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April 21, 2015

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Public Utility Commission of Oregon
Attn: OPUC Filing Center
3930 Fairview Industrial Drive SE
P. O. Box 1088
Salem, OR 97308-1088

Re: **UM 1713 PGE's Comments regarding Investigation into Large Customer Energy Efficiency Limitations**

Enclosed for filing are Portland General Electric Company's Comments regarding Investigation into Large Customer Energy Efficiency Limitations.

If you have any questions or require further information, please call Rob Macfarlane at (503) 464-8954. Please direct all formal correspondence, questions, or requests to the following e-mail address pge.opuc.filings@pgn.com.

Sincerely,

Rob Macfarlane
for

Karla Wenzel
Manager, Pricing

KW/kr

encls.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1713

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Investigation into Large Customer energy Efficiency Limitations	**Comments of Portland General Electric Company Regarding the Funding of Large Customer Energy Efficiency**

Introduction

Portland General Electric Company ("PGE") appreciates the opportunity to provide comments regarding the funding of large customer energy efficiency. These comments are provided consistent with the ALJ's schedule for opening comments in this docket. PGE's comments provide: a brief background, PGE's guiding principles for the resolution of issues in this docket, PGE's position on energy efficiency funding, and finally, responses to the questions in Staff's initial framing document.

Background

This docket, in large part, results from PGE's general rate case, UE 283. In UE 283, PGE's previous rate case, CUB proposed to include energy efficiency in the generation marginal cost of service study[1]. CUB argued that residential customers pay disproportionately for energy efficiency.

Staff and PGE argued that CUB's proposal went beyond traditional marginal cost analysis and may not survive legal challenges. PGE also argued that the resulting rate impacts of CUB's

[1] UE 283, CUB/100, Jenks-McGovern/20-43

proposal would be significant for the larger industrial customers and could create an incentive for them to choose direct access. Staff and PGE argued that a ratemaking solution was not the best way to address CUB's concern.

The Commission approved a stipulation in which the parties in UE 283 agreed that the Commission should open a separate docket to address CUB's concerns. The stipulation set forth key questions that would be the scope of a potential docket. In Commission Order No. 14-422, the Commission granted the parties' request to open an investigation to address the identified issues.

PGE Principles to Guide Resolution of Issues in this Docket

PGE has developed the following principles to guide our consideration of the fair allocation of funding requirements of energy efficiency and to respond the questions posed as part of this investigation:

- PGE supports the acquisition of all cost-effective energy efficiency.
- Cost-effective energy efficiency provides a system benefit that benefits all customer classes by helping PGE and the region avoid more expensive alternative resources.
- Energy efficiency is not ramped up or down in response to customer load changes. Rather, all cost-effective energy efficiency is identified and PGE seeks out this resource irrespective of load changes.
- Investment opportunities in cost effective energy efficiency should not be encumbered or otherwise limited with regard to customer sectors. That is, utilities and the Energy Trust of Oregon (ETO) should be able to acquire the least-cost energy efficiency resources, regardless of which customer sector it comes from.
- Energy efficiency funding considerations should not influence the selection of either ESS service or PGE service.
- Any change to energy efficiency funding mechanisms should produce the least possible price impact on customers while ensuring a fair allocation of costs across all customer classes.
- Customers with use larger than one average megawatt should be allowed to self-direct their energy efficiency funding requirements under the law.

PGE Position on Energy Efficiency Funding

With these principles in mind, PGE believes that a legislative solution will enable acquisition of all cost-effective energy efficiency with an equitable allocation of costs across all customer classes.

- The Commission and stakeholders should determine the appropriate customer class cost responsibility for SB 838 energy efficiency; taking into account energy efficiency measures taken by each customer class, utility system benefits, and the relative customer class contributions to those system benefits.
- The SB 838 exemption for customers over one average megawatt should be lifted, with possible staging of price impacts to large customers.

PGE Responses to Questions in Initial Framing Document

In the remainder of these comments, PGE provides responses to each of the questions in the Initial Framing Document provided by Staff on February 25, 2015. The responses include more discussion of PGE's principles and position on the funding industrial energy efficiency.

1. ***Are customers with loads greater than 1 aMW receiving a direct benefit from conservation measures funded by amounts collected pursuant to SB 838?***

The ETO administers most of the funds collected by PGE pursuant to SB 838. PGE defers to the ETO as to whether customers with loads greater than one average megawatt receive a direct benefit from conservation measures funded by these amounts. However, PGE understands that it is difficult to distinguish between SB 838 funds and the ETO's other funding because they do not operate programs by funding stream. Regarding SB 838 funds retained by PGE, customers with loads greater than one average megawatt do not receive direct benefit.

In addition to direct benefits, customers receive indirect benefits. Cost-effective energy efficiency provides a system benefit to all customer classes by helping PGE and the region avoid more expensive alternative resources.

2. ***What is the meaning of "any direct benefit" as used in ORS 757.689(2)(b)?***

PGE interprets the phrase "any direct benefit" to mean measured or estimated energy use reductions by a give customer or customer classes and corresponding bill reductions provided by funds collected pursuant to SB 838. It is not intended to encompass the benefit of PGE's avoided energy or capacity resources that result from widespread energy efficiency.

3. ***Are there any barriers that prevent the ETO from obtaining all cost-effective energy efficiency?***

Yes. The ETO has indicated that it will soon run up against the 18% cap on energy efficiency funding provided to PGE customers with loads greater than one average megawatt. If industrial customer energy efficiency were the most cost effective to acquire, reaching the cap could mean the ETO does not acquire all cost effective energy efficiency.

In 2007 with the passage of SB 838, the Oregon Renewable Energy Act, the OPUC was authorized to approve the collection of additional energy efficiency funds from PacifiCorp and PGE customers using less than one average megawatt per year. Customers with annual loads of more than one average megawatt were not required to pay these supplemental energy efficiency charges nor allowed to receive the benefits. To ensure that customers with loads less than one average megawatt were not subsidizing customers with over one average megawatt; PGE, PacifiCorp, the ETO, OPUC Staff, CUB, and ICNU reached an agreement that the ETO would not exceed a historical amount of energy efficiency funding for the larger customers' energy efficiency projects. PGE's cumulative cap of 18% was an historical average of the ETO energy efficiency payments (under SB 1149) to PGE's customers over one average megawatt, for the three years preceding the passage of SB 838.

When the cap is reached, the ETO will have two years to scale back energy efficiency funding to PGE's customers over one average megawatt to bring the total spending within the cap. The consequences are that the ETO will limit funding of energy efficiency measures directed to industrial customers and, as a result, forgo funding to energy efficiency measures that are now the most cost effective. Given that industrial customers currently present a significant portion of cost-effective energy efficiency opportunities for the ETO, PGE is concerned that such a response would lower overall acquired energy efficiency. This, in turn, impacts the ETO's ability to meet the targets used in the IRP.

Investment opportunities in cost-effective energy efficiency should not be encumbered or otherwise limited with regard to customer sectors. That is, utilities and the ETO should be able to acquire the least cost energy efficiency resources, regardless of which customer sector provides the energy efficiency. Over time and with evolving technologies, these opportunities may shift among customer classes.

4. ***If such barriers exist, what other options exist to gain all cost-effective energy efficiency, including from customers with loads greater than 1 aMW?***

In PGE's view there are two ways to gain all cost-effective energy efficiency, including from customers with loads great than one average megawatt. (1) Raise the cap, or (2) change the law so that all customers contribute to incremental energy efficiency funds. PGE does not view raising the cap as a viable long-run option. While raising the cap provides the funding to achieve all cost-effective energy efficiency, it does so while maintaining the same source of funding: customers with loads that are less than one average megawatt. A change in the law, however, enables adequate funding to achieve all cost-effective energy efficiency with equitable contributions from all customer classes.

Any change to energy efficiency funding mechanisms should produce the least possible price impact on customers while ensuring a fair allocation of costs across all customer classes. Removing the SB 838 exemption for customers over one average megawatt could create not insignificant price impacts to those customers. In consideration of this, parties should consider staging of price impacts to large customers.

5. ***Should the ETO approach to funding energy efficiency be flexible to take advantage of energy efficiency savings brought about by changes in technology and the economy?***

Yes. PGE supports flexibility for the ETO to take advantage of energy efficiency savings brought about by changes in technology and the economy to the extent that the energy efficiency is expected to be cost-effective.

6. ***Should there continue to be a cap on energy efficiency funding provided by the ETO to PGE and PAC customers with loads greater than 1 aMW, and if so, what criteria should be used to set such a cap?***

PGE supports the ability to achieve all cost-effective energy efficiency. If all customers contribute, regardless of energy use, no cap is necessary. This kind of change can only be effectuated through a legislative change and PGE could support such a legislative change to adequately fund all cost-effective energy efficiency if structured properly as noted above.

In addition, energy efficiency funding considerations should not influence the selection of service from either an energy service supplier or PGE. Given the regional benefit of energy efficiency, both cost of service and direct access customers should fund energy efficiency. Last, customers with use larger than one average megawatt should be allowed to self-direct their energy efficiency funding requirements under the law.