



**Portland General Electric Company**  
121 SW Salmon Street • Portland, Oregon 97204  
PortlandGeneral.com

May 24, 2013

**Email / US Mail**

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Kathy Williams  
Administrator  
550 Capitol Street, N.E., Ste 215  
Salem, OR 97301-2551

**RE: UE 266 Supplemental Testimony and Confidential Exhibits**

Ms. Williams:

Enclosed please find one original and five copies of PGE's Supplemental Testimony and Confidential Exhibits. Also enclosed are one original and 5 copies of Confidential Exhibits 1601, 1602, 1603 and 1604. These confidential materials are subject to Protective Order No. 13-042 and are provided on CD only.

If you have any questions or require further information, please contact me at (503) 464-7458. Please direct all formal correspondence and requests to the following email address:  
[pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com).

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Liddle", is written over the signature line.

Christopher Liddle  
Manager, Regulatory Policy & Affairs

CL:kr

*encl.*

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

**UE 266**

**Supplemental Testimony  
Capacity RFP Contracts**

**PORTLAND GENERAL ELECTRIC COMPANY**

**Supplemental Testimony and Exhibits of**

*Michael Niman  
Terri Peschka*

May 24, 2013

1 **Q. Please state your names and positions with Portland General Electric (PGE).**

2 A. My name is Mike Niman. My position at PGE is Manager, Financial Analysis.

3 My name is Terri Peschka. My position at PGE is General Manager, Power Operations.

4 Our qualifications were provided in PGE Exhibit 400.

5 **Q. What is the purpose of your Supplemental Testimony?**

6 A. In PGE's initial testimony (PGE Exhibit 400, pages 26-27), we noted that a capacity  
7 resource in the form of a purchased power agreement could be selected from the Capacity  
8 RFP. Contracts were in the development stage following evaluation of our Capacity RFP  
9 bids, and we did not know whether these contracts, or any others like them, would in fact be  
10 executed. However, at this point in the negotiations, the contracts' cost and operating  
11 parameters have largely been determined and we are resolving the commercial and credit  
12 terms. Current drafts of the contracts are provided in confidential PGE Exhibits 1601, 1602  
13 and 1603. PGE will include these contracts in its July 16 Monet update filing. We are  
14 submitting this supplemental testimony now so that parties have an opportunity to review  
15 the details of the contracts, the manner in which they will be modeled in Monet, and the  
16 expected effect on the NVPC forecast for 2014.

17 **Q. Can you briefly summarize these contracts?**

18 A. Yes. They are bi-seasonal capacity tolling contracts. Each contract provides capacity in  
19 winter months of December, January and February, and/or summer months of July, August  
20 and September. Each contract has operating parameters such as capacity, heat rate and  
21 dispatch terms, and costs such as fixed capacity, fuel, fuel transportation, variable O&M and  
22 transmission. All three contracts are backed by physical power plants. They are high heat-  
23 rate resources selected for capacity, not energy, needs. As such, we do not expect to

1 dispatch them frequently. In fact, because Monet assumes normal weather and normal water  
2 (i.e., normal markets) and no reliability interruptions, these contracts will likely dispatch  
3 little or not at all in Monet.

4 **Q. On what basis are these contracts necessary and prudent?**

5 A. The need for this type of bi-seasonal capacity resource was demonstrated in our 2009  
6 Integrated Resource Plan. The need was confirmed in subsequent updates to our 2009 IRP,  
7 most recently in our November 2012 IRP Update, which identified a need for 200 MW of  
8 bi-seasonal capacity resources and an additional 150 MW of winter-only capacity. The  
9 proposed contracts are to replace similar contracts that have previously expired. These  
10 contracts provide for relatively inexpensive but necessary reliability during summer and  
11 winter peak weather events compared to a year-round alternative.

12 **Q. How do you plan to model these in Monet?**

13 A. We currently plan to model them as dispatchable contracts. We have prepared an Excel  
14 workbook outboard of Monet that models the contracts based on the forward market electric  
15 and gas prices in our April 1 update filing. This is provided in confidential PGE Exhibit  
16 1604.

17 **Q. What is the effect on NVPC of these contracts?**

18 A. Based on the April 1 update filing curves, addition of these contracts increases the 2014  
19 NVPC forecast by approximately \$1.8 million.

20 **Q. What factors drive the NVPC effect of these contracts?**

21 A. The NVPC effect is currently due almost entirely to the contract fixed costs. At the  
22 forward market electric and gas prices in our April 1 update filing, we do not expect these

1 contracts to dispatch materially in Monet under the modeled normal (1-in-2) weather  
2 conditions.

3 **Q. Why is this modeling reasonable and appropriate?**

4 A. These contracts increase our ability to reliably meet load without resorting to a year-round  
5 dedicated resource. These are high-heat-rate capacity resources intended primarily to  
6 assure a reliable supply of power to customers during peak load events, not for energy  
7 production. They are not expected to dispatch frequently either in actual operations or in  
8 the Monet model. Their value is in providing reliability at a reasonable cost compared  
9 with year-around alternatives.

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

11 A. Yes.

## List of Exhibits

<u>PGE Exhibit</u>	<u>Description</u>
1601C	Seasonal Peak Capacity Purchase - Winter
1602C	Seasonal Peak Capacity Purchase - Summer
1603C	Peak Tolling Termsheet
1604C	Bi-Seasonal Capacity RFP Modeling

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

**UE 266**  
General Rate Case  
Supplemental Testimony

**PORTLAND GENERAL ELECTRIC COMPANY**

**CONFIDENTIAL EXHIBITS**

May 24, 2013