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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1022

In the Matter of the Application of PORTLAND)
GENERAL ELECTRIC COMPANY for) ORDER
Authorization to Withhold Costs Associated with)
Specified Conservation Projects from SB 1149)
Public Purpose Funds.)

DISPOSITION: APPLICATION APPROVED

On April 23, 2001, Portland General Electric (PGE or company) filed with the Public Utility Commission of Oregon (Commission) an application for an order authorizing the company to withhold costs associated with specifically identified conservation projects, measures, and programs from the conservation portion of public purpose funds collected pursuant to SB 1149.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on May 22, 2001, the Commission adopted Staff's recommendation, which is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED THAT Portland General Electric Company's application to allow for withholding costs associated with conservation projects, measures, and programs from the conservation portion of SB 1149 public purpose funds, as described in Appendix A, is granted. A monthly withholding limit may be established at a future time, if the Commission determines it's necessary.

Made, entered and effective _____.

BY THE COMMISSION:

Vikie Bailey-Goggins
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. 6

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 22, 2001**

REGULAR AGENDA X CONSENT AGENDA EFFECTIVE DATE October 1, 2001

DATE: May 14, 2001

TO: Phil Nyegaard through Lee Sparling and Jack Breen

FROM: Lynn Kittilson

SUBJECT: UM 1022—Portland General Electric Application to Withhold Costs Associated with Specified Conservation Projects from SB 1149 Public Purpose Funds

SUMMARY RECOMMENDATION:

Approve Portland General Electric's application as filed.

DISCUSSION:

On April 23, 2001, Portland General Electric (PGE or company) submitted an application for an order authorizing the company to withhold costs associated with specifically identified conservation projects, measures, and programs from the conservation portion of public purpose funds collected pursuant to SB 1149. The application was docketed as UM 1022.

Background

Pursuant to ORS 757.612(3)(g), PGE and PacifiCorp (Pacific) will no longer be able to recover their conservation program costs in rates beginning October 1, 2001 (or the date direct access is implemented in Oregon). The two utilities will need to begin to ramp down their conservation program activities now unless they are assured that their post October 1 costs associated with completing customer commitments made prior to October 1 will be reimbursed through future public purpose collections.

PGE and Pacific began raising this conservation transition issue last fall after the Commission approved the recommendation to move forward with the start-up of a new non-profit organization to administer the conservation and renewables portions of SB 1149 public purpose funds. Staff held a SB 1149

workshop on November 17, 2000 to discuss the issue with the utilities and interested parties. At the workshop, PGE and Pacific presented a draft proposal to partially bridge the gap from current utility conservation programs to competitively delivered programs under SB 1149 administration. The objectives of the proposal are to remove near-term completion deadlines; guarantee program benefits to participating customers; keep current customer interest and momentum in energy efficiency activity moving; and capture lost opportunities. Parties attending the workshop were very supportive of the utilities' "Phase 1" conservation transition proposal. A committee recruited at the workshop reviewed additional details of the proposal at a meeting on December 7, 2000. Committee members were in general agreement on the details of the proposal presented at the meeting.

Although it is anticipated that the newly incorporated Energy Trust of Oregon (Energy Trust) will administer future SB 1149 conservation funds, the Energy Trust will not have a contract with the Commission to administer the funds until summer 2001. PGE and Pacific do not believe they can enter into a contract with the Energy Trust for future program delivery until the Commission has formally contracted with the Energy Trust to administer the conservation funds. Since PGE and Pacific need assurance now that they will be able recover their post October 1 costs of completing conservation commitments from future public purpose funds, they filed their applications for approval by the Commission, which is empowered by ORS 757.612(3)(d) to direct how the SB 1149 conservation funds are spent.

The Energy Trust board voted unanimously at its April 11, 2001 board meeting to support the utilities' Phase 1 conservation transition proposal based on the recommendations of its Conservation Transition Committee and interim staff.

Proposal

PGE's UM 1022 application includes the following elements:

1. PGE will actively market its conservation programs and make customer commitments until September 30, 2001 (or the date direct access is implemented).
2. PGE will be reimbursed for prudently incurred costs of completing conservation program commitments after October 1, 2001.
3. PGE "customer commitments" include:
 - A. Schedule 226 residential weatherization program (conventional income, rebates only):
 - Audits scheduled by September 30, 2001 and performed by November 30, 2001 (60 days)
 - Installations completed with paperwork received in offices by September 30, 2002 (1 year)
 - B. Schedule 232 commercial/industrial programs:
 - Audits authorized by September 30, 2001 and performed by December 31, 2001 (90 days)

- Installations completed with paperwork received and paid by September 30, 2003 (2 years)
4. Allowable Phase 1 conservation expenses include costs associated with project staffing, engineering and inspections, customer incentives, utility incentives of \$150,000 per average megawatt of savings, measures, tax credits, and reporting. More details on allowable expenses are provided in Exhibit No. 1 to the UM 1022 application.
 5. PGE will withhold amounts representing its costs of completing customer commitments from the conservation portion of public purpose funds collected before they are disbursed to the Energy Trust (or other administrator of the conservation funds).
 6. The cap on the total level of PGE's Phase 1 commitments will be \$12 million.
 7. The Commission may also limit PGE's withholding of conservation funds to a monthly cap, e.g., 20 percent of conservation funds collected, to assure sufficient funds are available for the start-up activities of the Energy Trust.
 8. PGE will file a transition status report on November 15, 2001 that provides data on all measure/program completion costs and construction/implementation status.
 9. PGE will file monthly reports with the Commission that provide information necessary to review the prudence of the Phase 1 costs.
 10. PGE recovery of conservation funds withheld will be authorized after the Commission's prudence review.

STAFF RECOMMENDATION:

Staff has worked with PGE, Pacific, the Energy Trust, and interested parties to recommend a Phase 1 conservation transition proposal that will begin to bridge the gap between current utility programs and future programs administered by the Energy Trust. I recommend that the Commission approve PGE's request for authorization to withhold costs associated with specified conservation projects from SB 1149 public purpose funds as filed. The Commission should set a cap of \$12 million as the maximum amount of future conservation funds that may be used to fund the Phase 1 program commitments over two years, as proposed by PGE. Staff does not recommend that the Commission establish a monthly cap on PGE's withholding of conservation funds at this time. It is uncertain whether a monthly cap will be necessary. A monthly withholding limit may be established at a future time, if necessary.