

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 189

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

**OPENING BRIEF OF
PORTLAND GENERAL ELECTRIC COMPANY, STAFF OF THE
PUBLIC UTILITY COMMISSION OF OREGON, AND THE OREGON
DEPARTMENT OF ENERGY**

January 18, 2008

Pursuant to the order of the Administrative Law Judge, Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), and the Oregon Department of Energy (“ODOE”) submit this brief.

I. BACKGROUND AND INTRODUCTION

This docket officially started on March 7, 2007, when PGE filed Advice No. 07-08, seeking implementation of Schedule 111 to reflect the net costs related to the deployment of an Advanced Metering Infrastructure (“AMI”). This docket is, however, a continuation of an examination into deployment of AMI that began in early 2006 in Docket UE 180. The process has been long, but successful. There have been numerous workshops and settlement conferences, voluminous data requests and responses, other formal and informal information and idea sharing, and many rounds of testimony. Many diverse parties have participated in this docket, and a settlement and Stipulation has been reached among Staff, PGE, the ODOE, NW Natural Company, and Community Assistance Partnership of Oregon (“CAPO”). None of the other parties in the docket oppose the Stipulation, with the exception of the Citizens’ Utility Board (“CUB”).

The AMI project has been well described in the testimony filed in this docket. In short, it includes installation of new solid-state electronic meters and a fixed two-way communications system allowing the automated collection of metering data and sending commands to the meter. The system will reduce costs, improve service, and provide the platform for additional demand-side management programs. Installation will begin after approval and be completed in 2010.

The financial projections and financial analysis of the AMI project have undergone intense scrutiny in this docket. After these refinements, the projections show a net present value benefit to customers of approximately \$33 million over 20 years. In addition, there are customer and system benefits that AMI provides the platform for, and which are roughly estimated to increase

the net present value to a range of between \$37 and \$80 million over 20 years.

II. THE TARIFF AND STIPULATION

The submitted tariff for Schedule 111, *UE 189/PGE/Exhibit 202 Cody*, will reflect in rates the net costs of the project through 2010. Primarily to avoid any potential problems with ORS 757.355, the tariff collects the accelerated depreciation of the meters that AMI will replace at a rate slightly faster than the meters are to be replaced, and includes the costs of the new meters with a six-month lag from their anticipated installation. The expected operations and maintenance cost savings are also included in the tariff. The tariff will, if approved, only be in place until the end of year 2010. Because subsequent savings are expected to be greater than the incremental costs of the AMI project, one of the stipulated conditions provides for reporting of O&M savings by PGE if the Company does not file a general rate case within 12 months of the termination of the tariff, and further provides that the Commission may request, by July 1, 2012, that PGE submit a general rate case no later than eight months thereafter.

On November 21, 2007, PGE, Staff, CAPO, ODOE and Northwest Natural entered into a Stipulation in this docket. That Stipulation includes twelve pages of Proposed AMI Conditions addressing numerous issues and settles all issues raised by the stipulating parties. *Stipulation, p. 2, ¶ 1.* The stipulating parties agree that based on the information provided and known to the parties, it is prudent to proceed with implementation of the AMI project and that PGE should implement the AMI project addressed in this docket. *Stipulation, p. 2, ¶ 2.* The stipulating parties further agree that based on the information provided and known to the parties, adoption of the tariff, along with the conditions, is in the public interest and will result in rates that are fair, just and reasonable. *Stipulation, p. 3, ¶ 7.*

The content and specific language of the conditions has been arrived at after much work and refinement in this docket, and the previous docket. We will not attempt to paraphrase those

conditions here. The following listing of the various section headings will, however, illustrate the scope of the conditions:

- Operational Implementation Plans
- Customer and System-Related Benefits
- Demand Response
 - IRP Capacity Planning
 - Voluntary Critical Peak Pricing
 - Appliance Market Transformation
- Information-Driven Energy Savings
- Distribution Asset Utilization
- Avoided Service Transformer Failures
- Proper Transformer Sizing
- Delayed Feeder Conductor Work
- Outage Management
 - Avoided Trouble Calls
 - Faster One-Premise Outage Response
 - Improved Storm Management
 - Faster Fault Location Identification
- Regulatory Filings
- Coordination with Northwest Natural Gas Company in Joint Meter Reading Area
- Community Action Partnership of Oregon and Oregon Energy Coordinators Associations
- Conditions
 - Remote Disconnect/Reconnect
 - Leveraging Data
 - Long-Term Benefits of AMI Functionality
 - Limited Service Delivery
 - Pre-Paid Electric Metering
 - Status Reporting

The Stipulation and Conditions were further described and explained in the joint Testimony in Support of AMI Stipulation, *UE 189/Joint/100/Schwartz-Owings-Tooman*. The Conditions satisfactorily resolve all issues raised by the parties to the Stipulation. They are comprehensive and result in a way forward for this project consistent with the various interests of the stipulating parties. The stipulating parties urge the Commission to adopt the Stipulation and Conditions and approve implementation of the AMI project.

III. CUB ISSUES

CUB opposes the stipulation. CUB does not challenge the financial analysis that shows projected cost savings of approximately \$30 million over 20 years. But, in its testimony, CUB has

made three claims discussed below.

CUB states that PGE has failed to convince CUB that now is the best time to implement an AMI project. *CUB/100 Jenks/2*. CUB claims that AMI technology is not sufficiently mature to implement at this time. *Id. at 2-3*. As the testimony indicates, not only is AMI a sufficiently mature technology for implementation, but it is being implemented in states across the country. The joint testimony of Staff and PGE noted AMI projects in several states. *UE 189/Joint/200 Schwartz-Owings-Tooman/2-3*.¹ CUB's testimony expresses concern that the technology is not mature, but does not provide adequate support for that claim. Other parties in this docket were also initially skeptical. However, after the extensive examination of the proposed AMI project, the other parties have agreed that this AMI proposal should proceed. AMI is an investment in hardware and technology. If PGE were to continue to wait because some other technology may arise in the near or distant future, the AMI project may never be undertaken. There is a strong possibility that new features will be available in future years, but PGE does not believe it will need these features for most customers. But the question for this docket is whether the technology available and planned for this AMI project will provide the functionality and benefits projected, thus yielding cost savings and system benefits. The evidence presented supports that it will. It is a prudent, and cost effective, project to undertake.

CUB raises its second issue in conjunction with its first one. CUB claims that the fact that the AMI project contemplates replacement of certain Network Meter Reading (NMR) meters installed in 2001 and 2002 somehow shows that this AMI project should not be pursued. CUB

¹ One of the projects referenced in that testimony was an AMI project of the Southern Company with a planned 4,300,000 meters. On January 14, 2008, it was announced that the Southern Company has entered into an agreement with Sensus Metering Systems, the vendor chosen for PGE's AMI project, for deployment of the Sensus FlexNet AMI technology for Southern's 4.3 million customers. See the Sensus press release at http://www.sensus.com/corporate/PressRelease/PressReleaseDetail.asp?VSS_KEY=55

also claims that the remaining net investment in NMR meters should not be recovered through accelerated depreciation. CUB's arguments are based on incorrect assertions, and are also inconsistent with one another.

In discussing the NMR meters CUB states: "Plant that is not used and useful should not be charged to customers." CUB/100 Jenks/8, lines 2-3. CUB's arguments ignore basic facts – the NMR meters were installed primarily to support the limited-deployment, direct-access requirements of SB 1149 or to provide cost-effective readings in remote areas. They have, since installation, done so and been used and useful. Metering data have been and continue to be gathered through these meters. If AMI is not implemented, the NMR meters will continue to be used. The NMR meters are used and useful, just like all the other approximately 800,000 meters that will be replaced as part of the AMI project, to which CUB does not object. *CUB/100 Jenks/9*. Those meters are currently used and useful, just as the NMR meters are used and useful.

CUB attempts to make a distinction between the NMR meters and the other metering assets by claiming that the manual-read meters have "been used and useful for many decades." *CUB/100 Jenks/9*. That is erroneous factually and legally. The class of meters has been in use for decades, but this may or may not be the case for specific meters. The meters to be replaced may be decades old, or in the case of new construction and replacements, very recently installed. In addition, CUB has cited no legal authority to say that the length of time an asset has been used and useful has any bearing on whether the utility should recover its investment.

CUB also argues that PGE should not be allowed to use accelerated depreciation to recover the costs of its NMR meters because they are not cost effective. *CUB/100 Jenks/6*. CUB is again incorrect on the facts, and inconsistent with its own arguments. CUB misconstrues the joint testimony of Staff and PGE. Nowhere does that testimony say that the NMR meters are not currently cost-effective. What it does say is that if AMI is implemented, it is cost-effective to

replace the NMR meters with AMI meters. And as CUB points out in its testimony, if that is the case it would be imprudent not to replace the NMR meters. *CUB/100 Jenks/9-10*. Yet CUB argues that the company's investment in the NMR meters should not be recovered. CUB has not explained why a utility taking a prudent action in replacing assets with other assets that will reduce costs should not recover its investment. CUB's arguments about the NMR meters should be dismissed.

In its testimony CUB also expresses "concern that mandatory time-of-use or critical peak pricing may be foisted upon customers once PGE's current advanced metering has been installed." *CUB/100 Jenks/10*. CUB claims it has "ample reason to be concerned." *Id.* CUB has no reasonable basis to be concerned that mandatory time-of-use or critical peak pricing will be "foisted upon customers." Notably, such mandatory programs may only be implemented with the consent of the Commission, so there is little reason to fear they will be "foisted" on customers. Furthermore, as the Joint Stipulation Testimony also states: "While PGE recognizes the importance of demand response programs and their potential benefits, PGE did not specify mandatory participation as either a goal or an alternative." *UE 189/Joint/Exhibit 100 Schwartz-Owing-Tooman/20*. And, the Joint Rebuttal Testimony states, "PGE does not plan to propose mandatory time-of-use and critical-peak pricing programs for small customers." *UE 189/Joint/Exhibit 200 Schwartz-Owing-Tooman/14*.

IV. CONCLUSION

After almost two years of working together on this issue, several parties to the docket have entered into a Stipulation, with Conditions, that resolve all issues, and provide for the implementation of an AMI project to lower costs and improve service to customers. While one party opposes the Stipulation, the opposition is not well-reasoned and does not rely on a solid foundation. The Commission should adopt the Stipulation, find that it is prudent for PGE

to implement the AMI project, and implement Schedule 111.

DATED: January 18th, 2008.

Respectfully submitted,

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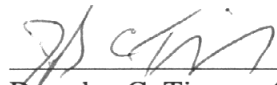
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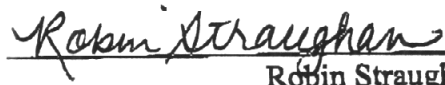
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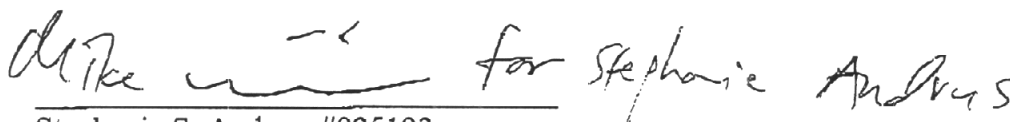
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January 18, 2008

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
PO Box 2148
Salem OR 97308-2148

Re: UE 189 – AMI

Attention Filing Center:

Enclosed for filing in the captioned docket is an original and five copies of:

- **OPENING BRIEF OF PORTLAND GENERAL ELECTRIC COMPANY, STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON, AND THE OREGON DEPARTMENT OF ENERGY**

This document is being filed by electronic mail with the Filing Center. An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided.

These documents are being served upon the UE 189 service list.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "DCT", is written over the typed name "Douglas C. Tingey".

Douglas C. Tingey

DCT:jbf
Enclosures
cc: Service List – UE 189

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing **OPENING BRIEF OF PORTLAND GENERAL ELECTRIC COMPANY, STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON, AND THE OREGON DEPARTMENT OF ENERGY** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No. UE 189.

Dated at Portland, Oregon, this 18th day of January 2008.



DOUGLAS C. TINGEY

SERVICE LIST

OPUC DOCKET # UE 189

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