

BEFORE THE PUBLIC UTILITY COMMISSION

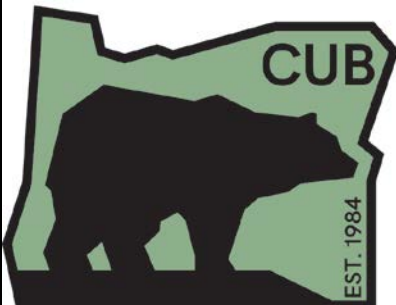
OF OREGON

UM 1837

In the Matter of)
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PUBLIC UTILITY COMMISSION OF)
OREGON,)
)
Investigation into the Treatment of New)
Facility Direct Access Load.)
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REPLY COMMENTS OF THE
OREGON CITIZENS' UTILITY BOARD

December 19, 2017



**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1837**

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CUB has reviewed the Opening Comments of Staff, PGE, PacifiCorp, ICNU, NIPPC, Calpine Solutions, and Vitesse (Facebook). The Comments demonstrate the difficulty of identifying a reasonable definition of “New Facility Direct Access Load,” which is at the heart of this docket. The parties have grappled with the issue of trying to identify unplanned load and therefore have not made investments to serve that load. In our Opening Comments, CUB discussed this difficult issue.

After reviewing and considering other parties’ comments, CUB concludes that finding a definition for new load to prevent cost-shifts is unlikely. In our Reply Comments CUB will address three questions:

- **How did the Oregon Legislature, in enacting SB 1149, address the cost shifts that may result from direct access?**
- **Are unwarranted cost shifts likely to be created with a new direct access program?**
- **What level of Transition Charges is necessary to offset unwarranted cost shifts?**

1. How Did the Oregon Legislature Address Unwarranted Cost Shifts in SB 1149?

Authorization for direct access came out of the electric restructuring legislation, SB 1149. Staff's Opening Comments provide a good overview of SB 1149.¹ One key element of SB 1149 requires the Commission to ensure direct access programs do not result in "unwarranted cost shifting" from direct access customers to cost-of-service (COS) customers. Another aspect of SB 1149 authorizes the Commission to impose transition charges to recover the cost of "uneconomic utility investments."

As the Commission considers whether to allow a new direct access program for new loads, it needs to ensure there are no unwarranted cost shifting. Transition Charges are a tool to prevent cost shifting.

When evaluating different proposals to define new load, a central part of that evaluation will be whether the definition prevents unwarranted cost shifting and, if not, what level of transition charges are needed to recover uneconomic investments.

2. Are Unwarranted Cost-Shifts Likely to Be Created with a New Direct Access Program?

CUB believes it is highly likely that exempting new direct access load from transition charges will shift unwarranted costs to non-participating ratepayers. While Staff suggests that this is "theoretically possible"², recent history suggests otherwise.

For example, PGE's current IRP shows a utility planning to meet future load, including a great deal of new load. Recent acknowledgement of that plan will allow PGE to incur costs to meet that expected new load. If a significant chunk of that new load does not materialize, due to a new direct access program, it will undeniably cause uneconomic costs to shift to COS customers.

¹ UM 1837, OPUC Staff Opening Comments, page 4.

² UM 1837, OPUC Staff Opening Comments, page 10.

In its IRP, PGE expects the industrial share of its load to grow from 23% in 2015, to 26% in 2025, and 30% by 2040.³ PGE's projections are not based on an expectation of the Company's residential and commercial load shrinking. Rather, PGE expects industrial load to grow significantly faster than residential and small commercial load.

In PGE's November Addendum to its 2016 IRP, PGE identified meeting growing RPS requirements as a reason to invest in new renewables resources. The Company proposed a glide path in compliance with that RPS through 2040.⁴ CUB, Staff, and NIPPC all cited that glide path when urging the Commission to acknowledge PGE's renewable action plan. NIPPC cited the "long-term vision," as well as PGE's need to integrate 948 aMW of renewable resources by 2030.⁵ But this glide path was based on PGE's load forecast, including its expectation for significant growth in new industrial load. Notably, NIPPC endorsed PGE incurring costs to meet new industrial load just 10 days after it proposed allowing all new commercial and industrial load to be eligible for direct access in this docket unless, "the utility can demonstrate that it expressed planned for such new load."⁶

The purpose of the glide path is to expressly plan to meet RPS requirements for its expected growing load in 2030 and 2040. PGE will attempt to bring a resource into commercial operation by 2021, at which time customers will begin incurring costs to meet this expected new load. If the load does not materialize, other customers will pay for resources designed to meet RPS requirements for a load that no longer exists. If the load does not materialize, due to a new direct access program, that program will produce unwarranted cost shifts. These cost shifts will be due to COS customers paying for resources designed to produce RECs beyond the level that is

³ PGE 2016 IRP, page 105.

⁴ PGE 2016 IRP Addendum, page 18.

⁵ NIPPC's Comments of Revised Renewable Action Plan, December 1, 2017.

⁶ UM 1837 NIPPC's Opening Comments, page 4.

economic for those customers. If PGE did not plan for this new industrial load, the glide path would not support incurring the full costs associated with the revised renewable action plan. Without some level of transition charges, CUB believes this meets the SB 1149 test of unwarranted cost shifting.

3. What Level of Transition Charges Is Necessary to Offset Unwarranted Cost Shifts?

The cost shifts identified above are not the same as those associated with an existing large load going to direct access under the current program. Therefore, the level of transition charges should be lower. The purpose of the transition charges is to prevent cost-shifting. But the level of cost-shifting will depend on how new load is defined. For example, if eligible new load is limited to loads for which the utility has explicitly not planned, then only load in excess of PGE's glide path would be eligible. This would greatly minimize the cost shift and the transition charges, but it would also significantly limit the number of eligible customers.

CUB generally believes cost shifts from direct access are a likely outcome for utilities using a 20-year planning process, and offsetting these cost shifts requires transition charges. However, the level of transition charges necessary will vary a great deal, based on what new load is eligible. Generally, the more new load eligible for direct access, the more need there is for transition charges.

Dated this 19th day of December, 2017.

Respectfully submitted,



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