BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 189

In the Matter of	)
	)
PORTLAND GENERAL ELECTRIC,	)
	)
Request to Add Schedule 111, Advanced Metering Infrastructure.	)

OPENING BRIEF

OF THE

CITIZENS' UTILITY BOARD OF OREGON

January 18, 2008

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I. Introduction

Portland General Electric (PGE), Staff, the Community Action Partnership of Oregon, NW Natural, and the Oregon Department of Energy (collectively, the "Stipulating Parties" or "Joint Parties") have reached an agreement supporting PGE's proposed advanced metering infrastructure (AMI) project, and recommend that the Commission approve their Stipulation as filed. CUB's objection to the Stipulation is founded upon two practical and two regulatory concerns. Practically speaking, PGE's currently-proposed advanced metering project, like the Company's previous UE 115 advanced metering project, is not based on a technology or a commercial market that is established. Advanced metering technology, and especially the protocols for the technology, are still very much in development. Given California's plans to pursue advanced metering, it is more likely than not, that many of the current technological and protocol unknowns may shake out in the not too distant future.

Also, PGE's business plan is supported by a relatively small net benefit to customers over a two-decade time period, yet the risk that the system will become obsolete or require significant upgrading is quite real. PGE's proposed second try at advanced metering has such a small projected net benefit over a long period of time and is prone to such large uncertainties over that time, that the project is not reasonable. CUB opposes PGE's plan to implement yet another advanced metering system so closely on the heels of the Company's UE 115 advanced metering misadventure, when the stakes for customers are high, but the projected benefit low.

From a regulatory perspective, PGE wants the Commission to find that the Company's proposed new advanced metering project is prudent, that premature retirement and accelerated depreciation of its current UE 115 advanced meters is in the public interest, and that the Company's business case should not be reviewed in light of the Company's execution of the project. The latter point is defended by PGE's assertion-of-the-obvious that the costs and benefits will likely be different than the Company's projections. Thus, PGE does not want to be held responsible for the robustness of its business plan, for the actual costs of the project, for the Company's execution of the project, or for realizing the Company's projected benefits of the project. Such absolution of risk is inappropriate, and relieves the Company from a responsibility that it is paid a rate of return to manage.

Second, should PGE proceed, the Company proposes to recover the entire rate base value of both its prematurely retired manual-read meters, as well as its prematurely retired UE 115 advanced meters. These are two different sets of meters and the technological implications of replacing each set is different. PGE may have made a business case that there is a net benefit, however small, to replacing its manual-read meters. The Company has not, however, met its burden of proof in demonstrating a net benefit to retiring the UE 115 advanced meters, which already have much of the functionality of the proposed UE 189 meters, and customers should not, therefore, be required to pay for what amounted to a poor investment.

II. Argument

A. PGE's Current AMI Project Is NOT Based On A Mature Technology

PGE and Staff "note that California utilities, after extensive research and testing, have already made numerous decisions regarding the deployment of AMI systems, and [PGE and Staff] are confused about CUB's suggestions that they have not." Joint/200/Schwartz-Owings-Tooman/2. It is these "decisions" that support the argument that PGE's proposal is premature and insufficient. The decisions in California are based on utility business cases that dwarf PGE's in depth, and that rely on time-of-use pricing to achieve cost-efficiency, which PGE's business case does not. CUB/102/Jenks/10. It is precisely the California decision-making (where no utility-wide AMI system is yet operational, let alone stood the test of time) that supports a deliberate process in Oregon.

PGE and Staff's discussion of direct load control further substantiates CUB's argument that the prudent path to a full-scale PGE advanced metering project would be to wait and see how California utilities' advanced metering installations go, what glitches they encounter, and how well their tariff programs work. For example, in responding to CUB's concern that PGE's current meters may not have the functionality needed to take advantage of direct load control – one of the more exciting opportunities that advanced meters could provide – PGE and Staff describe the ways in which the Company's current proposal may not have the functionality needed to take advantage of direct load control. In their Testimony, the Joint Parties describe the updates that will be needed should a standard protocol be developed and used:

- If a standard protocol does exist and is utilized:
    - PGE's AMI meters could communicate with smart appliances using some other communications protocol such as Zigbee or HomePlug. PGE would use a communication bridge to translate the FlexNet protocol into one of these protocols should they become the standard and if the economic benefits justify the expense.
    - Depending on the specific customer needs and cost effectiveness, PGE could exchange the AMI meter with one that has a specific communication method built into the meter. Sensus has demonstrated such a meter with Zigbee.

UE 189 Joint/200/Schwartz-Owings-Tooman/11-12.

Neither of the above-referenced "adjustments" to PGE's currently-proposed system for a standard protocol would be free. Given the slim margin of projected net benefit, we are more than a little alarmed by the costs that may be entailed to do this. Evaluating and exchanging UE 189 meters based on "specific customer needs and cost effectiveness" for new advanced meters that have "a specific communication method built into" them would essentially amount to PGE's third advanced metering installation since late 2001.[1] We can only assume that PGE would expect customers to pay for this third advanced metering attempt too, as well as the accelerated depreciation for the UE 189 advanced meters being replaced.

> [W]e do not know if or when an AMI "standard" will be adopted. There are many Home Area Network protocols in use today in the U.S., and many more in use abroad.

UE 189 Joint/100/Schwartz-Owings-Tooman/19.

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[1] The Commission issued its UE 115 Order on August 31, 2001.

California's ambitious advanced metering plans have enormous potential to move the market and create a standardized protocol within the near future.

B. The Benefits Are Hypothetical And The Risks Are Real

As with any investment, PGE's current AMI business plan has estimated costs and estimated benefits, and the Company's estimates indicate that the benefits of the project will be greater than the costs. As with any investment, there is also the risk that the business plan may not materialize as foreseen, and that the ratio of benefits to costs may be greater than, or less than, projected.

Where our analysis of PGE's business plan diverges from those of the Company and Staff is at the relationship between the estimated net benefit and the risk that the net benefit will not be realized. PGE and Staff appear to be comfortable that the strength of the estimated net benefit outweighs the risk that the net benefit might not materialize. Of course, this is an easy determination for PGE, as the Company expects customers to take all the business risk of its new advanced metering project anyway – as it currently expects customers to pay for the premature replacement of its last advanced metering project. If the Company is not at risk for additional costs of an investment, that may outweigh any projected benefit according to the Company's business plan, then, from PGE's perspective, even $1 of projected net benefit justifies the addition of new investment to the Company's rate base.

PGE and Staff claim that "CUB fails to include in its discussion … that AMI provides a positive net benefit to customers." Joint/200/Schwartz-etc/9. To the contrary, we discuss the Company's projected net benefit of $33 million over 20 years, and point out that this is a slim margin when compared to the risks of technology or price changes that would require the Company to invest – and customers to pay for – additional infrastructure to realize the potential of advanced metering. CUB/100/Jenks/13-14. Given PGE's apparent assumption that all such cost would fall on customers, it is not surprising that we evaluate the relationship between the risks and rewards differently than does the Company.

To provide a sense of scale, we note that PGE's net variable power cost for 2008, a single year, is forecast to be $745 million, inclusive of Biglow Canyon. PGE Cover Letter Re: November 14, 2007 Final MONET Run. A forecast benefit of $33 million over 20 years, in light of the current state of advanced metering technology, and its relatively untested utility-scale application, provides for little wiggle room in the face of significant unknowns. PGE, in response to Staff's Testimony, tries to defend itself against any future prudence review by pointing out that:

> In this case the projections span a number of years in the future, and it is very likely, if not certain, that during the time circumstances will change from those currently assumed.

UE 189 PGE/300/Carpenter-Tooman/2.

We agree with PGE that this project will "span a number of years" and that "circumstances will change." We disagree with PGE and Staff that the risk of such changes is outweighed by the paltry projected net benefit of the project. We see considerable potential for changes to advanced metering technology and, particularly, potential for changes to advanced metering protocols, which have yet to be standardized. Given these likely and almost inevitable changes, it would be prudent to exercise restraint, and wait for a stronger business case to evolve. It is difficult to imagine that waiting even 5 years would not provide a more-settled landscape for which to develop an advanced metering business case. As customers would be expected to pay for the project, a wider net-benefit buffer to absorb changing circumstances, as well as the reduction in risk associated with technology and protocol development over time, do not seem to be unreasonable expectations from those whom the Company expects to bear the financial burden.

C. PGE's Great Wall Of Prudence

PGE wants Commission approval of the Stipulation in this docket, should the Company receive it, to stand as defense against future prudence arguments related to cost overruns or benefit shortfalls in PGE's UE 189 advanced metering project. PGE/300/Carpenter-Tooman/2. Such an expectation is not only inappropriate, as this Commission cannot bind future Commissions, but is also not contained in the Stipulation signed by Staff and the rest of the Stipulating Parties.

> [T]he Stipulating Parties agree that based on the information provided by PGE to date, and known to the parties, it is prudent for PGE to proceed with implementation of the AMI project …

UE 189 Stipulation at 2.

PGE is responsible for running its operations, it is responsible for making reasonable determinations in customers' interest, it is responsible for developing the business cases for its investments, it is responsible for executing its business plans effectively and efficiently, and it is responsible for being informed to the extent necessary to accomplish these. In this case, the Stipulating Parties' decision to sign the Stipulation is "based on the information provided by PGE" and "known to the parties." The Parties who joined PGE in the Stipulation relied on PGE's business plan. There is nothing in such a statement that implies that a Stipulating Party cannot look back at information that was available to the Company, but not used or properly accounted for by the Company, and argue that PGE's case, as presented here, should have been different, or that, as circumstances developed, the Company's project implementation should have been different.

PGE wants to have its cake and eat it too. On one hand, when asking for Commission approval of its currently-proposed advanced metering project, the Company stands strongly behind its business case.

> PGE's work papers provide the latest electronic spreadsheets with revenue requirement detail of PGE's high-confidence estimate of the costs and benefits related to AMI plus the NPV benefit over the 20-year life of the project.

UE 189 Joint/100/Schwartz-Owings-Tooman/4.

On the other hand, when faced with Staff's future intent to evaluate the prudence of the Company's project in light of its business plan, PGE admits that "changes could lead to higher or lower costs, and greater or lesser savings," and the Company hopes that its estimated costs "are not the test by which prudence will be measured." PGE/300/Carpenter-Tooman/2.

There is a significant difference between agreeing that PGE's business plan, as presented by the Company, appears reasonable, and agreeing that the Company has taken into account the information reasonably available to it and has fully and robustly developed its business plan. In addition, the Stipulation says nothing about PGE's execution of its business plan, which again, is PGE's responsibility. Staff and other parties cannot negotiate expenses, monitor contractors, or coordinate the Company's new and developing information technology systems with its on-the-ground meter installation. PGE is claiming that it can do this project, at this cost, and is asking the Commission to approve its plan on that basis. If PGE fails to achieve its proposed project at the

Company's estimated cost, with the Company's projection of benefits, then it is certainly Staff and the Commission's responsibility to determine why.

Staff is very clear in its Testimony accompanying the Stipulation that it reserves the right to revisit PGE's business case and "review whether actual AMI costs and savings are materially different than PGE's estimates." Staff/100/Schwartz/1. If PGE's "estimates prove to be unreasonably different than actual costs and savings" or if the project's actual net benefit turns out "to be unreasonably below PGE's estimates," Staff has clearly reserved its right to recommend that the Commission disallow unreasonable costs. Staff/100/Schwartz/1. Should the Commission adopt PGE's position on future cost review, it would, effectively, invalidate the Stipulation, as this is not the ground upon which Staff signed the Stipulation.

As for a party such as CUB, who did not sign the Stipulation – in large part because the Company's business plan is too thin, not well defended, and has not effectively factored in reasonably technology risk – it is wholly inappropriate to create a super-prudence standard that bars raising questions in the future that we are raising now.

D. Utility Accountability & Accelerated Depreciation Of The UE 115 Meters

PGE and Staff propose that customers pay for the relatively new UE 115 advanced meters, which are being retired before their useful lives. The Joint Parties propose to replace these UE 115 advanced meters, because those advanced meters are now obsolete compared to new advanced meters. PGE and Staff want to charge customers the lifetime cost of those advanced meters, though the meters will not be used through the UE 115 system's projected life.

Where is there any accounting for corporate or management responsibility for the investment choices that PGE made? PGE did not bring its advanced metering business case from UE 115 into fruition, yet proposes that customers bear the entirety of the financial burden from that abandoned attempt. Here again, PGE appears to expect customers to foot the bill, as well as take the risks, regardless of the robustness of the Company's business case or its execution of that business case. PGE is paid a rate of return to manage the risks of its business and the risks of its capital investments in particular. Customers are paying this rate of return to PGE for the Company's management of its business and its investment choices, but, in this case, the Stipulating Parties propose that PGE not be held responsible for either past management of business risk or the Company's past project choice or management.

PGE and Staff apparently do not understand CUB's position, and so have created their own regulatory quagmire in which to wallow. Joint/200/Schwartz-etc/8. CUB's position is quite clear:

i. Don't Pre-Approve PGE's Advanced Metering Business Plan

The technology and protocols are not yet ripe, there is no impending crisis as the Company's current system is not broken, and the development of advanced metering and related programs in California will offer valuable lessons that stand to save Oregon ratepayers from costly mistakes. It follows, therefore, that CUB recommends that the Commission not allow PGE to accelerate depreciation of either the Company's manual-read meters or its UE 115 advanced meters.

ii. If AMI Approved, Customers Shouldn't Pay For UE 115 Advanced Meters

Customers should not pay either for the accelerated depreciation of the UE 115 advanced meters, or for the annual O&M costs of $600,000 which PGE claims is the cost to use those meters with a newer system (should the Company choose that path). Joint/100/Schwartz-etc/18. PGE took a business risk in its investment in advanced metering in 2001-2002. It took a further business risk in pursuing the project, where not needed for SB 1149, when its original vendor "suffered business failure" and the Company chose to proceed with a "second-choice system." Joint/100/Schwartz-etc/17.

It would be bad regulatory policy to insulate PGE from the repercussions of its investment choices either through charging customers for accelerated depreciation of the UE 115 advanced meters or through charging customers additional O&M expenses if PGE chooses to keep the UE 115 advanced meters.

> Granting full recovery in rates where there is not a net benefit to ratepayers would insulate the utility from risk no matter what its actions.

UE 88 OPUC Order No. 95-322 at 2.

Allowing PGE to recover either of the above expenses would result in the same regulatory policy of insulating the utility from its advanced metering choices of 2001-2002.

iii. Insulating PGE From Business Risk Should Impact Return On Equity

Finally, if the Commission does not hold PGE accountable for its failed business plan related to the UE 115 advanced meters, its would send a message to PGE that the Commission will insulate the utility from any risk associated with its UE 189 business plan. The Commission should neither send that message, nor insulate the utility from future investment risk, and the Commission should certainly do neither outside of a general rate case, where the Commission could balance the reduced risk by lowering the utility's authorized return on equity.

E. Retirement Of Manual-Read Meters & UE 115 Advanced Meters Are Different

CUB's position is that, should the Commission approve pursing another advanced metering project (and we think that it should not), customers should not be asked to pay for the accelerated depreciation of PGE's partially-deployed, second-choice advanced metering system from UE 115.

> PGE did not fully implement the NMR system as envisioned in UE 115. Instead, the primary NMR vendor suffered business failure, and PGE therefore installed a second-choice system to meet the requirements of SB1149.

UE 189 Joint/100/Schwartz-Owings-Tooman/17.

The premature retirement of PGE's manual-read meters has different regulatory implications than the premature retirement of PGE's UE 115 advanced meters. They are two different sets of meters, they serve different purposes, and their retirement replaces different functions. Indeed, PGE's business case has already divided it's current metering system into different sets of meters as it plans to retain approximately $3.7 million in high-cost meters. Joint/100/Schwartz-etc/17-18. Therefore, even the Stipulating Parties cannot argue that the Commission should consider meter replacement as a whole, and turn a blind eye to different sets of meters, as they do not propose meter replacement as a whole themselves.

In replacing an old metering system with a new one, retiring manual-read meters before their useful lives is an unavoidable consequence of changing the Company's fundamental metering platform. The same principle does not apply, however, to the replacement of a relatively new, not-widely-deployed, advanced metering system with another, even newer advanced metering system. The UE 115 meters are not being replaced with a new type of metering system, they are simply being replaced with newer meters.

There are several reasons that it is appropriate for the Commission to examine retirement of PGE's manual-read meters and its UE 115 advanced meters separately. First, replacing the UE 115 advanced meters is not necessary for deployment of PGE's current proposed advanced metering system. Joint/100/Schwartz-etc/18. Though we are not advocating such an approach, it is an important distinction which separates the replacement of the manual-read meters from that of the UE 115 advanced meters.

Second, fully 60% of the Company's projected operational savings from its current advanced metering proposal, which supports any net benefit finding, comes from the reduced labor costs resulting from not having to read the old, manual-read meters. Joint/100/Schwartz-etc/6. So, one of the fundamental rationales for PGE's current advanced metering proposal simply doesn't apply to the replacement of the UE 115 advanced meters.

Third, the UE 115 advanced meters were not installed solely in response to SB 1149. In its Order in UE 115, the Commission acknowledged CUB's concern that "only one-third of the system is for customers located in test areas where the program is necessary to implement SB 1149." Order No. 01-777 at 10. In UE 189, the Stipulating Parties affirm the use of the UE 115 advanced meters' functionality in providing much of the same benefit that would be provided by the new UE 189 advanced meters that would replace the UE 115 meters.

> [The NMR] assets have reduced operating costs on average by approximately $155,000 per year. PGE derives these savings from avoided meter-reading costs on Mt. Hood …

UE 189 Joint/100/Schwartz-Owings-Tooman/18.

> PGE's NMR technology … is also cost effective at reducing meter-reading costs in remote, rural areas where we have deployed it for that purpose.

UE 189 Joint/200/Schwartz-Owings-Tooman/6.

So, regardless of SB 1149, PGE's UE 115 metering system is cost-effective through meter-reading savings in rural areas, and the Company specifically "deployed it for that purpose."

In conclusion, we reiterate that premature retirement of PGE's manual-read meters is a separate regulatory issue from that of premature retirement of PGE's UE 115 advanced meters. Should the Commission give PGE a green light to proceed with a new advanced metering system, it should consider the different functionalities provided by PGE's manual-read meters and its UE 115 advanced meters, as well as the different implications of replacing an old system with a new one and replacing a new system with a newer one. In the following section, we address how replacement of the UE 115 advanced meters does not meet a net benefit standard for including undepreciated investment in rates.

F. No Demonstration That Retirement Of UE 115 Meters Is In The Public Interest

There is a statute that governs retirement of undepreciated utility property. It provides that:

> (2) In the following cases the commission may allow in rates, directly or indirectly, amounts on the utility's books of account which the commission finds represent undepreciated investment in a utility plant, including that which has been retired from service:
>
> (a) When the retirement is due to ordinary wear and tear, casualties, acts of God, acts of governmental authority, or
>
> (b) When the commission finds that the retirement is in the public interest.

ORS 757.140(2).

First, though the statute specifically mentions utility plant that has been retired, it is not limited to property no longer in service, and so applies to PGE's currently-operational UE 115 advanced meters. Second, the accelerated depreciation of the UE 115 advanced meters would not be due to wear and tear, casualties, acts of God, or acts of governmental authority. Third, recovery of undepreciated investment is within the discretion of the Commission, but only if the Company meets its burden of proof that the retirement of those meters is in the public interest.

i. A Measure Of Public Interest Is Net Benefit

In the Commission's Order in DR 10, Order No. 93-1117, the Commission concluded that one way a utility may show that retirement of certain property is in the public interest is if there is a "net benefit" from the retirement. In describing its conclusion in DR 10, the Commission stated:

> [I]f the costs of continued operation of the plant are greater than the costs associated with retiring the plant plus the expected long-term costs of replacing the plant's output, there is a net benefit to closure.

UE 88 OPUC Order No. 95-322 at 27.

ii. Net Benefit Is Not An All-Or-Nothing Measurement

The Commission has found that, while retirement of utility plant may be in the public interest as a whole, components of that retirement that are not in the public interest or that resulted from utility actions that were not in the public interest must be accounted for. With regard to the retirement of Trojan, the Commission did not limit its review to whether the decision to retire the Trojan nuclear plant was prudent as a whole. The Commission agreed that closing the plant was the least-cost option, but this conclusion was part of a Commission Order that placed additional conditions on recovery of Trojan-related costs. The Commission's conditions included the following:

> 2. PGE must show that it has made a diligent effort to reduce other company costs to offset the inclusion of any Trojan cost in rates. For instance, PGE may show that the Trojan closure decision is consistent with least-cost planning criteria over the longer term, but that near-term rates may be higher as a result of the decision. PGE must show that it has made reasonable efforts to keep costs down, especially discretionary costs, before asking customers to pay higher bills in the near term to support its closure decision.
>
> 3. PGE must show why it is reasonable to allow 100 percent recovery of Trojan-related costs in rates. Issues regarding cost recovery are complex and significant. After review, the Commission may decide that PGE is entitled to full recovery of unrecovered plant costs, or it may determine that some cost sharing should occur between customers and investors.

UE 88 OPUC Order No. 95-322 at 30.

In the Trojan case, the Commission, while agreeing that the closure of Trojan was prudent and least-cost, still found that its net benefits analysis led it to conclude that PGE must absorb 13%, or $37.5 million, of the remaining Trojan investment. Staff's independent consulting firm, Theodore Barry and Associates (TBA), found that Trojan operation showed "management deficiencies" which caused "significantly greater, and inappropriate, O&M costs, an inappropriately low capacity factor, and inappropriate costs related to steam generators." Order No. 95-322 at 44. The Commission adopted TBA's adjustments on each of these issues in its assessment of the net benefit. Order No. 95-322 at 46-47.

The Commission agreed with Staff's position in UE 88 that looking only at a least-cost standard would lead to the conclusion that "a poorly run plant may be so expensive to operate that closure would be the least-cost option." Order No. 95-322 at 31. In fact, the more poorly a plant is operated, the more likely it would be that early retirement would pass a least-cost test. Using only an overall least-cost test to determine whether customers should pay for the early retirement of utility plant, "could allow a utility to shift the capital or operating costs of its own imprudence to ratepayers." Order No. 95-322 at 32.

In the circumstance where PGE pursues a new advanced metering system, the question is not just whether the project as a whole is the least-cost option, but that the components of the utility's case supporting the project are also justified. Regulation should not reward poor decisions, and PGE's choice to pursue a second-choice advanced metering system well before advanced metering had matured as a technology, merely increases the likelihood that prematurely retiring those meters would produce a net benefit. The Commission should not wash out poor management decisions through an overall net benefit finding.

iii. PGE Hasn't Demonstrated A Net Benefit To Replacing UE 115 Advanced Meters

While PGE would have this docket decided simply on the Company's overall business case, the Commission has made clear that one cannot ignore the components of a business case. In order to charge customers for the premature retirement of the UE 115 advanced meters, PGE must show that it acted prudently in its deployment of the UE 115 advanced meters and that there would be a net benefit to customers from their premature retirement. PGE's business case does not demonstrate a net benefit to premature retirement of the UE 115 advanced meters.

PGE's business case includes almost $11 million in labor savings (60% of the project's savings). The UE 115 advanced meters, however, do not require meter readers, so this portion of the savings would not apply to those meters. PGE's business case includes operational savings of $1.7 million in late fees, $3.6 million in unaccounted-for energy, and $1.4 million in power cost savings. Joint/100/Schwartz-etc/6. It is not clear from the record how much, if any, of these savings result from functionality that the UE 115 meters already have. PGE has not demonstrated that the added functionality of the UE 189 advanced meters provides a net benefit that justifies replacing the UE 115 advanced meters.

The Company does, however, threaten to ask for higher rates if the Commission does not allow the Company to recover the accelerated depreciation of these meters. Joint/100/Schwartz-etc/19. No only doesn't this threat demonstrate a net benefit to premature retirement of the UE 115 advanced meters, it serves to remind the parties that the Company's choices after the Commission's UE 115 Order did not provide customers with a technology that would serve the Company's system for any reasonable length of time. PGE has failed in its burden of proof to show that there is a net benefit to premature retirement of the UE 115 advanced meters, and customers should not, therefore, be charged for their early retirement.

iv. Commission Should Not Include UE 115 Advanced Meters In Rates

In line with past Commission findings that public interest and net benefit should be examined not as a whole, but as the sum of their parts, the Commission should find that premature replacement of the UE 115 advanced meters – even if the Commission approves PGE's new advanced metering project – does not provide a net benefit and is not, as an item in PGE's business case, in the public interest.

v. Customers Must Be Protected From Revolving-Door Investments

The replacement of an old technological system with new technological system is one situation, but the replacement of relatively new components of a relatively new technological system with slightly newer technological components is another. It is not in the public interest to encourage utilities to invest in new technologies only to replace them with newer technologies *ad infinitum* (which is the case with the UE 115 advanced meters). The Commission's public interest finding for accelerated depreciation of the UE 115 advanced meters should avoid creating an incentive that would add unjustifiable layers of costs to customers rates.

III. Conclusion

CUB recommends that the Commission reject the Stipulation and decline PGE's request for pre-approval of its currently-proposed advanced metering project. There is no reason PGE cannot proceed without Commission pre-approval if the Company is confident about its business case and feels strongly about the projected net benefit that new advanced meters would provide customers. That PGE is unwilling to proceed without Commission pre-approval, however, casts serious doubts on the Company's comfort with its own analysis.

Should the Commission choose to approve PGE's proposed new advanced metering project, we recommend the Commission not grant PGE accelerated depreciation of its UE 115 advanced meters. PGE has failed its burden of proof to demonstrate that replacement of the UE 115 advanced meters provides customers with a net benefit. We recommend that the Commission hold the Company accountable for what has amounted to a poorly-timed and executed advanced metering project from UE 115, which the Company proposes to replace well before its useful life and charge customers for that botched effort.

Also, should the Commission approve the Company's pursuit of another advanced metering system, we recommend that the Commission make clear that PGE's business case and the Company's execution thereof are open to prudence examination in the future. Further we recommend that the Commission make clear that its decision at this time is not a judgment that PGE's business case is unimpeachable, but that the business case is only reasonable as presented here by the Company

Respectfully Submitted,
January 18, 2008

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CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of January, 2008, I served the foregoing Opening Brief of the Citizens' Utility Board of Oregon in docket UE 189 upon each party listed below, by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending 6 copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

Respectfully submitted,

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W=Waive Paper service, C=Confidential, HC=Highly Confidential

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