

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 3, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE May 5, 2016

DATE: April 27, 2016

TO: Public Utility Commission

FROM: Max St. Brown <sup>MSB</sup>

THROUGH: J Jason Eisdorfer and A Marc Hellman

SUBJECT: PACIFIC POWER: (Docket No. ADV 279/Advice No. 16-07) Creation of Schedule 95 to reflect a rate increase for funding of a proposed Irrigation Load Control Program Pilot.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve, with Less than Statutory Notice (LSN), Pacific Power's (PAC or the Company) proposed Schedule 95 for the purpose of collecting 90 percent of pilot program costs for the first year of the Irrigation Load Control Program, effective May 5, 2016.

Issue

Whether the Commission should approve PAC's proposed Schedule 95 for the purpose of collecting 90 percent of pilot program costs for the first year of the Irrigation Load Control Program.

Applicable Law

PacifiCorp's filing was made in compliance with ORS 757.205, OAR 860-022-0025. The Company must indicate the change in rates and the number of customers affected.

Discussion and Analysis

On April 21, 2016, Pacific Power filed Advice No. 16-07. The filing proposes a new schedule 95 to collect pilot program costs and proposes to use the Schedule to collect the first year of costs associated with the Company's Irrigation Load Control Program.

The Company made this filing with LSN because, at Staff's recommendation, those costs should not be collected under Schedule 297 as was initially proposed. Accordingly, the Company prepared this filing to collect the funds under a separate tariff, Schedule 95. Staff prefers this approach because Schedule 297 would collect only funds related to energy conservation.

Staff's May 3, 2016, Public Meeting memo for ADV 242/Advice No. 16-04 describes the Irrigation Load Control Program in detail. Following the selection of the Oregon irrigation load control management as a capacity resource, beginning in 2022 in PAC's 2015 IRP, the Company is proposing a five-year pilot to evaluate the cost effectiveness of paying irrigators in and around Klamath Falls to curtail loads during selected summer hours. The target level of capacity control in the program is 3,000 kW (after the first year) and voluntary participants would be paid approximately \$25 per kW per year, for total yearly customer incentives averaging \$75,000 after the first year.<sup>1</sup>

The Company presents estimated costs of the pilot on page 5 of its ADV 242/Advice No. 16-04 filing, which is copied and pasted below:

Estimated costs are provided in the table below for the Pilot Program, including: vendor costs, customer incentives, and customer outreach / advertising.

	Year 1	Year 2	Year 3	Year 4	Year 5
Est. Program Costs (Calendar Year)	\$150,000	\$225,000	\$225,000	\$225,000	\$225,000

Note: Costs are estimates and based on the expected average availability (i.e., 3MW in years 2-5).

Dividing yearly total average customer incentives of \$75,000 by yearly costs of \$225,000 in years 2-5 indicates that customer incentives are a third of total program costs in those years. The other two-thirds of costs go towards vendor costs and customer outreach/advertising.

Staff believes that in addition to program costs, there will be program benefits, for example, savings by shifting load from on-peak hours and capacity contributions. The Company will use the pilot program to study these and other benefits.<sup>2</sup> Further, a program that can provide cost savings to customers will earn the Company good will.

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<sup>1</sup> See Staff's May 3, 2016 public meeting memo for ADV 242/Advice No. 16-04 at 3-4.

<sup>2</sup> *Id* at 5.

Staff spoke with Company representatives via telephone and email about pilot program costs and recovery. Pacific Power is supportive of setting Schedule 95 to collect 90 percent of the cost of the Irrigation Load Control pilot program. Staff and the Company anticipate that the tariff schedule would be reevaluated each year based on actual costs of the program—and that recovery of the program could be adjusted in the future (i.e. the tariff rate could be adjusted or costs could be proposed to be included in base rates in a general rate case). Thus Schedule 95 is designed to collect 90 percent of the Year 1 estimated costs of \$150,000, which is \$135,000.

Staff requested and reviewed the Company's workpapers including a digital spreadsheet detailing the computation of the rate increase. Via telephone, Company representatives described to Staff that actual collections from Schedule 95 will be tracked and trued up to program costs. Schedule 95 will add \$0.00001 to each kWh sold through each of PAC's Schedules.

The proposed tariff increases an average residential monthly bill by less than \$0.01 in the first year. At this time, the Company is estimating total costs of \$1.05 million if the pilot program is operated for five years.

**PROPOSED COMMISSION MOTION:**

Approve, on Less than Statutory Notice, Pacific Power's proposed Schedule 95 for the purpose of collecting 90 percent of pilot program costs for the first year of the Irrigation Load Control Program, effective May 5, 2016.