

ITEM NO. 4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 1, 2003**

REGULAR **CONSENT** **EFFECTIVE DATE** _____

DATE: June 26, 2003

TO: John Savage through Lee Sparling

FROM: Lisa Schwartz

SUBJECT: DEMAND RESPONSE PROGRAMS: Recommendations for PGE and PacifiCorp.

STAFF RECOMMENDATION:

The Commission should approve staff's revised recommendations for demand response programs for Portland General Electric (PGE) and PacifiCorp:

1. The utilities' Integrated Resource Plans should evaluate demand response programs on par with other options for meeting energy and capacity needs. The Commission should add to the issues list for its investigation into least cost planning requirements (UM 1056): How should demand response be explicitly included in least cost planning on par with other options for meeting energy and capacity needs?
2. The utilities should provide to the Commission by Dec. 31, 2003, an assessment that evaluates demand response potential by market segment, identifies barriers to development and recommends actions. The assessment should include an evaluation of voluntary demand response programs tailored to each customer class, including critical-peak and two-part real-time pricing for large customers and direct load control for small customers with and without critical peak pricing.
3. The Commission should open an investigation to identify policies that facilitate the adoption of more advanced meters, communication technology and automated meter reading.
4. Beginning April 2004, PacifiCorp should report to the Commission at the first regular public meeting each quarter progress toward developing new demand response pilots or programs for small and large customers that are cost-effective now or build capability for the future, based on the results of the Company's demand response

assessment. Reporting should continue until such pilots or programs are implemented.

Staff notes that PGE has agreed to bring forward by March 31, 2004, for the Commission's consideration tariffs specifying new voluntary pilots or programs for small and large customers with a proposed effective date of May 1, 2004, based on the results of its demand response assessment.

DISCUSSION:

Staff brought before the Commission at the June 3, 2003, Public Meeting its recommendations for demand response programs for PGE and PacifiCorp. (Staff Report attached.) Staff's study on demand response programs for Oregon utilities provided the basis for those recommendations.

Both utilities expressed concern about Staff's proposed timeline for submitting tariffs and implementing new demand response programs. Staff further discussed this issue with the utilities and revised its recommendations to allow more time to assess and develop programs.

PGE agreed with Staff's revised recommendations. The Company also committed to present to the Commission by the end of September the results of its winter 2003 pilot program to test direct load control for residential water and space heating.

Staff could not come to an agreement with PacifiCorp about filing tariffs for new demand response pilots or programs for small and large customers by a date certain. Staff is considering such a recommendation to the Commission as a condition for acknowledgment of the Company's Integrated Resource Plan to ensure the utility increases its demand response capability in Oregon.

PROPOSED COMMISSION MOTION:

The Commission approve Staff's demand response recommendations 1 through 4 for PGE and PacifiCorp.