

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 12, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: December 23, 2015

TO: Public Utility Commission

FROM: Brian Bahr *BB*
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THROUGH: Jason Eisdorfer and Marc Hellman *A*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UA 168) Requests Approval of Modifications to a Customer Allocation Agreement between Portland General Electric Company and the Canby Utility Board.

STAFF RECOMMENDATION:

The Public Utility Commission (Commission) should approve the modifications to a customer allocation agreement between Portland General Electric Company (PGE or Company) and the Canby Utility Board (CUB).

ISSUE:

Whether the Commission should approve modifications to a customer allocation agreement that allows PGE to continue serving certain customers in service territory allocated to the CUB or in PGE service territory annexed by the City of Canby (City or Canby) until the transfer of service is deemed economic and feasible and PGE and the CUB ask for Commission approval for CUB to begin serving the customer.

APPLICABLE RULES AND LAWS:

Under ORS 758.410(1):

Any person providing a utility service may contract with any other person providing a similar utility service for the purpose of allocating territories and customers between the parties and designating which territories and customers are to be served by which of said contracting parties; and the territories and customers so allocated and designated may include all or any portion of the territories and customers which are being served by

either or both of the parties at the time the contract is entered into, or which could be economically served by the then existing facilities of either party, or by reasonable and economic extensions thereto.

A contract allocating territory or customers must be filed with the Commission and contain the information required in OAR 860-025-0010. The Commission, in turn, must publish notice of the filing within thirty days, allowing any customer, or if the Commission chooses, to request a hearing within thirty days of the notice. See ORS 758.420. When no hearing is held, on the basis of the applicant's filing the Commission "shall enter an order either approving or disapproving the contract as filed, together with any appropriate findings of the facts supporting such order." See ORS 758.425.

The criteria for approving an allocation contract are set forth in ORS 758.405. Under this statute, if the Commission finds: (1) that the contract will eliminate or avoid unnecessary duplication of facilities; (2) will promote the efficient and economic use and development and the safety of operation of the utility systems of the parties to the contract; and, (3) provide adequate and reasonable service to all territories and customers affected thereby, the Commission must approve the contract.

ANALYSIS:

Canby and PGE entered into an agreement concerning the allocation of electric service territory between them (Agreement). The Agreement was approved by the Commission in Order No. 62-38537. Under the terms of the Agreement, whenever a PGE customer is annexed into the City, the CUB has the option to provide electric service to the customer after obtaining Commission approval to alter the service territory allocation. In 1969, the City transferred full operation of its electric system to the CUB by charter amendment. In 1998, an amendment was made to the Agreement and approved by the Commission in Order No. 98-365. The Amendment permits the City to assign its rights and responsibilities to the CUB.

PGE's application in this docket concerns a second amendment (Amendment) to the Agreement. The Amendment serves two purposes. First, it allows PGE to continue serving certain customers previously approved by the Commission to be served by the CUB. It was expected that certain development of infrastructure would allow the CUB to economically serve certain customers annexed by the City. However, the development has not occurred, thereby currently leaving PGE as the most economical option of providing electric service. This purpose of the Amendment is transitional only, allowing

PGE to serve the affected customers only until such time as it is economical and feasible for those customers to be served by the CUB.

The second purpose of the Amendment is to alter the process of obtaining Commission approval to redraw service territory allocations (i.e. when PGE customers are annexed by the City). Under the revised Agreement, rather than requesting approval from the Commission at such time as a PGE customer is annexed by the City, approval would be requested at the time it is determined that it is economical and feasible for the CUB to serve the annexed customers.

PGE submitted this application on October 8, 2015. Notice of the application was published on October 28, 2015, and November 4, 2015, in the Canby Herald. No request for hearing was received before the appointed date of December 4, 2015.

Staff reviewed the Company's application, the proposed Amendment, the original Agreement, and the aforementioned orders approving the Agreement and its amendment. In approving customer allocation agreements, Commission evaluates the merits of the application based on ORS 758.415. Staff finds the proposed agreement meets the criteria set forth in the statute.

First, this Amendment to the Agreement avoids unnecessary duplication of facilities. The Amendment does not affect the Agreement in a way that causes any unnecessary duplication of facilities.

Second, the Amendment to the Agreement promotes efficient and economic use, and safe development and operation by allowing PGE to continue serving customers previously approved for transfer to service from the CUB until such time as it is economical and feasible for the CUB to do so.

Third, the Amendment to the Agreement ensures that existing customers will continue to receive adequate and reasonable service. Note that no service territory or customers are being transferred at this time.

In addition, allowing the CUB and PGE to request approval of modifications to service territory allocations at the time the customers are ready to actually be transferred rather than at the time they are annexed to the City will prevent in the future situations in which customers are approved by the Commission to have service transferred to the CUB but the CUB is not yet able to economically serve them.

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The Company was provided a draft copy of this memo and communicated no concerns or objections.

PROPOSED COMMISSION MOTION:

PGE's application for approval of Amendment No. 2 to the Agreement between PGE and the CUB be approved.

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