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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 141

In the Matter of)	
)	ORDER
PORTLAND GENERAL ELECTRIC)	
COMPANY)	
)	
Application to Waive Statutory Notice of a)	
Load Reduction Program and Changes to the)	
Short-Term Emergency Curtailment Plan.)	

DISPOSITION: APPLICATION APPROVED; WITH CONDITIONS

On May 9, 2002, the Public Utility Commission of Oregon (Commission) received an application (Advice No. 02-10) from Portland General Electric Company (PGE), requesting approval of a new Load Reduction Program (LRP) and housekeeping changes to the Company's curtailment plans. The LRP provides qualifying customers the option of exemption from rotating outages during short-term system emergencies and is available to individual large nonresidential customers or groups of large nonresidential customers who receive service from the same dedicated primary circuit.

Based upon a review of the applications and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its public meeting on September 3, 2002, the Commission adopted Staff's recommendation to approve the application. Staff's recommendation is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED that:

1. Portland General Electric's Application to Waive Statutory Notice is approved.
2. Portland General Electric's Load Reduction Program, Original Sheet No. 88-1 through 88-5, filed in Advice No. 02-10 is allowed into effect as of September 4, 2002.
3. Portland General Electric's Emergency Curtailment Plan (as defined in Rule C), First Revision of Sheet No. C-2, C-3, C-5 through C-10, C-12, and Second Revision of Sheet No. C-4, C-11, C-13 through C-14, and Original Sheet No. C-15, filed in Advice No. 02-10 is allowed into effect pursuant to ORS 757.020 as of September 4, 2002.

- Portland General Electric's Regional Curtailment Plan (Rule K), First Revision of Sheet No. K-1, K-5, K-7, and K-15, filed in Advice 02-10 is found in compliance with ORS 757.710 and ORS 757.720 and is allowed into effect as of September 4, 2002.

Made, entered, and effective _____.

BY THE COMMISSION:

Becky L. Beier
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. 2**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT****PUBLIC MEETING DATE: September 3, 2002****REGULAR** X **CONSENT** _____ **EFFECTIVE DATE** September 4, 2002 **DATE:** August 27, 2002**TO:** John Savage through Lee Sparling and Jack Breen**FROM:** Maury Galbraith**SUBJECT:** PORTLAND GENERAL ELECTRIC: (Advice No. 02-10) Requests approval of a Load Reduction Program and makes changes to the Short Term Emergency Curtailment Plan.**STAFF RECOMMENDATION:**

I recommend that Portland General Electric's Application to Waive Statutory Notice be approved. I recommend that Portland General Electric's Load Reduction Program be allowed to go into effect on September 4, 2002. I also recommend that the proposed changes to Portland General Electric's Emergency Curtailment Plan (as defined in Rule C) be allowed into effect pursuant to ORS 757.020 on September 4, 2002. Finally, I recommend that the proposed changes to Portland General Electric's Regional Curtailment Plan (Rule K) be found in compliance with ORS 757.710 and ORS 757.720 and be allowed into effect on September 4, 2002.

DISCUSSION:

On May 9, 2002, Portland General Electric (PGE) filed Advice No. 02-10 requesting approval of a new Load Reduction Program (LRP) and housekeeping changes to the Company's curtailment plans. I address each of these requests separately in this report.

Load Reduction Program

Qualifying customers, or groups of customers, who elect to participate in the LRP will be required to reduce their energy load during each and every emergency curtailment by a Company-determined increment of 5, 10, or 15 percent in exchange for exemption from complete curtailment during these emergencies. The LRP serves two purposes: (1) it allows LRP customers to protect vital operations by choosing the portion of their

operations to shut down during emergency curtailments; and (2) it eliminates the need for, or reduces the impact of emergency curtailments on non-LRP customers.

On May 15, 2001, Staff and representatives of PGE met to discuss the company's load shedding procedures. PGE distributed and discussed an LRP concept paper at that meeting. Staff and PGE have had many LRP discussions since that initial meeting.

The LRP provides qualifying customers the option of exemption from rotating outages during short-term system emergencies. The LRP is available to individual large nonresidential customers or groups of large nonresidential customers who receive service from the same dedicated primary circuit. Participating customers must be able to reduce primary circuit usage by at least 15 percent. Participation in the LRP is contingent upon Company approval of an annual load reduction plan. Customers applying as a group are to be represented by a Lead Consumer. The Lead Consumer is responsible for submitting the group's load reduction plan. Renewed load reduction plans are due annually on March 15.

In exchange for being exempted from scheduled rotating outages, the LRP customers agree to reduce their primary circuit load by the percentage called for by the Company, up to the maximum of 15 percent, during each and every short-term system emergency. Required load reductions must be achieved within 30 minutes. Failure to achieve or maintain the required load reduction for the duration of the emergency curtailment results in a noncompliance penalty¹. After two noncompliance penalties participating customers will be removed from the program.

PGE's LRP program is similar to PacifiCorp's Large Customer Curtailment Option (LCCO). Staff supported, and the Commission approved, PacifiCorp's LCCO at the January 29, 2002, Regular Public Meeting. Staff has used the same standard of review to evaluate PGE's LRP.

Staff's review of the proposed LRP focused on the impacts to non-LRP customers. Staff believes the appropriate standard of review is to require that non-LRP customers benefit from the LRP program. Exempting customers from rotating outages without a required load reduction would simply reduce the pool of customers subject to rotating outages and thereby increase the likelihood of outages for the non-LRP customers. In order to satisfy the net benefit standard, the LRP load reductions must be large enough to offset the impacts of a smaller rotating outage pool.

¹ The penalty equals two times the market index price times the required load reduction on the primary circuit (Original Sheet No. 88-4). The penalty is assessed hourly during the duration of the emergency curtailment.

PGE asserts that the LRP program will benefit non-LRP customers. Staff believes the following provisions of PGE's LRP are sufficient for determining that a net benefit to non-LRP customers exists:

1. The maximum load reduction percentage is 15 percent.
2. Total participation shall not exceed 5 percent of Company primary voltage circuits.
3. If PGE has called for an LRP load reduction that is less than the required overall reduction, then PGE will increase, up to the 15 percent maximum, the required reduction in the next 1-hour period.
4. The LRP non-compliance penalty is substantial and LRP customers are allowed only two violations before being removed from the program.
5. LRP requirements are separate from and in addition to any provisions of PGE's Demand Buy Back Rider (Schedule 86).
6. The customer's LRP plan must be renewed every 12 months.

With these provisions, Staff believes the LRP program will eliminate the need for, or reduce the impact of scheduled rotating outages on non-LRP customers. In general, the system shortage would have to exceed 15 percent for non-LRP customers to be harmed by the program. Staff believes that most system shortages that could lead to rotating outages would be less severe and that non-LRP customers would on-balance benefit from the LRP program. Staff believes that a large customer's expected load contribution during rotating outages is greater if it elects to participate in the LRP than if it does not. Nevertheless, an eligible customer may elect to participate because it can tolerate a load reduction up to 15 percent for several hours more easily than a chance of complete interruption for a briefer period.

Curtailment Plans

At Staff's request, PGE has separated its Emergency Curtailment Plan (now defined in Rule C) from its Regional Curtailment Plan (Rule K)². State authorities activate the Regional Curtailment Plan during protracted regional energy shortages. In contrast, PGE activates the Emergency Curtailment Plan in response to short-term events that threaten the performance, integrity, reliability, or stability of the Company's electrical system. Placing these plans in separate rules emphasizes these important distinctions.

The Company requests that the Commission find the Emergency Curtailment Plan, as defined in Rule C, in compliance with ORS 757.710 and ORS 757.720. Staff believes

² Staff made this request in a letter signed by Stefan Brown, dated February 8, 2002.

that this finding would be inappropriate³. Staff believes ORS 757.710 and ORS 757.720 are applicable to Regional Curtailment Plans. ORS 757.710(1) contemplates Commission approval of curtailment plans "for curtailment of electrical or gas load in the event of any predictable circumstance that may jeopardize *prolonged* continuity of service" (emphasis added). In Order No. 93-084, the Commission adopted curtailment policies related to the implementation of ORS 757.710. The Commission emphasized that load-curtailment plans filed under ORS 757.710 would: (1) "apply during any energy emergency declared by the Governor pursuant to ORS 176.750 through ORS 176.820;" (2) "address energy shortages lasting months, rather than short-term shortages;" and that (3) "The effects of such a shortage would be regional." The Department of Justice (DOJ) shares Staff's opinion that the load curtailment provisions of ORS Chapter 757 are applicable to Regional Curtailment Plans. DOJ has recommended that Staff not support PGE's request.

PGE extended the effective date of this filing on July 1, 2002, July 15, 2002, July 30, 2002, and finally on August 15, 2002, to allow for further analysis and discussion on this issue. On August 7, 2002, PGE sent DOJ a letter supplementing the record in this filing (Attachment A). Staff does not agree with PGE's interpretation of Order No. 00-620. In that order, the Commission found PGE's Rule K, not the Company-initiated short-term plan, to be in compliance with ORS 757.710 and 757.720. Although Staff finds PGE's short-term Emergency Curtailment Plan to satisfy many of the standards of ORS 757.720 (e.g., consistency with public health, safety and welfare; technically feasible; and effective at minimizing the impact of any curtailment), Staff does not recommend that the Commission approve PGE's Emergency Curtailment Plan (as defined in Rule C) under ORS 757.710.

On July 12, 2002, PGE amended its filing to incorporate editorial changes to Rule C recommended by Staff. This filing necessitated PGE's Application to Waive Statutory Notice. Staff recommends that the Commission waive statutory notice and allow PGE's Emergency Curtailment Plan (as defined in Rule C) to go into effect pursuant to ORS 757.020 on September 4, 2002. It is Staff's understanding that PGE will continue to provide the Commission with revisions of its procedures for short-term emergency curtailment as processes are refined.

The changes to the Regional Curtailment Plan (Rule K) are "housekeeping" in nature. In Order No. 00-620 the Commission found that PGE's Rule K met the requirements of ORS 757.710 and ORS 757.720. Staff, in consultation with the Oregon Office of Energy, has reviewed the modified Rule K. Staff believes the Regional Curtailment Plan continues to satisfy the requirements of ORS 757.710 and ORS 757.720. Staff

³ None of the other investor-owned and consumer-owned utilities with Regional Curtailment Plans on-file with the Commission has filed short-term emergency plans.

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recommends that the Commission find the Regional Curtailment Plan (Rule K) to be in compliance with ORS 757.710 and ORS 757.720 and allow the plan into effect on September 4, 2002⁴.

PROPOSED COMMISSION MOTION:

- Portland General Electric's Application to Waive Statutory Notice be approved.
- Portland General Electric's Load Reduction Program, Original Sheet No. 88-1 through 88-5, filed in Advice No. 02-10 be allowed into effect on September 4, 2002.
- Portland General Electric's Emergency Curtailment Plan (as defined in Rule C), First Revision of Sheet No. C-2, C-3, C-5 through C-10, C-12, and Second Revision of Sheet No. C-4, C-11, C-13 through C-14, and Original Sheet No. C-15, filed in Advice No. 02-10 be allowed into effect pursuant to ORS 757.020 on September 4, 2002.
- Portland General Electric's Regional Curtailment Plan (Rule K), First Revision of Sheet No. K-1, K-5, K-7, and K-15, filed in Advice 02-10 be found in compliance with ORS 757.710 and ORS 757.720 and allowed into effect on September 4, 2002.

⁴ A Staff review of the implementation of the emergency curtailment statutes of ORS Chapter 757 is part of the Commission's 2002 Objectives.