



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

September 8, 2011

Public Utility Commission of Oregon
Attn: Filing Center
550 Capitol Street NE. Ste. 215
P.O. Box 2148
Salem, Oregon 97308-2148

RE: UM 1415 – Opening Comments of Portland General Electric Company on Staff's Investigation into Cost Methods for Use in Developing Electric Rate Spreads.

Enclosed for filing in UM 1415 are an original and five copies of:

Opening Comments of Portland General Electric Company on Staff's Investigation into Cost Methods for Use in Developing Electric Rate Spreads

This document is being filed by electronic mail with the Filing Center and also served electronically upon the UM 1415 service list.

Sincerely,

A handwritten signature in black ink that reads "Jay Tinker". The signature is written in a cursive, flowing style.

Jay Tinker
Manager, Pricing

Enclosures
cc: UM 1415 Service List

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1415

In the Matter of the)	
PUBLIC UTILITY COMMISSION OF)	OPENING COMMENTS OF
OREGON)	PORTLAND GENERAL ELECTRIC
Staff Investigation into Cost Methods for Use)	COMPANY
in Developing Electric Rate Spreads)	

Comments on OPUC Order 11-255

PGE believes that the proposed factors identified by the Commission in Order No. 11-255 provide a useful preliminary basis for evaluating mandatory time-varying rates. In particular, the first and fifth factors are the two most important factors the Commission should weigh prior to implementing mandatory time-varying prices to all customers including residential. Quite simply, if the anticipated benefits do not outweigh the costs of implementation, the case for time-varying prices may prove to be specious.

Presuming that the Commission determines that the benefits of time-varying prices do outweigh the costs, PGE also believes that the Commission should weigh additional factors when evaluating whether or not to implement mandatory time-varying rates. These additional factors are discussed following PGE's comments on the Commission-identified factors.

Comments on the Individual Commission Factors 1 through 7

1st Factor: The amount of demand-side resources and system benefits that can be tapped through a time-varying rate.

PGE agrees that the amount of system benefits provided by mandatory time-varying rates is an important consideration. Indeed, absent a showing of system benefits, the rationale for mandatory time-varying rates applicable to a large number of customers is questionable.

2nd Factor: The extent to which an optional rate or alternative program can achieve that resource.

PGE is not clear as to what is meant by “resource” in this factor and hence does not have any comment at this time.

3rd Factor: The impact on customers of the proposed rate (e. g., rate shock, bill impacts on vulnerable populations) and the ability of customers to respond to those impacts.

PGE agrees that the customer impacts and the ability of customers to respond to time-varying rates are important factors in determining whether mandatory time-varying rates should be adopted. This also suggests that to mitigate customer impacts, the rate differentials across time periods should be gradually implemented.

4th Factor: The means available to mitigate impacts on customers (e. g., phasing in of rate differentials, opt-in and opt-out provisions, providing programmable equipment or software to enable customers to respond more easily)

PGE agrees that it is best to gradually implement time-varying rate differentials in order to allow customers to grow accustomed to the peak period price differentials.

5th Factor: The direct costs of implementing time-varying rates (e. g., IT costs, accounting).

PGE agrees that the direct costs of implementing time-varying rates such as those costs incurred by IT and Accounting departments are important considerations. PGE also believes that these direct costs should also include one-time capital costs such as a new or significantly altered billing system, changes to meter data consolidators, and ongoing cost changes incurred to ensure accurate billing and provide education and outreach to customers.

6th Factor: The ability to explain and communicate the rate to customers.

PGE agrees that communication to customers should be an important factor in the decision of whether or not to implement a mandatory time-varying rates structure. This suggests that any mandatory time-varying structure should be relatively simple so that customers are able to understand not only the rate structure, but why the rate structure was adopted. To facilitate customer understanding, customer education and outreach are necessary.

7th Factor: The cost differential between the relevant time periods, how robust the cost studies are, and whether customer response to the time-varying rate is expected to affect the costs differential over time.

PGE agrees that cost differentials, robustness of cost studies, and the impacts of anticipated customer response on the time period cost differentials should be factors for the Commission to consider. Again, PGE believes that, if a time varying rate structure is warranted, it is important to implement gradually. Hence the desire for gradualness may initially supersede questions about cost differentials and the robustness of a particular cost study.

PGE Proposed Additional Factors

In addition to the factors identified by the Commission, the following additional factors should be weighed when considering implementation of mandatory time-varying rates:

1. The acceptance of certain customer classes to mandatory time-varying rates and the implications to call center operations and the overall customer experience. PGE currently has over 825,000 accounts that are not on mandatory time-varying pricing. A sudden switch to time-varying pricing would likely create call center volume that would overwhelm our call center.
2. The effect that mandatory time-varying rates may have on direct access participation. Mandatory time-varying rates should neither create an incentive nor a disincentive for a customer to select direct access.
3. The potential level of short-term revenue attrition to the utility if customers either reduce or shift their consumption due to time-varying rates and the long-term volatility of revenues.
4. The appropriate price elasticity of demand by customer class to incorporate into a projection of time-varying energy and demand billing determinants.
5. The degree of complexity of the time-varying rates. This relates not only to the ability to explain and communicate the rates structure to customers, but also relates to the ability to evaluate the results.
6. The availability of cost effective alternatives such as direct load control or other use of technology to automate changes in consumption patterns to create system benefits.

Proposed Directives to Utilities from OPUC Order 11-255

1st Directive: Information regarding the cost of serving Oregon customers during different time periods.

PGE can provide most of the requested information when the Commission requests. However the level of granularity requested may not be available. We suggest that 30-day notice be provided.

2nd Directive: Commission-sponsored workshops as part of the IRP process that are designed to identify the costs and benefits of a limited number of time-varying rate structures.

While the IRP is an appropriate venue to present and evaluate demand response programs, the case for mandatory time varying rates should be evaluated in a separate docket possibly at a later stage of UM 1415. The evaluation of mandatory time-varying rates is potentially a complex topic that requires the analysis of a significant amount of data. Hence, a separate docket, as opposed to an IRP that is filed approximately every three years should provide a better opportunity to appropriately evaluate the rationale for mandatory time-varying prices. PGE prefers that the Commission identify as soon as possible the “limited number of time-varying rate structures” so that they may be discussed and evaluated thoroughly in that docket rather than in an IRP. PGE believes that the appropriate evaluation of the costs, benefits, and customer impacts, subject to review by all parties, can be achieved in a separate docket.

3rd Directive: The utility will discuss in the IRP whether any time-varying rate should be part of its action plan.

PGE believes that rather than include changes in time-varying rate structures in its IRP action plan, it is more appropriate that the IRP report any changes in time-varying rate structures that occurred between IRP filings and the measured (or expected) impacts of these changes, if any.

PGE appreciates the Commission's consideration of these comments.

DATED this 8th day of September, 2011.

Respectfully submitted,

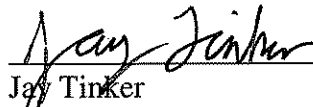


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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **OPENING COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY** to be served by electronic mail to those parties whose email addresses appear on the attached service list from OPUC Docket No. UM 1415.

DATED at Portland, Oregon, this 8th day of September, 2011.



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