ORDER NO. 09-254

ENTERED 07-06-09

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UE 205

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Offer of Optional Demand Response Pilot Program to Large Nonresidential Customers.	ORDER

DISPOSITION: ADVICE NO. 08-22 ALLOWED

On December 23, 2009, Portland General Electric Company (PGE) filed a draft tariff (Advice No. 08-22), offering an Optional Demand Response Pilot Program to Large Nonresidential Customers, with the Public Utility Commission of Oregon (Commission). On June 1, 2009, PGE made a supplemental filing, making a number of clarifying language changes to the tariff. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

At its public meeting on June 30, 2009, the Commission adopted Staff's recommendation, and allowed the Company's Advice No. 08-22 to go into effect.

ORDER

IT IS ORDERED that Portland General Electric Company's request for approval of the tariff sheets filed in Advice No. 08-22, is granted, effective July 9, 2009.

Made, entered, and effective JUL 0 6 2009.

BY THE COMMISSION:

Becky L. Beier

Becky L. Beier
Commission Secretary

ITEM NO. 1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 30, 2009

REGULAR X **CONSENT** ___ **EFFECTIVE DATE** July 9, 2009

DATE: June 23, 2009

TO: Public Utility Commission

FROM: George R. Compton George R. Compton

THROUGH: Lee Sparling, Marc Hellman, and Steve Storm

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UE 205/Advice No. 08-22) Offers an optional demand response pilot program to Large Nonresidential customers.

STAFF RECOMMENDATION:

Staff recommends the adoption of the tariff sheets filed on June 1, 2009 by Portland General Electric in Advice No. 08-22 be approved.

DISCUSSION:

Demand-side management (DSM) represents an important means by which electric utilities can conserve on energy and capacity costs. A key element of DSM is industrial load shedding during critical peak hours. While utilities have long been capable of interrupting large loads during emergencies, placing such interventions on a voluntary basis—where the directly affected customer and the utility and its customers at large all benefit—is to be preferred. On a limited, pilot basis, Portland General Electric's (PGE or Company) proposed Schedule 77 is a step toward that objective.

The history of this filing began in late December of 2008, when the Company issued a draft tariff for Schedule 77 and subsequently hosted two workshops for receiving input from interested parties. OPUC Staff recommended a number of clarifying language changes to the tariff, most of which can be observed in the redline version of the tariff that is attached to the June 1, 2009 Supplemental Filing. The Company made a number of refinements to the tariff on its own, and also fashioned compromise language (described below) which, in part, was responsive to an appeal made by an industrial customer who attended the second workshop.

The Pilot is designed to be optional and is limited to a total of 10 MW of curtailment-ready capacity, with each customer contractually agreeing to shed a certain amount of load, with the minimum amount equaling one MW.

Over the course of the contractual/enrollment year, participants will receive a Monthly Reservation Payment of either $3.00 or $2.50 per committed kW depending upon whether, respectively, they accept a two-hour or four-hour advance notification interval.

The timing and duration of any contractual load Curtailment Event is four hours, starting between 6 a.m. and 8 p.m. on a given day, with no more than one Curtailment Event in a day and Curtailment Events on no more than two days in succession. Curtailment Events can occur only in the months of January, February, July, August, September, and December, with a maximum number of events over the course of a calendar year being twelve.

The amount of compensable energy reductions in a given Event is determined by comparing hourly average loads during the Event with the averages for those same hours over the course of the most recent 14 prior days of operation; i.e., excluding days with curtailment Events. An alternative to that 14-day Baseline Demand Profile can be negotiated in the case of a participant with a highly variable demand pattern.

The tariff is designed such that for a given Event, each participant will be compensated for the amount of energy curtailed up to 120% of the contractual/commitment level. The amount of compensation for the energy curtailment in a given Event; i.e., the Energy Reduction Payment; will, on a per-kWh basis, be the lesser of the Dow Jones reported hourly Mid-C index or the equivalent of monthly avoided SCCT fuel costs. The latter are published by December 1 prior to the calendar contractual year. The tariff now shows those fuel costs as ranging from around $62/MWh to slightly above $74/MWh, depending on the month.

Failure by a customer to curtail upon notification by at least 90% of the kW commitment amount will result in the forfeit of what would have been the Energy Reduction Payment for the Event's energy curtailment plus a *refund* by the participant of *all* the Monthly Reservation Payments received by the Company *since* the month of the most recent prior Event in the enrollment year. (Staff had proposed a forfeiture of the entire year's Reservation Payments; the industrial customer's spokesman had suggested a Reservation Payment forfeiture limited to the month of the failure to comply.)

This tariff does not apply to curtailments "request[ed] or initiate[d]" by the Company "under system emergency conditions."

Reimbursement of payments made to participants in the Pilot by the Company will be recovered from retail customers through Schedules 125 and 126.

OTHER OBSERVATIONS:

The amount of the Monthly Reservation Payment represents the monthly capacity costs to PGE of an SCCT — after that cost has been discounted for the fact that the maximum availability of the Schedule 77 capacity is 48 hours over the course of the year rather than an expected 150 hours of utilization in the case where PGE actually owns the physical resource itself.

During a Curtailment Event, the Mid-C index price will likely be well above the equivalent avoided SCCT fuel costs, which are projected in the Schedule 77 tariff to be in the neighborhood of $65 per megawatt hour. That compares with a Schedule 89 on-peak price of about $75/MWh. Curtailment, and paying a $65 Energy Reduction Payment, becomes economically advantageous if the alternative is buying energy in the market for $140 (where $140 = $65 + $75) or more, only to be able to sell it for $75. (Illustration: With a market price of $155, say, the loss to PGE would be $80 [$155 - $75] rather than the $65 Energy Reduction Payment, so curtailment would be the rational choice. With a market price of $135, say, the loss to PGE would be $60 [$135 - $75] rather than the $65 Energy Reduction Payment, so in this instance curtailment would not be undertaken.) The $65 Energy Reduction Payment will also be a bargain if it helps the Company to avoid having to conduct an emergency system load draw-down due to the unavailability of sufficient spare energy (with reserves) in the market altogether.

Staff believes the terms and conditions of the proposed tariff are reasonable and recommends the tariff go into effect.

PROPOSED COMMISSION MOTION:

The tariff sheets filed in PGE Advice No. 08-22 be approved, with an effective date of July 9, 2009.