

**Staff Talking Points Responses to Commission Three Questions  
10-17-11 Workshop**

1. **As stated in Order No.11-172, the Commission wants utilities to systematically evaluate potentially beneficial smart grid opportunities on an ongoing basis and implement those that make sense for consumers. The process possibilities range from periodic reporting by utilities to comprehensive Smart Grid Plans. What process should the Commission use and why?**
  - A. First, as to why,
    1. Systematic planning and plan updating is called for in part because SG is a rapidly developing and evolving area.
    2. Planning guidelines support systematic comparisons of a utility's plans across time as well as across utilities.
    3. Systematic planning supports the Commission's oversight role.
    4. The utilities submitted reports per the Commission's request. There is certainly glaring differences between these three plans. Yet, had they been developed in response to a systematic set of plan guidelines, the differences would be even clearer and more easily understood by all concerned parties.
  - B. As to process recommendations,
    1. A fixed schedule of SGP Reporting be established, with three rounds of complete SGPs being submitted, with interim progress reports.
    2. Staff prepare a report on how the SGP plan submission and review process went, what if any changes ought to be made, and what if any subsequent filings should occur. This report would first be submitted to parties for comment prior to submission to the Commission.
    3. Each utility be directed to file interim updates to its SG Plan identifying any changes and discussing progress on SG Plan implementation.
    4. The timing of interim updates and how frequently full SG Plans are submitted are interdependent and need to be worked out together.
    5. Give this process and utility SG Plans greater substance through providing SG Plan acknowledgement. This would not guarantee cost-recovery but it

would help establish a pattern of support that would help reduce cost-recovery risk.

**2. For each of the smart grid substantive issue areas posed in Order No. II-172 for workshop discussions, including the issue added by the parties (specifically, privacy, cyber-security, interoperability requirements, the role of utilities in home energy management, and consumer education), are there any issues or sub-issues within these five substantive areas that you believe require Commission guidance through rules or guidelines, and why?**

A. Each of these five areas should have reporting guidelines.

1. *It is important that all parties understand a utility's approach to a specific issue.*

What steps is the utility taking to meet its standards or those imposed on the utility by some other body, or the standard the utility has adopted from some other body. This is especially important at this early stage in light of what we collectively face over the next 2 decades.

2. *Staff isn't proposing that this Commission establish standards for any of these five issues.*

In an effort to reflect Commission views articulated in Order 11-172, staff has backed away from its proposed standards made last fall. Staff has also reduced the level of detail in each of these areas from what was proposed last fall. Staff does encourage the Commission to adopt the consensus language in order that all interested parties have information to help in making SG adoption a greater success for Oregon ratepayers.

3. *Staff supports reporting guidelines in part because of the national efforts underway.*

Since these national efforts appear to be in a great deal of flux, there does not appear to be any other way for parties, including Oregon

ratepayers, to know what approach a utility has taken in a given area. It will also be more difficult for a party other than the utility to understand the utility's rationale for its approach. A reporting guideline helps establish a coherent framework for all other interested parties to have information about its rationale for its decisions.

- B. In this light, staff strongly supports guidelines in the additional areas:
  - 1. Discussion of Risks, including but not limited to, Obsolescence Risk and mitigation potential/strategies.
  - 2. Broad level discussion of potential benefits and costs.
  - 3. Discussion of the utility's approach to IT and communication infrastructure investments to support SG.

**3. In this docket, should the Commission identify the factors it will consider when analyzing cost recovery requests for smart grid investments?**

- A. Perhaps in broad terms, but only in broad terms.
- B. If yes, what factors should we consider?
  - 1. Was the most recent full smart grid plan acknowledged?
  - 2. If yes, as time evolved was it still reasonable for the utility to follow that plan?
  - 3. If no, what if any changes did the utility implement?

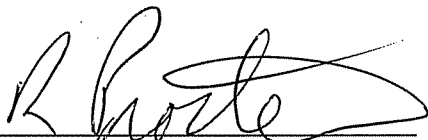
## SG Big Picture

This provides the backdrop for staff viewpoint on the importance of substantive SG Planning. The various reports noted below illustrate the significance of SG here and world-wide as well as what segments of the electric industry will account for the large majority of smart grid investments.

1. A Feb 2011 report from Innovation Observatory,<sup>1</sup> a research, analysis, and consulting company predicts that,
  - a. World-wide SG Investments will exceed about \$400B by 2030
  - b. U.S. total investment will exceed \$60B. This including grid automation, communications infrastructure, IT systems and hardware, systems integration, and home area network equipment, in addition to smart meters
  - c. By about 2015, China SG investments will exceed U.S. and will reach about \$1T by 2030,
  - d. Also by 2030, China will install about 360M smart meters,
  - e. By about 2020, Brazil plans to install about 63M smart meters and India has plans for over 130M.
  
2. Pike research reports<sup>2</sup> the following,
  - a. Cumulative U.S. spending 2008-2015 will top \$200B
  - b. Smart meters are high-profile component but grid infrastructure projects - transmission upgrades, substation automation, and distribution automation will account for 84% of total SG investment, smart meters will account for about 14%, remaining 2% is EV systems.
  
3. A report by The Brattle Group<sup>3</sup> notes the following:
  - a. By 2030, the U.S. electric utility industry will need to make a total infrastructure investment of \$1.5 trillion to \$2.0 trillion
  - b. Without changes in approach to providing power, by 2030, the U.S. will need about 215 GW of new generation costing about \$700B. Large part of the remainder is T&D investment.

This concludes the Staff Response.

Dated at Salem, Oregon, this 17th day of October, 2011.



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<sup>1</sup> See: <http://www.innovationobservatory.com/sgpress2>

<sup>2</sup> <http://www.pikeresearch.com/newsroom/smart-grid-investment-to-total-200-billion-worldwide-by-2015>, issued December 2009.

<sup>3</sup> Marc W. Chupka, Robert Earle, Peter Fox-Penner, Ryan Hledik, "Transforming America's Power Industry: The Investment Challenge 2010-2030," The Brattle Group, November 2008.

## CERTIFICATE OF SERVICE

**UM 1460**

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 17th day of October, 2011 at Salem, Oregon.

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