



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

April 7, 2006

VIA ELECTRONIC MAIL AND HAND DELIVERY

Public Utility Commission of Oregon
Attention: Filing Center
550 Capitol Street NE, #215
P.O. Box 2148
Salem, OR 97308-2148
Puc.filingcenter@state.or.us

Re: *In the Matter of Public Utility Commission of Oregon Staff's Investigation Relating to Electric Utility Purchases from Qualifying Facilities*
OPUC Docket No. UM 1129
DOJ File No. 330-020-GN0041-04

Enclosed for filing are originals and five copies of Phase II Compliance Filing Rebuttal Testimony of Jeff Keto, with certificate of service, offered by the Oregon Department of Energy in the above-captioned matter for filing with the Public Utility Commission today.

Sincerely,

/s/ Janet L. Prewitt

Janet L. Prewitt
Assistant Attorney General
Natural Resources Section

Enclosures

c: Phil Carver, ODOE (email only)
Jeff Keto, ODOE (email only)
UM 1129 Service List

JLP:jrs/GENP7525

PHASE II COMPLIANCE FILING REBUTTAL TESTIMONY OF JEFF KETO

Q: PLEASE, STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A: My name is Jeff Keto. I am the Loan Manager of the Small Scale Energy Loan Program (Loan Program), Oregon Department of Energy. My business address is 625 Marion St. N.E. Salem, Oregon. My educational background and professional background is described in ODOE Exhibit No. 6, submitted in this matter.

Q: HAVE YOU PROVIDED TESTIMONY IN THIS PROCEEDING BEFORE?

A: Yes. I provided testimony in Phase I, ODOE Exhibits 6 and 9.

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My rebuttal testimony will address Staff's testimony of the issues relating Mechanical Availability Guarantees for standard contracts.

Q. DOES ODOE SUPPORT STAFF'S POSITION THAT THE COMMISSION SHOULD REQUIRE THE UTILITIES TO INCLUDE IN STANDARD CONTRACTS A MECHANICAL AVAILABILITY GUARANTEE (MAG) FOR INTERMITTENT RESOURCES SUCH AS WIND AND RUN OF THE RIVER HYDRO?

A. Yes, with some additional recommendations. ODOE also believes that a MAG provides a higher contracted amount of reliable delivered power to the utility than a minimum delivery based on a generator's worst case conditions. A MAG takes the risk of availability of motive force out of the required contract power delivery for the QF, which has always been a recommendation of ODOE in order to finance projects.

The MAG contract terms that Staff recommends include power delivery exceptions for scheduled maintenance and force majeure. It appears that the proposed scheduled maintenance allows for up to 30 days per year

down time. ODOE is concerned that the proposal does not adequately address possible unscheduled maintenance. A community-scale wind project may include only one or two large turbines so a mechanical breakdown could have a significant affect on meeting availability requirements if the component parts or vendor support are not readily available. Although insurance can help cover the cost of the breakdown, it will not cover any penalty imposed in the power purchase contract. ODOE has previously recommended the percentage guarantee for mechanical availability be set at 65% to accommodate potential unscheduled maintenance events accompanied by a significant delay by third party vendors or suppliers to provide the needed parts or service. ODOE Reply Brief to UM1129 Phase I, pages 4-5. ODOE continues to recommend 65% availability as reasonable if the Commission chooses to require a mechanical availability guaranty. An alternative to a 65% availability figure would be to include delays caused by third party vendors as an exception to delivery under a MAG.

Q: DOES THIS CONCLUDE YOUR TESTIMONY.

A: Yes.

CERTIFICATE OF SERVICE

I hereby certify that on the 7th day of April 2006, I served the foregoing Phase II Compliance Rebuttal Testimony of Jeff Keto on the persons named on the attached UM 1129 service list by electronic mail and by mailing a full, true and correct copy thereof addressed to the persons at the addresses on the UM 1129 service list (with the exception of those parties who have waived paper service).

Dated: April 7, 2006

/s/ Janet L. Prewitt

Janet L. Prewitt, #85307
Assistant Attorney General

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