ITEM NO. 4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 26, 2018

REGULAR X **CONSENT** ____ **EFFECTIVE DATE** **March 1, 2019**

DATE: February 19, 2019

TO: Public Utility Commission

FROM: Sabrinna Soldavini and Scott Gibbens

THROUGH: Jason Eisdorfer and John Crider

SUBJECT: PACIFIC POWER: (Docket No. ADV 900/Advice No. 18-010) New Large Load Direct Access Program and Associated Tariffs.

STAFF RECOMMENDATION:

Approve PacifiCorp's Advice No. 18-010, which implements its New Large Load Direct Access (NLDA) program, for service rendered on and after March 1, 2019, on less than statutory notice.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (Commission), should approve Pacific Power's (PacifiCorp or Company) tariffs implementing a New Large Load Direct Access program, and updating applicable Schedules and Rules, on less than statutory notice.

Applicable Rule

ORS 757.205(1) states that a public utility must file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. Pursuant to ORS 757.210, the Commission may approve tariff changes if they are deemed to be fair, just and reasonable. Filings that make any change in rates, tolls, charges, rules or regulations must be filed with the Commission at least 30 days before the effective date of the changes. ORS 757.220. The Commission may approve tariff changes on less than statutory notice upon a finding of good cause shown. *Id.*

OAR 860-022-0025 requires that new tariff filings include statements showing the new rates, the number of customers affected, the impact on annual revenue, and the reasons supporting the proposed tariff.

OAR 860-038-0700 through OAR 860-038-0760, specify the requirements an electric company must adhere to in implementing a New Large Load Direct Access Program.

Analysis

Background
On October 9, 2018, the Commission issued Order No. 18-341, adopting rules governing a New Large Load Direct Access (NLDA) program. As a result of Order No. 18-341, and the AR 614 rulemaking process, OAR 860-038-0700 through OAR 860-038-0760 were adopted, outlining the rules for NLDA programs. Additionally, the Order required each electric company to make six percent of its 2017 weather normalized annual load available to the NLDA programs.

On December 14, 2018, the Company filed tariff sheets to implement its NLDA program, consistent with Order No. 18-341.

The table below summarizes the tariff sheets proposed and/or altered through this filing.

Fourth Revision of Sheet No. INDEX-2	Tariff Index	Table of Contents - Schedules
Eighth Revision of Sheet No. INDEX-4	Tariff Index	Table of Contents - Schedules
Original Sheet No. 293-1	Schedule 293	New Large Load Direct Access Program Cost of Service Opt-Out
Original Sheet No. 293-2	Schedule 293	New Large Load Direct Access Program Cost of Service Opt-Out
Original Sheet No. 293-3	Schedule 293	New Large Load Direct Access Program Cost of Service Opt-Out
Original Sheet No. 848-1	Schedule 848	Large General Service 1,000 KW and Over Direct Access Delivery Service – Distribution Only
Original Sheet No. 848-2	Schedule 848	Large General Service 1,000 KW and Over Direct Access Delivery Service – Distribution Only
Twentieth Revision of Sheet No. 90	Schedule 90	Summary of Effective Rate Adjustments
Tenth Revision of Sheet No. 91-1	Schedule 91	Low Income Bill Payment Assistance Fund

Second Revision of Sheet No. R1-2	Rule 1	Definitions
Second Revision of Sheet No. R1-3	Rule 1	Definitions
First Revision of Sheet No. R1-4	Rule 1	Definitions
First Revision of Sheet No. R1-5	Rule 1	Definitions
First Revision of Sheet No. R21-6	Rule 21	General Rules and Regulations Direct Access
First Revision of Sheet No. R22	Rule 22	General Rules and Regulations Direct Access Service Election

On February 4, 2019, Staff held a workshop for interested parties to express their thoughts and voice any concerns on PacifiCorp's initial filing. All who participated in the AR 614 process were invited to attend the workshop. During the workshop, the participants identified a number of items in the filing that could benefit from additional consideration and clarification, as discussed more fully below.

On February 11, 2019, PacifiCorp filed revised tariff sheets addressing the issues identified in the aforementioned Staff workshop, the changes made in the revised filing included:

1. Modification to Schedule 293 to clarify that the program cap is to be measured on an average megawatts (aMW) basis, rather than megawatts.
2. Adjusting the language of the NLDA program cap to include language that the cap is fixed, unless the Commission determines otherwise.
3. Adding language to clarify that the Company Supply Service Access Charge will be fixed for the full four years of payment.
4. Clarification of Schedule 848, stating that a consumer is not required to have registered load before participating in the NLDA program. Language was also added to clarify that the eligibility requirements for Schedule 848 are the same as for Schedule 293 (10 aMW), and that only five-year opt out customers are required to show that they have registered 1,000 kW during the preceding 18-month period.
5. Clarifying that the Fixed Generation Transition Adjustment five-year period begins when electric service is energized.
6. Clarifying that the Existing Load Shortage Transition Adjustment only applies when a consumer shifts load for the purposes of increasing NLDA participation.

7. Adding language to clarify that if the Company finds a consumer's explanation for load shifting does not adequately show that the load shifting was not for purposes of increases to NLDA, that the Company will provide an explanation of why the request was denied.

Schedule 293 – New Large Load Direct Access Program Cost of Service Opt-Out
PacifiCorp's proposed Schedule 293 implements its NLDA program, and includes requirements for consumers who wish to opt-out of cost of service electric service from the Company and instead participate in its NLDA program.

In compliance with the rules adopted in Order No. 18-341, Schedule 293 requires consumers to notify the Company of their election to participate in accordance with Rule 22, and to contract with energy resources that do not include an allocation of coal-fired resources. Schedule 293 also requires that New Large Load must be separately metered, or have its usage measurement based on a determination that has comparable accuracy and is mutually agreeable between the company and consumer. Additionally, a consumer's load must exceed 10 aMW for at least one period of 12 consecutive months within the first 36 months of service. The Company includes an 89 aMW cap (six percent of 2017 normalized load) for its NLDA program.

Consumers on this Schedule are subject to a Fixed Generation Transition Adjustment charge of 20 percent of fixed generation rates, for the first five years of service, consistent with the Commission's rules.

An Existing Load Shortage Transition Adjustment will be applied to the Existing Load Shortage of the Consumer and for the Existing Load Shortage for all of the Consumer's affiliated Consumers (a Consumer for which a controlling interest is held by another Consumer who is engaged in the same line of business as the holder of the controlling interest). Staff finds these charges meet the requirements of OAR 860-038-0740.

PacifiCorp's Schedule 293 includes two charges whose values or methodology are not expressly dictated in the NLDA program rules adopted in Order No.18-0341.

1. *Administrative Fee*

   OAR 860-038-0740(3)(b) requires the Company to charge NLDA customers the all reasonable costs of administering the NLDA program. PacifiCorp is proposing a $400 per month Administrative Fee in its Schedule 293 tariff.

   Staff sent an information request to the Company requesting support of the calculation of its administrative fee charge. The Company proposed fee is based on the costs of an estimated two hours of load forecasting costs, two hours of retail billing costs (gathering reads, reviewing, billing), and one hour of billing reviewing costs, per customer, per month.

While Staff finds these hourly estimates reasonable, it is not possible to verify the accuracy of these estimates at this time. As this is a new program, with no customers currently enrolled, the actual costs of implementing and monitoring an NLDA program are currently unknown.

As such, Staff recommends that PacifiCorp's proposed administrative fee be approved. Once there is enrollment in the NLDA program, and data is available related to the actual time and associated costs required to administer such a program, Staff intends to review the Company's assumptions for accuracy.

2. *Company Supply Service Access Charge*

Schedule 293 also includes a forward-looking rate adder, the Company Supply Service Access Charge, to be charged for four years, for customers switching from NLDA to standard offer or cost-based service, whose switch results in an increase to the rates of existing cost-of-service customers of more than 0.5 percent.

OAR-038-0720(3) requires an electric company to request approval of a forward-looking rate adder to mitigate the rate impact to existing cost-of-service customers, when the electric company forecasts that the return to cost-of-service will result in a significant increase to the existing cost-of-service rate. The Company has used its discretion to determine that a 0.5 percent increase is the appropriate level to trigger the Company Supply Service Access Charge. The Company notes that for a typical residential customer who uses 900 kWh per month, 0.5 percent increase represents a 49 cent increase in their monthly bill. Staff finds this to be a reasonable, material threshold for triggering the forward-looking rate adder. The 0.5 percent threshold is high enough to warrant protection to cost-of-service customers, while ensuring that the charge is only triggered when a Consumer's move out of the NLDA program to cost-of-service represents a material rate increase to existing ratepayers.

The Company's proposed methodology for determining whether a consumer's switch away from NLDA service triggers the forward-looking rate adder is to multiply the price of the Company Supply Service Access Charge by an average of four years of that customer's forecast level of load, and divide by the total base supply and delivery revenues for the company's existing Oregon cost-of-service rate payers.

The Company is proposing an initial Company Supply Service Access Charge of 0.000 cents per kWh. In its filing, the Company notes that this charge will be updated annually as part of its Transition Adjustment Mechanism (TAM). While the charge will be adjusted annually through the TAM, once the Company Supply Service Access Charge is determined for a particular customer, the charge will remain fixed, for that consumer, for the duration of the four year payment period.

The proposed methodology for calculating the Company Supply Service Access Charge is to calculate the charge as the incremental difference between the four-year levelized cost of capacity that is calculated for avoided cost and fixed generation rates include in the calculation of the Fixed Generation Transition Adjustment.

Staff finds this methodology reasonable and notes that the methodology will be subject to review during the Company's annual TAM filing, and that per the tariff, any customer wishing to switch back to cost-based service must provide the Company with four years' notice allowing sufficient time for such review to take place.

Staff has reviewed PacifiCorp's Schedule 293 – New Large Load Direct Access Program Cost of Service Opt-Out, and finds it to be in compliance with the rules adopted in Order No. 18-341.

Schedule 848 – Large General Service 1,000 KW and Over Direct Access Delivery Service – Distribution Only
Schedule 848 creates a new rate schedule for distribution service only. Schedule 848 is available to NLDA program consumers, as well consumers with over 1,000 kW who have completed the five-year transition period under the company's five-year cost of service opt out program in Schedule 296, Transition Adjustment, Five-Year Cost of Service Opt-Out.

Schedule 848 is similar to the Company's Schedule 748 – Large General Service 1,000 KW and Over, Direct Access Delivery Service, but excludes generation related charges, which are not applicable to distribution only customers. For example, Schedule 848 excludes the Schedule 200 related System Use charge that customers on Schedule 748 are subject to.

The Company's revised filing added language to Schedule 848, to clarify that a consumer is not required to have registered load before participating in the NLDA program. Language was also added to clarify that the eligibility requirements for Schedule 848 are the same as for Schedule 293 (10 aMW), and that only five-year opt out consumers, coming from Schedule 296, are required to show that they have registered 1,000 kW during the preceding 18-month period.

The creation of Schedule 848 does not affect customers electing service from one of PacifiCorp's other direct access Schedules, but instead creates a single Schedule for NLDA participants and large consumers who have completed the five-year cost-of-service opt out program in Schedule 296.

The Company filed revisions to PacifiCorp's Open Access Transmission Tariff (OATT), on file with the Federal Energy Regulatory Commission, concurrently with this application.

Staff reviewed the Company's proposed Schedule 848 tariff, and finds it complies with the NLDA program requirements.

Modifications to Other Schedules and Rules
Staff also analyzed the modifications to Schedules 90 and 91, as well as the modifications to Rules 1, 21, and 22.

PacifiCorp's filing amends:

1. Schedule 90, Summary of Effective Rate Adjustments to include Schedules 293 and 848 in its summary of effective rate adjustments.
2. Schedule 91, Low Income Bill Payment Assistance Fund, to include Schedule 848 to its list of applicable adjustment rates. The applicable adjustment rate through Schedule 90, for Schedule 848 consumers, is 0.069 cents per kWh for the first 724,639 kWh.
3. Rule 1, General Rules and Regulations, Definitions, to include definitions for Cost-of-Service Eligible Load and New Large Load. Definitions of Service Options, Service of Questionable Permanency, and Single Enterprises are also modified.
4. Rule 21, General Rules and Regulations – Direct Access, to clarify that a Direct Access Service Request (DASR) is required for the election of all Direct Access Service from an ESS.
5. Rule 22, General Rules and Regulations – Direct Access Service Election, to specify that consumers seeking service through the NLDA program must submit to the Company an official binding written notification of its intent to elect this program at the earlier of a binding written agreement with the Company for eligible new load or one year prior to the expected starting date of the incremental load.

Staff finds these changes to be in accordance with Commission Order No. 18-341 and the rules adopted therein.

Effects of Filing

As this is a new program, it is unknown how many consumers will elect to participate in the NLDA program, and the effect on the Company's revenue.

Neither the proposed tariffs nor the modifications to existing tariffs adjust the rates of the Company's current ratepayers. Further, Staff finds that the Company's proposed tariff revisions comply with applicable administrative rules and Commission Order 18-341.Staff further finds that there is good cause to approve tariff changes on less than statutory notice, as the changes made were at the request of Staff and interested parties in order to ensure that applicable rules and requirements for the NLDA program are met. Therefore, Staff finds the proposed Company filing will not harm current customers.

As a final note, Staff finds it prudent to ensure that the Commission is aware that Portland General Electric (PGE) has also filed tariffs to implement its NLDA program, Advice No. 19-02. In addition to the charges required by Commission rule, PGE has proposed two additional charges to recover the costs it sees to its system. Staff notes that differences between PGE's and PacifiCorp's direct access programs exist today, and finds that each utility is best-positioned to address those differences in their proposed filings. However, implicit in PGE's filing are policy considerations, such as the impact of provider of last resort obligations, etc. For this reason, Staff recognizes that it is possible for consideration of these policy issues in PGE's filing to impact the Commission's perspective on the NLDA program overall.

Staff also notes that the Commission retains the discretion to deny or suspend and investigate all tariff filings in accordance with ORS 757.210, including PacifiCorp's Advice No. 18-010, in order to address policy issues raised by PGE ahead of implementation of a NLDA program. Following conversations with the parties interested in this filing, however, Staff understands the parties to strongly recommend Commission approval of the program as filed by PacifiCorp, with the understanding that additional changes may be made to the program at a future date. PGE's filing does not change Staff's recommendation to approve PacifiCorp's NLDA program as implemented in Advice No. 18-010.

The Company has reviewed this memo and expressed no issues or concerns.

Conclusion

Based on the review of this filing, Staff concludes the following:

1. PacifiCorp's proposed NLDA program, implemented through Advice 18-010, is consistent with Order No. 18-341 and the rules adopted by the Commission in OAR 860-038-0700 through OAR 860-038-0760.

2. The proposed tariffs and associated modifications to existing tariffs related to the Company's NLDA program result in rates that are fair, just and reasonable.

3. Good cause exists for Advice No. 18-010 to become effective on less than statutory notice.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's Advice No. 18-010, which implements its New Large Load Direct Access program, for service rendered on and after March 1, 2019, on less than statutory notice.