power cost market that the Company is able to take advantage of for 2012. Although the contract purchase costs are significantly lower, the total amount of energy under contract is only modestly lower, further supporting the idea that the market pricing is favorable for 2012.

Q. ARE THERE ANY OTHER UNUSUAL FEATURES ABOUT THE 2012 POWER COST MODEL YOU NOTICED IN YOUR EVALUATION OF THE FILING?

A. Yes, there is significantly less long term Mid-C hydro energy in the forecast model for 2012. The Company states that some long term Mid-C contracts have recently expired or will expire in 2011. This is unfortunate because the Mid-C hydro has been some of the lowest cost power in PGE's portfolio, it has the capability to provide load following reserves, and PGE has favorable transmission agreements to transport the energy to customers. Although PGE continues to explore options with regard to acquiring Mid-C hydro, it is the Company's assessment that they will not be able to renew any of the expiring contracts. As a consequence, the 2012 net variable power cost forecast reflects less overall hydro generation in the energy mix for PGE and increased

output from the Company owned natural gas powered generation. Although the 2012 AUT filing appears to adapt to the loss of this hydro generation with only modest overall generation cost increase to customers, it should be noted that economic Company owned gas generating reserve capacity is not unlimited and that the price consequence of shifting from hydro to gas generation will be dramatic if gas prices begin to increase.

Q. ARE THERE ANY OTHER FEATURES ABOUT THE 2012 POWER COST MODEL THAT YOU WISH TO DISCUSS?

A. No, I have reviewed this filing and compared both the model inputs and the summary Monet outputs with the results from previous AUT filings. I am generally satisfied with the finding of the Monet power cost model output in this filing.

Q. HAS THE COMPANY MADE ANY MODELING CHANGES TO THE AUT THAT YOU WISH TO DISCUSS?

A. Yes, a few. The PGE load forecasting group proposed a few seemingly minor changes to the load forecasting model. The changes include a small list of what, until this time, had been outboard adjustments to the load model.

Although the specifics and merits of each proposed change appear rational, I oppose load forecast model changes as part of any AUT and reject modeling changes to any load forecast to be used in UE 228.

PGE also made a change in the modeling of the costs for the BPA imbalancing charge. PGE states that this change is included with this filing to honor a commitment to the parties of the previous power cost update filing in UE 215.

While I agree with honoring commitments made in stipulated settlements and I

am willing to accept the finding of the modeling change as a more appropriate reflection of what the actual imbalance charge for the 2012 power cost year should be, I believe PGE's modeling of the imbalance charges is not yet optimal. In the previous AUT filing I found imbalancing charges to be approximately \$500 thousand too high, in this filing, PGE's modeling changes have reduced those charges by \$350 thousand.

Q. ARE YOU PROPOSING ANY ADJUSTMENTS TO THE 2012 NET VARIABLE POWER COST FORECAST?

A. I find that the PGE 2012 AUT filing follows the guidelines approved in Commission Order 07-015. I have analyzed the Company's forecast of sales to customers and the forward price curves used for the AUT filing and find both model inputs to be reasonable and consistent with what PGE has used in previous filings. I have reviewed power purchase contract costs and generation costs and performance including wind plant expenses. I do not take exception to the values used. I reviewed Mid-C hydro cost and performance and, although the trend is not favorable to customer's long term interests, I find the Company's response to the issue to be appropriate. I have noted earlier in my testimony that certain modeling changes proposed for subsequent updates to the AUT are inappropriate or will require additional refinement as additional actual operating information becomes available. In summary I do not propose any adjustments to the power costs as forecast in the 2012 AUT filing at this time. I am aware that other parties to this docket have raised issues that were not resolved in settlement discussions and that other issues that have not previously been raised may be raised by parties in their testimony. Although I

am not joining in any adjustment proposed by other parties at this time, I will evaluate all the other parties' arguments and do not rule out supporting adjustments proposed by others in future settlement discussions.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, I have nothing further to discuss.

CASE: UE 228
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

June 30, 2011

WITNESS QUALIFICATION STATEMENT

NAME: Ed Durrenberger

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst, Electric and Natural Gas Division

ADDRESS: 550 Capitol St. NE, Ste. 215, Salem, Oregon 97301

EDUCATION: B.S. Mechanical Engineering
Oregon State University, Corvallis, Oregon

EXPERIENCE: I have been employed at the Oregon Public Utility Commission of since February of 2004. My current responsibilities include staff research, analysis and technical support on a wide range of electric and natural gas cost recovery issues with an emphasis on electricity and fuel costs.

OTHER EXPERIENCE: I worked for over twenty years in industrial boiler plant engineering, maintenance and operations. In this capacity I managed plant operations, fuel supplies and utilities, environmental compliance issues and all aspects of boiler machinery design, installation and repair. I have also worked as a production manager and machine shop manager for an ISO certified high tech equipment manufacturer servicing the silicon wafer fabrication and biomedical business sectors.

UE 228
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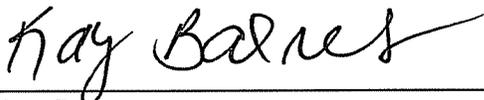
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CERTIFICATE OF SERVICE

UE 228

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 860-001-0180, to the following parties or attorneys of parties.

Dated this 30th day of June, 2011, at Salem, Oregon.



Kay Barnes
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