BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1837

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Investigation into the Treatment of New Facilities Direct Access Load.	OPENING COMMENTS OF VITESSE, LLC

I. INTRODUCTION

Vitesse, LLC (Vitesse), a wholly-owned subsidiary of Facebook, Inc. (Facebook), owns and operates a large data center in Prineville, Oregon where it is a customer of Pacific Power & Light Company (Pacific Power).

In addition to the data center in Prineville, Facebook currently owns and operates similar data centers in Forest City, North Carolina, Altoona, Iowa, Fort Worth, Texas and Lulea, Sweden. Facebook data centers that are under construction include Los Lunas, New Mexico, Papillion, Nebraska, New Albany, Ohio, Henrico County, Virginia, Clonee, Ireland and Odense, Denmark. Facebook is continually assessing how to efficiently expand capacity, which often involves constructing new facilities relatively near existing facilities.

Facebook has adopted a goal of powering its operations with 100% clean and renewable resources and a near-term objective of reaching 50% clean and renewable energy in 2018. The

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availability of a wide range of reliable and cost-effective renewable energy options is an important factor in Facebook's decisions regarding where to locate new data center facilities.

Vitesse appreciates the opportunity to participate in this important proceeding addressing the treatment of new commercial and industrial load under Direct Access, specifically whether customers with new load should be allowed to purchase power from non-utility electricity services suppliers (ESS) without being required to pay the same transition fees that customers with existing load must pay for the opportunity to select power sources.

The Public Utility Commission of Oregon (Commission) opened this docket by adopting the amended recommendations set forth in the May 4, 2017 Staff Report (Order 17-171). Pursuant to the July 11, 2017 Pre-Hearing Conference Memorandum and subsequent communication amongst the parties led by Staff, on September 8, 2017, the parties filed Opening Briefs limited to "the threshold legal question [of] whether, under existing Oregon law, the Commission can modify the applicability of transition charges to new customer Direct Access loads." With the exception of the Oregon Citizens' Utility Board (CUB), all parties concluded that, under existing Oregon law, the Commission can modify the applicability of transition charges to new loads.

On November 6, 2017, the parties participated in a limited-scope workshop, during which Pacific Power and Portland General Electric Company (PGE) each made presentations regarding their respective load forecasting processes and, thereafter, answered follow up questions posed by the parties. While the information presented by Pacific Power and PGE during the workshop was informative to a degree, without the benefit of formal discovery, the record in this docket is far from fully developed. Vitesse and other parties look forward to carefully reviewing the opening comments of Pacific Power and PGE which will contain additional relevant information.

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The opening comments that follow are limited to just a few of the issues identified by Staff following the recent workshop. Vitesse anticipates submitting reply comments following its review of the information included within the opening comments of the utilities and other parties.

II. THE COMMISSION HAS THE AUTHORITY TO MODIFY THE APPLICABILITY OF TRANSITION CHARGES TO NEW LOAD.

Vitesse's Opening Brief was dedicated to the issue of whether the Commission has the authority to modify the applicability of transition charges to new load. That analysis necessarily included a thorough presentation of authority supporting the conclusion that excepting new load from transition charges imposed under the Direct Access Program does not result in unjust rate discrimination. There is no need to include that presentation of the controlling authority in these opening comments. Rather, Vitesse incorporates by reference its Opening Brief.

III. NEW LOAD IS SUFFICIENTLY LARGE TO CAUSE THE UTILITY TO PROCURE GENERATION RESOURCES NOT ADDRESSED IN THE UTILITY'S CURRENT PLAN.

As previously mentioned, in the absence of formal discovery, the parties to this docket have limited information available to address a number of the issues identified by Staff. The recent workshop afforded the customer stakeholders a limited view of the planning processes of Pacific Power and PGE.

Pacific Power explained that its load forecasting process begins in March and the resulting load forecast is finalized in June.[1] The size of the load and the timing of when it comes on-line are two primary factors in determining the treatment of prospective new load.[2]

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[1] PacifiCorp Load Forecasting Overview (November 6, 2017), attached hereto as Exhibit 1.

[2] *Id*.

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To illustrate how those controlling factors govern treatment of prospective new load, Pacific Power provided two examples. In Example 1, the size of the incremental load is 1.5 MW at a 50% load factor, which equals 6,570 MWh per year.[3] That load is projected to come on-line in 2018.[4] With a year-over-year growth in class forecast of 38,943 MWh and no known offsetting load projections from other customers, the load growth in Example 1 is aligned with existing forecast projections.[5] In other words, the utility's load-forecast modeling previously accounted for this level of load growth.

In contrast, Example 2 is a demonstration of prospective new load that has not been accounted for by Pacific Power through the necessary procurement of additional generation resources.[6] The size of the new load is 15 MW at an 80% load factor or 105,120 MWh per year.[7] The new load is not projected to come on-line until 2020.[8] Pacific Power's Example 2 clearly demonstrates new load as that term is addressed in this docket. It qualifies as such by its size and the timing of when it will come on-line. The utility has not yet incurred costs to acquire the necessary additional generation resources nor even planned to serve that new load.

Vitesse respectfully suggests that the Commission establish a threshold size above which a customer's incremental additional load qualifies as new load that is excepted from transition charges imposed under the Direct Access Program. Focusing upon the examples provided by

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[3] *Id*.

[4] *Id*.

[5] *Id*.

[6] As used throughout these opening comments, the term "generation resources" is intended to include all manner of meeting customer power demands including market purchases.

[7] *Id*.

[8] *Id*.

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Pacific Power, that threshold would be above 1.5 MW and below 15 MW. Incremental additional load of a sufficient size is of no consequence to cost-of-service (COS) customers until the utility reasonably incurs generation costs it would not otherwise incur in the absence of the new load.

IV. WHETHER THE NEW LOAD IS THAT OF A NEW CUSTOMER OR ASSOCIATED WITH A NEW PHYSICAL STRUCTURE IS IRRELEVANT.

Size and when the utility actually acquires additional generation resources to serve the load should be the controlling factors in determining whether it qualifies as new load excepted from transition charges under the Direct Access Program.

An existing customer of a utility may augment its operations in such a way that it requires significant additional capacity that the utility has not accounted for through the necessary acquisition of additional generation resources to serve that incremental load. There is no relevant distinction between that circumstance and a potential new customer contacting the utility for the same amount of projected capacity that would similarly require the utility to procure additional generation resources absent the customer electing Direct Access.

V. WHEN THE UTILITY REASONABLY ACQUIRES GENERATION RESOURCES NECESSARY TO SERVE LARGE INCREMENTAL NEW LOAD IS THE POINT AT WHICH THE LOAD SHOULD THEREAFTER BE SUBJECT TO THE STANDARD TRANSITION CHARGES UNDER THE DIRECT ACCESS PROGRAM.

Customers who avail themselves of the Direct Access Program remain delivery customers of the incumbent utility. Direct Access customers continue to pay for those services. Consequently, COS customers are unaffected in the absence of stranded costs resulting from excess generation resources.

At the point in time when the utility reasonably acquires additional generation resources,

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the subject load should be treated as existing load for the purpose of imposition of transition charges under the Direct Access Program. If the utility does not acquire additional generation resources and, ultimately, the customer does not take energy supply services from the incumbent utility, transition charges should not be imposed on the subject load.

During the November 6, 2017 workshop, Pacific Power pointed to execution of a Master Electric Service Agreement (MESA) as a relevant event in determining whether incremental additional load should qualify for modified transition charges under the Direct Access Program. MESAs govern financial responsibility for any improvements necessary for delivery services, and contain early termination provisions by which Pacific Power recoups allowances for those improvements.

The best line of demarcation between imposition of standard transition charges under the Direct Access Program and new load that qualifies for no transition charges is that point at which the utility reasonably acquires additional generation resources to serve that new load.

VI. CONCLUSION

Vitesse respectfully submits that new load is that which the utility has not accounted for in its prior resource planning and resulting acquisition of generation resources. It is sufficiently large that the utility would have to acquire additional generation resources to serve that load. In the event the utility reasonably acquires additional generation resources, in the absence of the customer's election to purchase power from an ESS under the Direct Access Program, the load should then be subject to the standard transition charges. Otherwise, the new load should be excepted from transition charges. Vitesse looks forward to providing reply comments following

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its review of the utilities' opening comments.

Dated this 22nd day of November, 2017.

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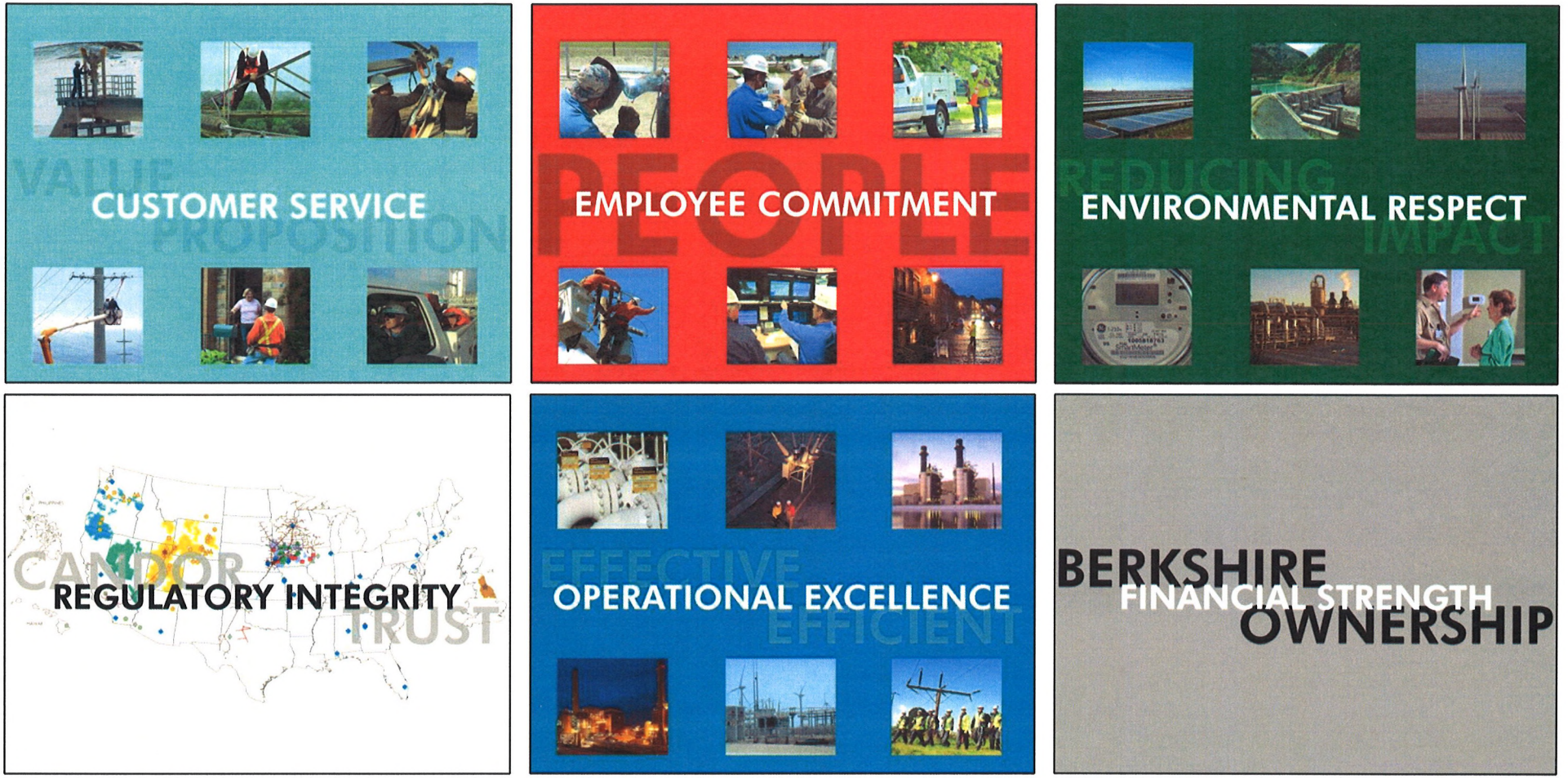
EXHIBIT 1



PacifiCorp Load Forecasting Overview

November 6, 2017

PacifiCorp Load Forecasting Process

- Annual forecast process begin in March and finalize by June

- Individual Customer Forecast (~20 customers)
  - Relies on customer Regional Business Managers (RBM) input
    - Load forecast group coordinates with RBMs on individual customer forecasts
    - Informed by historical sales, customer input, economic literature & variance analysis
    - The forecast for one direct access customer is modeled using this approach

- Aggregate Customer Forecast (~216,000 customers)
  - Regression based approach
    - Commercial and industrial forecast rely on historical sales data, economic drivers and in the case of the commercial class weather-related variables

- Direct access forecast (~30 customers)
  - Non-individually forecasted direct access customer load are forecasted as simple average of recent direct access customer load

Treatment of Prospective New Load

- Evaluate probability of prospective load occurring
  - Coordinate with RBMs
  - Engineering study status
    - ESSA – Engineering Services Study Agreement
    - EMPA – Engineering Material Procurement Agreement
    - MESA – Master Electric Service Agreement
- Size and timing of new load
- Evaluate projected year-over-year growth in class
- Evaluate if any off-setting load impacts
  - Evaluate year-to-date sales against forecast
  - Determine any declining load projections for other customers with RBMs

Oregon Commercial and Industrial Forecast

Oregon Retail Sales – Megawatt-hours (MWh)		
Year	Commercial	Industrial
2017	5,076,308	1,849,639
2018	5,115,251	1,769,573
2019	5,098,874	1,763,691
2020	5,103,759	1,762,377

*Pacificorp - 2017 Integrated Resource Plan Volume II, Table A.9, page 16

- Oregon Commercial
  - Year-over-year growth of 38,943 MWh projected between 2017 and 2018
- Oregon Industrial
  - Year-over-year decrease of 1,315 MWh between 2019 and 2020

Example 1: New Large Retailer

- Evaluate probability of prospective load:
  - Customer has signed MESA = Very high probability of occurrence
- Size and timing of new load:
  - 1.5 MW at 50% load factor is 6,570 MWh per year. Projected to come on line in 2018
- Year-over-year growth in class forecast:
  - 38,943 MWh increase between 2017 and 2018
- Off-setting load impacts:
  - No known offsetting load projections from other customers in 2018
  - Year-to-date actuals vs. forecast indicate sales are tracking with projections for 2017 and trajectory aligns with 2018 forecast
- The load growth in this example is aligned with the existing forecast projections

Example 2: New Industrial Customer

- Evaluate probability of prospective load:
  - Customer has signed MESA = Very high probability of occurrence
- Size and timing of new load:
  - 15 MW at 80% load factor is 105,120 MWh per year. Projected to come on line in 2020
- Year-over-year growth in class forecast:
  - 1,315 MWh decline between 2019 and 2020
- Off-setting load impacts:
  - No known offsetting load projections from other customers in 2020
- The load growth in this example is above projected sales
  - We would incorporate an individual customer forecast for this projected new load until their actuals are established in our load history