

1 UNITED STATES OF AMERICA
2 U.S. DEPARTMENT OF ENERGY
3 BEFORE THE
4 BONNEVILLE POWER ADMINISTRATION

5 FY 2009 Average System Costs for Puget
6 Sound Energy

Docket No. ASC-09-PS-01

7 **PUBLIC UTILITY COMMISSION OF OREGON COMMENTS**
8 **REGARDING FY 2009 ASC DRAFT REPORT FOR PUGET SOUND ENERGY**

9 The Public Utility Commission of Oregon (“OPUC”) urges the Bonneville Power
10 Administration (“BPA”) to reconsider the draft decision regarding the natural gas price forecast
11 to use in the ASC Forecast model for new natural gas-fired plant additions.¹ Specifically, the
12 OPUC urges BPA to use a common natural gas price forecast for determining utilities’ FY 2009
13 average system costs (“ASC”).

14 The draft decision and underlying analysis is as follows:

15 **Analysis of Positions:**

16 All of the respondents supported the option of adopting a common natural gas
17 price forecast in the ASC Forecast Model for all new natural gas-fired plant
18 additions. The parties suggested that an independent third party should supply the
19 natural gas forecast.

20 The parties also supported the principle that the natural gas price forecast should
21 include adjustments for basis or hub difference, and adjustments for firm gas
22 transportation costs on a utility-by-utility, resource-specific basis.

23 The parties contended that the use of a third party gas price forecast should not
24 preclude a utility from using its own forecast.

25 BPA agrees with the parties that a common gas forecast would be one reasonable
26 approach. However, using the utility-supplied natural gas forecasts from the
utilities’ October 1, 2009, ASC filings is a better option for FY 2009. Such
forecasts would more closely match projected gas prices that were used to set the
PF Exchange Rate in BPA’s 2007 Supplemental Rate Proceeding than would
using a more recent forecast. In addition, BPA has been paying REP benefits
based on the ASCs containing these natural gas price forecasts. Switching to a
new forecast at this time could result in large true-ups when the final ASCs are
determined. This approach is also reasonable on a one-time basis because it is

¹ FY 2009 Draft ASC Report for PSE at pp 47-49.

1 based on the utilities' own forecasts, which the utilities presumed to be reasonable
2 when filed. This approach for FY 2009, however, does not constitute a precedent
3 for future ASC determinations.

4 **Draft Decision:**

5 *BPA will accept the utilities' as-filed projected natural gas prices used for new
6 resources for FYI 2009 ASC filings.*²

7 BPA's analysis in Puget Sound Energy's FY 2009 Draft ASC report regarding use of a
8 common natural gas price forecast, and its decision regarding this issue in its FY 2010-2011
9 Draft ASC Report, reflect that BPA agrees with the OPUC and other parties that it is generally
10 appropriate to use a third-party supplied natural gas price forecast to determine costs associated
11 with new natural gas-fired plant additions.³ Notwithstanding, BPA proposes to use the gas price
12 forecasts supplied by the utilities in their initial ASC filings to determine FY 2009 ASCs because
13 it may be necessary to do "large true-ups" if a third-party gas price forecast is used. BPA's
14 reasoning underscores why it is appropriate to use a third-party forecast, rather than the forecast
15 supplied by individual utilities.

16 Presumably, a *large* true-up would only be needed if the utility-supplied forecast is
17 significantly different than forecast provided by a third party. The fact that there may be a
18 significant difference between a utility-supplied forecast and one obtained from a third-party is
19 precisely the reason that BPA should use the forecast supplied by the third-party.

20 Furthermore, BPA's concern regarding the need for a true-up appears to be misplaced.
21 BPA has proposed numerous adjustments to the utilities' ASC filings. PSE's final FY 2009
22 ASC will differ from its filed ASC. In light of the fact the FY 2009 ASCs, and the residential
23 exchange benefits dependent on those ASCs, are already static, it is appropriate for BPA to
24 implement the policy announced for the FY 2010-2011 ASC determination in the FY 2009 ASC
25 determinations.

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² FY 2009 Draft ASC Report for PSE at 48-49.

³ *Id.*, and FY 2010-2011 Draft ASC Report for PSE at pp 49-50.

1 Finally, BPA’s assertion that it is “reasonable” to use the utility-supplied gas forecasts on
2 a one-time bases because the utilities presumed the forecasts to be reasonable when filed, is
3 inconsistent with BPA’s analysis and the conclusion BPA has reached for the FY 2010-2011
4 ASC determinations. Whether the utilities concluded that their own natural-gas forecasts were
5 reasonable is not pertinent to the policy consideration advanced by using a third-party supplied
6 gas forecast – ensuring parity between the utilities.

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DATED this 11th day of May 2009.

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Respectfully submitted,

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