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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 116

In the Matter of PacifiCorp's Proposal to) SUPPLEMENTAL
Restructure and Reprice its Services in) ORDER
Accordance with the Provisions of SB 1149.)

On October 2, 2000, PacifiCorp filed Advice No. 00-014 which contained comprehensive tariff rules and supporting testimony covering direct access, portfolio access, standard offer, ongoing valuation, default supply, labeling, ancillary services, metering, electricity service supplier (ESS) certification, scheduling and balancing, ESS consumer protection, and coordination of supplier changes and billing.

On November 1, 2000, PacifiCorp filed Advice No. 00-015, an application for a general rate increase. The filing also included PacifiCorp's proposals for complying with the provisions of Commission administrative rules regarding SB 1149. This filing was initially suspended through August 31, 2001.¹ The suspension period was later extended through September 7, 2001.²

Both advice filings were assigned to this docket. The case was processed over the course of approximately one year. Public comment meetings and prehearing conferences were held, presentations to the Commission were made, procedural orders were issued, and evidentiary hearings were held.³ On September 7, 2001, the Commission issued Order No. 01-787 (Order), which addressed most of the issues involved in the docket.

In that Order, the Commission reserved several issues for later resolution. Those issues are:

Transmission proposals
Reclassification of Transmission Plant

¹ See, Order No. 00-758, issued November 29, 2000.

² See, Order No. 01-749, issued August 23, 2001.

³ See, Order No. 01-787 at 2-5 for a summary of the proceedings.

ESS Service Agreement
PacifiCorp/City of Portland/League of Oregon Cities Stipulation
Service Availability (Schedule 53)
Account Aggregation; Minimum Customer Size (Schedule 71)
Avoided Costs Data (Schedule 135)
Account Aggregation (Rule 8)
Facilities Charge (Rule 2 and Schedule 300)

We address these issues in this supplemental order.

Based on the record in these proceedings, the Commission makes the following:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

I. Transmission

The Commission adopted OAR 860-038-0590 regarding transmission and distribution access. Under this rule, an electric company may be relieved of some or all of the rule requirements by (1) placing its transmission facilities under the control of a regional transmission organization (RTO) consistent with FERC Order No. 2000; and (2) obtaining an exemption from the Commission.

If an electric company does not choose to place its transmission facilities under an RTO, the rule requires the company to provide nondiscriminatory access to its transmission, distribution and ancillary services. Any transmission or distribution capacity to which an electric company has entitlements (ownership or contract) for the purpose of serving its Oregon load must be made available on at least a pro rata basis.

PacifiCorp proposes to make a detailed evaluation of how the eligible loads in Oregon are currently served under its Open Access Transmission Tariff (OATT) for Network Integration Transmission Service.⁴ Based on its evaluation, PacifiCorp proposes to assign a pro rata share of each transmission path used in each eligible service to each load.

Under this proposal, a consumer could use these assigned shares of service for direct access service without restriction. A consumer's ESS also would be able to request changes in any of the assigned transmission paths using the process outlined in the OATT. This allocation process would be fairly straightforward for transmission owned by PacifiCorp.

However, PacifiCorp has transmission service contracts with other systems, such as BPA, which preclude PacifiCorp from allowing ESSs to use the

⁴ The OATT is approved by FERC.

transmission service to serve their load. PacifiCorp proposes that existing pro rata shares of transmission entitlements crossing third-party systems be retained until a customer chooses direct access service. Once a customer seeks direct access service, PacifiCorp then would acquire additional or replacement open-access transmission service, up to the amount of the pro rata share for that customer, from relevant third parties. Any incremental costs for acquiring such service would be spread to all customers eligible for direct access service in order to provide comparable service at similar rates.

ICNU proposes that direct access customers be given transmission rights across PacifiCorp's system from the California-Oregon border and Mid-Columbia market hubs to points of delivery at a substation near the end use load. Under this plan, direct access customers could schedule energy and ancillary service deliveries to those hubs, and PacifiCorp would transmit the power to the substation serving the end user.

ICNU understands that giving transmission rights across PacifiCorp's system could be difficult, particularly in light of the load growth over the past few years and the timing of PacifiCorp's entry into the transmission-access queues. In sum, there simply would not be adequate transmission available to enact this plan. Therefore, ICNU suggests that PacifiCorp's plan be modified to allow the pro rata firm transmission rights allocated to direct access customers to be transferable. The rights could be assigned to any other customer eligible to request and schedule transmission service under the OATT. Any transmission segments that become redundant to an end user's need should not automatically revert to PacifiCorp, according to ICNU, but could be sold by the end user to offset the costs of alternate transmission. ICNU suggests that the Commission, customer groups, and PacifiCorp support this approach to FERC.

Finally, ICNU suggests a third approach: PacifiCorp should be ordered to acquire transmission rights to market hubs, sufficient to advance direct access, if FERC fails to approve a transmission-rights allocation that is acceptable to the Commission.

Commission Resolution

PacifiCorp is required, under OAR 860-038-0590(3)(a), to show how it proposes to provide substantively comparable transmission and distribution service to all retail consumers at the same or similar rates if access to its transmission or distribution facilities is restricted by contract or regulatory obligations in other jurisdictions. PacifiCorp has met this requirement by proposing its plan of assigning a pro rata share of each transmission path used in each eligible service to each load and acquiring additional or replacement service when existing contracts prevent the use of PacifiCorp's rights by an ESS. In particular, by retaining the pro rata shares of transmission entitlements that cross third party systems, PacifiCorp is attempting to keep the costs low.

ICNU raises concerns about PacifiCorp's proposal. Initially, ICNU is uncertain that PacifiCorp's proposal would be reflected in its OATT filing with FERC. ICNU suggests that the Commission accept PacifiCorp's transmission restructuring

proposal, with some modifications, on the condition that PacifiCorp file an OATT with FERC that substantially complies with the proposal discussed in this docket.

ICNU is also concerned that the pro rata allocation limits market access and forces direct access customers to pay higher costs across third party systems than customers not obtaining direct access. Because PacifiCorp does not rely, to a large extent, on market purchases to meet its load obligations, it has less need to reach market hubs and, therefore, has less transmission available to those hubs than direct access customers would need. In an attempt to address this concern, ICNU proposes that PacifiCorp be required to acquire transmission rights to market hubs.

While we appreciate ICNU's concerns, we do not adopt its proposals. To require PacifiCorp to provide ESSs with full access to the market hubs, acquire any additional transmission service necessary to provide such access, and share the costs of acquired service among the customers eligible for direct access arguably favors ESSs over other retail customers. Under such a plan, ESSs would receive a disproportionate share of PacifiCorp's transmission entitlements. Retail customers would be left with less access to the same hubs, which is inconsistent with our rule.

There are also problems with allowing either reassignment or sale of transmission rights. Under this proposal, a customer could purchase and hold more Network Service rights than needed for its load. Such a situation is not in the public interest and probably would not be permitted by FERC. Although ICNU agrees that any unused or unsold rights should be offered on PacifiCorp's OASIS, the issue of hoarding is greatly reduced if reassignment or sale of transmission rights is not permitted.

PacifiCorp's proposal does not have any of the inherent difficulties posed by ICNU's suggestions. The proposal meets the requirements of the rule and is adopted.

II. Reclassification of Transmission Plant

Staff requests that PacifiCorp forward to the Commission a copy of its Stage 2 RTO filing showing the assets and costs that PacifiCorp plans to transfer to RTO West, if and when this organization becomes operational. Staff also requests that PacifiCorp provide an updated Attachment H, which shows the cost of providing the Network Integration Transmission Service and the Oregon allocation of transmission costs compared to total system-wide costs.

This information will assist our review of the rates charged by PacifiCorp to direct access customers and ESSs seeking transmission service. We adopt Staff's request.

III. Electricity Service Supplier (ESS) Service Agreement

Staff recommends that the general provisions for agreements between ESSs and PacifiCorp be contained in an agreement or a tariff subject to Commission

approval. PacifiCorp submitted an agreement for Commission approval. The City of Portland (City) and League of Oregon Cities (League) accept PacifiCorp's proposed agreement.

Staff requests one minor change in the proposed agreement. Staff recommends adding the emphasized language to Section 7.5:

If the consumer has requested ESS consolidated billing, ESS agrees to pay all regulated charges of utility regardless of whether the Consumer has paid ESS.⁵

PacifiCorp agrees to add this language.

All issues involving the content of the ESS agreement are resolved. The ESS agreement submitted by PacifiCorp, incorporating the change outlined above, is approved.

IV. PacifiCorp Stipulation with City and League

On May 29, 2001, the City, the League, and PacifiCorp submitted a stipulation to resolve specific issues raised by both the City and League in their opening testimony.

The parties reached resolution on three topics: portfolio ballot processing fees, reclassification of small nonresidential consumers, and standard service agreements with electric suppliers. The City and League further agreed that, except for the matters listed below, all other issues addressed in their testimony will not be pursued in this docket but may be addressed in other proceedings:

1. Schedule 53 – Remove restriction upon availability of service under this tariff within allocated service territory in Multnomah County;
2. Schedule 71 - Reduce minimum size of eligible customer from 1 MW to 250 kW and permit aggregation of accounts if the consumer is willing to bear incremental metering costs;
3. Schedule 135 – Update avoided costs data and incorporate avoided transmission costs into payments by PacifiCorp; and
4. Rule 8 – Permit aggregation of accounts.

⁵ Exhibit PPL 208/McDonald 11.

We previously adopted the stipulation⁶ except for the portions that discussed portfolio ballot processing fees and standard service agreements.⁷ We deferred our decision on those topics, along with our decisions on the three schedules and one rule outlined above, to this supplemental order.

A. Portfolio ballot processing fees

The parties agreed that residential and small nonresidential customers could make a first initial selection, and an annual change thereafter, among the portfolio options without paying a processing fee. The costs incurred by PacifiCorp to process the initial portfolio ballot and the annual change are to be treated as implementation costs that PacifiCorp may recover from all "consumers eligible to participate in the Portfolio Options, as authorized by OAR 860-038-0220(9)."⁸ For customers who change options more than once annually, PacifiCorp would charge a \$5 processing fee. Finally, the parties specifically conditioned their agreement on the belief that OAR 860-038-0220(9) authorizes these costs to be recovered in this manner. If the Commission disagrees with this interpretation of the rule, the parties state that an agreement has not been reached regarding portfolio ballot processing fees.

Our reading of OAR 860-038-0220(9) is consistent with the stipulation reached by these three parties. Portfolio rates must include any additional electric company costs incurred when a consumer chooses to be served under the portfolio rate option. Also, an electric company may impose nonrecurring charges to recover the administrative costs of changing suppliers or rate options.

While none of the other parties signed the stipulation, there was neither argument nor testimony as to why this stipulation should not be accepted by the Commission. This stipulation assesses a reasonable fee, and incorporates a sensible mechanism for recovering costs. We adopt this portion of the stipulation regarding Portfolio Ballot Processing Fees.

B. Schedule 53

In 1977, PacifiCorp and PGE entered into an agreement which provides, in part, that PacifiCorp supply energy to PGE for resale and distribution within PacifiCorp's service territory in the Portland metropolitan area. Specifically, PacifiCorp and PGE agreed that PGE provides the street lighting power and maintenance in the PacifiCorp territory. This agreement is still in effect.

Schedule 53 addresses street lighting service for customer-owned systems. According to the terms of the schedule, it is available "[i]n all territory served by

⁶ See, Order No. 01-787 at 9-10.

⁷ The stipulation refers to "Standard" Service Agreements, which is the same as the ESS Service Agreement. We resolved this issue in an earlier section of this order.

⁸ See paragraph 9, page 2 of Stipulation.

Company (except Multnomah County) in the State of Oregon.⁹ The exclusion of service in Multnomah County is due to the contract between PacifiCorp and PGE.

The City and League ask that the language "except Multnomah County" be excluded from the schedule. The City believes it should be able to choose which company provides street lighting services. The City also believes that changing this language would remove restrictive barriers for obtaining service from the company it chooses.

We do not agree that the language in the schedule should be changed. Currently it reflects the contractual arrangements between PacifiCorp and PGE. Removal of the language could cause confusion, as the City would not be able to select PacifiCorp as its street light provider until such time as the contract was modified. The time to change the schedule is when, if ever, the contractual arrangements are modified regarding the service territory.

C. Schedule 71

The following facts, of which we take official notice, are from our files in Advice Nos. 00-018 and 01-004.

On December 7, 2000, PacifiCorp filed a request for approval to introduce a Demand Exchange Pilot Program. This schedule was filed as a rider to a standard electric tariff schedule. Schedule 71 is an optional supplemental service that allows participating customers to voluntarily reduce their electricity usage upon PacifiCorp's request. In exchange for reducing electricity usage, customers receive payments based on prevailing market prices. On December 8, 2000, the Commission approved the Demand Exchange Pilot Program, but included a sunset date of March 15, 2001.

On February 13, 2001, PacifiCorp filed revised tariff sheets for Schedule 71. The purpose of the filing was to expand the availability of the program to customers as small as 1 MW, rather than 4 MW; to rename the program as "Energy Exchange"; and to continue the program beyond March 15, 2001. On March 6, 2001, the Commission approved PacifiCorp's request to modify Schedule 71.

City argues that the minimum customer size should be reduced to 250 kW, and that aggregation among customer facilities should be allowed. Additionally, the City contends that the formula for sharing the spot market value of electricity between

⁹ See, Exhibit COP 201/Gray 1.

PacifiCorp and the end-use customer should be explicit. The League supports these changes.

We find that the City and League's discussion of these issues in this docket to be misplaced. The appropriate place to raise concerns about Advice No. 01-004 was at the March 6, 2001 Commission meeting.¹⁰ We do not believe that this docket is the appropriate place to resolve these issues.

D. Schedule 135

This schedule provides for net metering of customers who operate small generation in parallel with PacifiCorp's distribution system. Under the terms of this schedule, credits are paid to customers who produce more energy than they consume.

City is concerned that the credits proposed in the schedule are based on out-of-date calculations of PacifiCorp's avoided costs. According to the City, the credits should be updated to reflect the same market conditions used in the determination of credits under Schedule 71. Further, argues City, the credits are not adequate where the consumer is delivering more energy to PacifiCorp than the consumer is using. In that circumstance, according to City, the local generation by the consumer is reducing the need for additional transmission investments to move remote generation to Portland. Therefore, PacifiCorp should provide additional credits, based on the consumer's contribution for avoiding future transmission investments. The City recommends that the Commission direct PacifiCorp to calculate and provide such credits under this schedule, based on avoided future transmission costs. The League supports this recommendation.

PacifiCorp agrees that Schedule 135 should be revised after its avoided costs are updated. PacifiCorp disagrees that this is the appropriate docket for deciding the methodology to be used for determining avoided costs. These issues are more appropriately dealt with in PacifiCorp's upcoming avoided cost filing.

We agree with PacifiCorp that it needs to revise Schedule 135 once the avoided costs are updated. We also agree that this is not the docket in which we should determine the appropriate methodology for resolving avoided costs issues. We will address these issues, if raised, when the avoided costs are filed.

E. Rule 8

Rule 8 is one of PacifiCorp's general rules and regulations that specifically addresses metering. The City and League believe that aggregating accounts will assist them in managing energy costs. Specifically, the City and League want PacifiCorp to allow for the installation or modification of metering to permit collection of consumption data from more than one location and account. These related accounts should then be

¹⁰ The Commission meeting occurred six days before the City filed its testimony in this case.

consolidated into a single new account, to be billed according to the rate schedules and tariffs. To accomplish this, the City and League recommend that the following language be added to Rule 8:

Where separate premises are used by one Consumer in the operation of a single and integrated business or government enterprise, and the Consumer has installed the necessary metering equipment to permit the buildings or locations to be metered as a whole, the Company will agree to meter and bill for the integrated enterprise, notwithstanding the location of the Points of Delivery.¹¹

PacifiCorp opposes this addition to the rule. Its cost of providing delivery service includes the costs incurred for each point of delivery, such as service drops, meters, and transformers. Aggregating these loads for billing purposes does not lower the actual costs incurred to serve these customers. If this proposal were allowed, rates would be increased for other customers to cover the costs. Further, this modification moves prices further from cost of service.

While we understand the City's rationale for its proposal, aggregation could easily increase costs for other distribution customers. Aggregation under the scenario posed by the City and League does not lead to any material cost reduction. We adopt PacifiCorp's Rule 8 as written.

Commission Resolution

We adopt the portions of this Stipulation (Portfolio Ballot Processing Fees and Service Agreement) not previously adopted in Order No. 01-787 and attach it as Appendix A. As discussed above, we do not adopt any of the City and League's recommended changes to Schedules 53, 71, 135, and Rule 8.

V. Facilities Charge (Rule 2 and Schedule 300)

Mr. J. Tim Watson raised this issue in his testimony. According to Mr. Watson, PacifiCorp is occasionally asked to add special or duplicate facilities to satisfy a customer's special needs. The customer is then charged a "use of facilities" charge to recover the costs of equipment directly from the customer. Currently this is a monthly charge based on a percentage of the original installed cost of the special facilities. Mr. Watson wants PacifiCorp to file a cost based use of facilities charge rate.

Mr. Watson was unable to appear at the hearing, and did not file a brief. None of the other parties addressed this issue. We do not have sufficient information to make any decisions on this issue. Therefore, we do not adopt Mr. Watson's proposal.

¹¹ COP100/Peters 8 at lines 5-9.

CONCLUSIONS

1. PacifiCorp is a public utility subject to the Commission's jurisdiction.
2. The stipulation attached as Appendix A should be adopted.
3. Based on the record in this case, the conclusions reached in the body of this order by the Commission are just and reasonable.

ORDER

IT IS ORDERED that:

1. The stipulation attached as Appendix A is adopted in its entirety.
2. PacifiCorp may file revised rate schedules consistent with the findings of fact and conclusions of law in this order.

Made, entered, and effective _____.

Roy Hemmingway
Chairman

Joan H. Smith
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

ORDER NO. 01-846