

December 19, 2017

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-3398

Attn: Filing Center

RE: UM 1837—PacifiCorp’s Reply Comments

I. INTRODUCTION AND BACKGROUND

PacifiCorp d/b/a Pacific Power (PacifiCorp) continues to recommend that the Public Utility Commission of Oregon (Commission) exercise its discretion to reduce or eliminate transition charges for new customer load, defined by a two-step process where new load is: 1) greater than 10 average megawatts (aMW); and 2) subject to a balancing test. This two-step process protects existing customers from unwarranted cost shifting, is subject to the current direct access cap, and is limited to renewable resources. This analysis and limitations would protect against unwarranted cost shifting to non-participating customers and is consistent with PacifiCorp’s current planning process.

II. REPLY COMMENTS

A. The Commission May Exercise its Discretion to Reduce or Eliminate Transition Charges for New Customer Load.

PacifiCorp agrees that new customer load should be allowed to move to direct access without incurring traditional transition charges when such load is “lumpy” and not already included in the utility’s resource planning. PacifiCorp’s existing planning process addresses large new customer loads using a different method than more traditionally anticipated load growth. New customer load of 10 aMW or greater is outside the typical planning process and should be subject to a balancing test to determine if the load was already included in PacifiCorp’s load planning. The balancing test would consider: (1) the anticipated timing of the new customer load coming online; (2) whether there is a new meter; (3) whether the load is located on a new site; (4) whether the new load includes a new facility; (5) whether the customer has executed a Master Electric Service Agreement (MESA); and (6) whether the new customer load exceeds the regression model’s projected growth. This balancing test would ensure that PacifiCorp has not already incorporated the new load into its resource plans.

In opening comments, parties generally agreed that the size and timing of the new load are the controlling factors in determining whether such load qualifies as new load and should be

exempted from transition charges.¹ Some parties agreed that 10 aMW is a reasonable qualification threshold.² PacifiCorp agrees with parties that whether a utility has planned for new load is a factual question that must be addressed on a case by case basis.³ PacifiCorp's balancing test provides the appropriate process to determine whether a utility has actually incorporated the new load into its plans. Arbitrary bright line thresholds will not ensure against unwarranted cost shifting to cost-of-service (COS) customers.

B. Responses and Clarifications to Opening Comments

1. *New load qualifications.*

Parties took various positions regarding what constitutes new load and made a number of proposals. PacifiCorp does not agree with parties that claimed that potential new load has no limits.⁴ Calpine Energy Solutions, LLC (Calpine), for example, argues that eligible new customer load could include both an entirely new customer relocating into the utility's territory or an expansion of an existing customer's load based on new infrastructure.⁵ This position is an oversimplification of the utility's planning process. PacifiCorp's balancing test would take into account the new customer scenario planning on service through a new meter, but protect against potential cost shifting if the customer has executed a MESA or would lead the utility to incur costs that would necessarily be shifted to other COS customers. More importantly, Calpine's second proposal ignores the fact that new load at an existing customer meter would be impossible to distinguish from prior customer loads, and could have been incorporated into the utility's planning process.

Similarly, the Northwest and Intermountain Power Producers Coalition (NIPPC) proposes that any behind-the-meter infrastructure demonstrably higher than previous loads should qualify. The Industrial Customers of Northwest Utilities (ICNU) suggests that the Commission establish a rebuttable presumption that any new load increase of 10 aMW or more has not been included in a utility's load planning process.⁶ As with Calpine, both NIPPC's and ICNU's proposals set an arbitrary bright line test that ignores the utility's actual planning process and therefore risks unwarranted cost shifting to COS customers.

Commission Staff appropriately advocates for taking steps to protect existing utility customers.⁷ Staff argues that to qualify, the new load must be from new assets at a new location.

¹ See Opening Comments of Vitesse, LLC (Vitesse) at 5.

² See Opening Comments of the Industrial Customers of Northwest Utilities (ICNU) at 3; Opening Comments of the Northwest Intermountain Power Producers Coalition (NIPPC) at 6.

³ See Opening Comments of ICNU, Initial Comments of Benjamin Fitch-Fleischmann at 5 (whether a utility has investments or costs rendered uneconomic as a result of direct access "is a factual question that ICNU cannot address without additional information.").

⁴ Opening Comments of Calpine Energy Solutions, LLC (Calpine) at 3;

⁵ *Id.*

⁶ Opening Comments of ICNU at 3.

⁷ Opening Comments of Staff at 12.

PacifiCorp believes that its proposed balancing test sufficiently addresses Staff's concerns, while providing a reasonable fact-based evaluation of what constitutes new load.

2. *Participation caps.*

PacifiCorp continues to believe that any new program for direct access should be included in the existing direct access program caps. This mitigates against the potential risk of cost shifting to COS customers. PacifiCorp agrees with Staff that the Commission should stringently protect existing customers from potential risk.

Staff agrees that program caps provide a “failsafe against a large number of customers all choosing to go to direct access at one time.”⁸ Staff then claims that the current caps should not apply to the new program because Portland General Electric Company (PGE) and PacifiCorp have different levels of participation in their current direct access programs. Staff's reasoning is not clear. Differences in the size of caps and levels of participation between utilities is due to the specific circumstances for each utility. Each utility's rationale for maintaining a cap—to provide a failsafe against unwarranted cost shifting—still applies for new load. Differences in levels of participation between PGE and PacifiCorp's direct access programs is not a good reason to remove this important protection for PacifiCorp's COS customers.

3. *Participation limited to green energy.*

This proceeding was initiated in response to the discussions related to proposed Senate Bill (SB) 979. SB 979 would have modified Oregon's direct access requirements, and instituted a requirement that the offering of the electricity service supplier be comprised nearly entirely of renewable resources. If the Commission exercises its discretion to reduce or eliminate transition charges for new direct access loads, it is important to be consistent with the intent of the impetus behind this proceeding. Furthermore, distinguishing between customers seeking to satisfy their energy needs through green energy provides additional protection against unwarranted cost shifting because it is far more likely that a consumer seeking direct access from a renewable energy resource is not making its decision for purely financial reasons, and reducing the risk that such consumer will increase system costs by returning to cost of service based rates when economic conditions change.

PacifiCorp also agrees with the Oregon Citizens' Utility Board (CUB) that reducing or eliminating transition charges for new loads should be limited to new load helping to meet Oregon's carbon reduction goals.⁹ This limitation provides additional protections for existing customers.

⁸ Opening Comments of Staff at 14.

⁹ Opening Comments of CUB at 6.

4. *Provider of Last Resort Considerations.*

If an energy service provider (ESS) becomes unable to deliver energy to its customers who elected direct access, then the utility is responsible as the provider of last resort to serve those customers. PacifiCorp echoes PGE's concerns regarding the utility's obligation as the provider of last resort, and agrees that the utility may be short on capacity and ancillary services if a new customer that elected direct access returns to become a COS customer. PacifiCorp agrees with PGE that COS customers may have a higher risk of curtailment if there is no energy or capacity on the market to purchase. These issues would need to be satisfactorily resolved in any direct access for new load program to adequately protect COS customers against any increased reliability risks.

C. *Defining new load is a fact specific analysis, which must be evaluated on a case by case basis.*

A balancing test using a fact specific approach is necessary to ensure that only unplanned customer load in excess of 10 aMW will be considered "new" for the purpose of direct access. As previously discussed, the balancing test will consider: (1) the anticipated timing of the new customer load coming online; (2) whether there is a new meter; (3) whether the load is located on a new site; (4) whether the new load includes a new facility; (5) whether the customer has executed a Master Electric Service Agreement (MESA); and (6) whether the new customer load exceeds the regression model's projected growth. Under the balancing test, no single element would be dispositive of the issue of whether PacifiCorp has planned for new customer load.

III. CONCLUSION

The Commission has the discretion to reduce or eliminate transition charges for new load seeking direct access. However, adequate precautions should be adopted to protect existing customers from unwarranted cost shifting. These precautions should be sufficiently stringent to protect existing customers until the potential impacts are more fully known. Appropriate precautions include recognizing the fact specific nature of determining whether a customer's load was included in a utility's resource plans. PacifiCorp's balancing test provides this factual determination, and can be completed in adequate time for a potential direct access consumer to make a decision. In accordance with PacifiCorp's load planning process, this would be limited to loads over 10 aMW because PacifiCorp uses a different process to plan for those loads. The Commission should also limit participation to consumers seeking to purchase green energy to serve its new load in Oregon. This not only furthers state carbon reduction policy, but mitigates against the risk that a direct access customer is simply seeking to reduce rates and will return to cost-of-service rates when economic conditions change, increasing future risk to COS customers.

The Commission should include new direct access load within the current direct access program caps. This limitation further mitigates against unwarranted cost shifting to existing customers. As with the current direct access program, the Commission could later revise the caps once the impacts of this policy is known. If the Commission determines that it should

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exercise its discretion to reduce or eliminate transition charges for new load, the Commission should take reasonable precautions to protect existing customers and allow the utility to compete for the new customer load and limit the policy to securing energy from renewable resources only.

If you have questions about this filing, please contact me at (503) 813-6583.

Sincerely,

A handwritten signature in black ink, appearing to read "Natasha Siores". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Natasha Siores
Manager, Regulatory Affairs