

ORDER NO. 11 255

ENTERED JUL 08 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1415

In the Matter of the

PUBLIC UTILITY COMMISSION OF
OREGON

Staff Investigation into Cost Methods for
Use in Developing Electric Rate Spreads.

ORDER

DISPOSITION: MOTION TO CLOSE DOCKET DENIED; STRAW
PROPOSAL AND PROCEDURAL SCHEDULE
ESTABLISHED

I. INTRODUCTION

The Public Utility Commission of Oregon (Commission) opened this investigation in 2009 to address rate spread and rate design issues originally raised in docket UE 197, Portland General Electric Company's (PGE) 2008 general rate case.¹ After this docket was opened, its scope was broadened from a consideration of PGE-specific issues to "consider[ation of] approaches and methods for establishing the rate spread and rate design for all rate regulated electric utilities in Oregon."²

On February 3, 2010, after several workshops, Commission Staff filed a motion to close this docket. Staff reported that the parties had conducted a number of workshops on rate spread and rate design issues. While the parties had benefitted from sharing information and views, the parties believed that the issues they were exploring were complex utility-specific issues better addressed in individual rate proceedings.

¹ See Order No. 08-585 at 2-3.

² See Staff Unopposed Motion to Close Docket (February 3, 2010).

In this order we deny the motion to close the docket and provide direction to the parties narrowing the scope of the investigation.³ We put forth a straw proposal addressing more specific rate-design issues—namely, the factors relevant to our evaluation of certain time-varying rate structures, and draft directives to ensure that utilities are systematically considering such rates—and adopt a procedural schedule.

II. BACKGROUND

Over the past several years, the parties and Commission have wrestled with useful ways to evaluate proposals for time-varying rates. Time-varying rates were a contentious issue in docket UE 197, the docket that originally led to this investigation, and in docket UE 213, Idaho Power Company's 2010 general rate case, among others.⁴

In such dockets, the parties have disagreed about the appropriateness of time-varying rates, as well as the factors the Commission should consider relevant to evaluating them. Because this question has not been answered clearly by precedent, the information the parties have chosen to include in the record when time-varying rates are proposed, and the arguments made supporting or opposing them, have been inconsistent and difficult to evaluate.

Consequently, we will use this docket to develop a list of factors that the Commission will consider in deciding whether to approve a time-varying rate. At this phase of the docket, we will focus on considerations relevant to *mandatory* time-varying rates.⁵ We will also develop a list of directives to electric utilities to ensure that such rate structures are systematically considered. We clarify that the issues under consideration in this docket apply only to electric utilities. Natural gas utilities are nevertheless welcome to seek intervention and participate in these proceedings.

To efficiently generate discussion on these issues, we propose an initial list of factors that we consider relevant to an evaluation of proposed mandatory time-varying rates, and a draft list of directives to utilities. We seek comment on both.

The factors we propose to develop in this docket are not intended to be binding rules, but rather guidelines to help guide both the presentation of evidence and Commission deliberation on mandatory time-varying rate proposals. And we may weigh various factors differently depending on the type of time-varying rate at issue.

³ In our most recent order in docket UM 1460, the investigation into smart-grid objectives, we directed Staff to address issues related to smart-grid pricing and rate design in this docket. *See* Order No. 11-172 at 4. To the extent there are additional pricing issues to address as a result of the investigation in docket UM 1460, we may address them in this phase or in later phases of this docket.

⁴ The issue in Idaho Power's docket was fairly straightforward, involving a fairly simple seasonal rate structure, but it generated a fair amount of controversy among the parties. *See In re Idaho Power Co. Request for a General Rate Revision*, Docket UE 213, Order No. 10-064 at 6-7.

⁵ We do not propose guidelines for voluntary time-varying rates at this time, but we may address them later in this docket.

III. STRAW PROPOSAL AND PROCEDURAL SCHEDULE

Attached to this order as Appendix A is a straw proposal that includes a list of factors relevant to mandatory time varying rates and a list of proposed directives to utilities. We invite parties to comment on both parts of the straw proposal and to participate in workshops to discuss them.

We adopt the following initial procedural schedule:

Event	Deadline
Petitions to Intervene (for parties who have not yet intervened, including natural gas utilities)	August 10, 2011
Opening comments on straw proposal	August 10, 2011
Workshop with Commissioners	August 31, 2011
Second round of comments on straw proposal	September 21, 2011

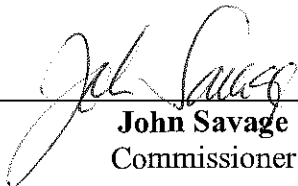
Additional procedural steps may be adopted, as the Commission deems appropriate, after the second round of comments.

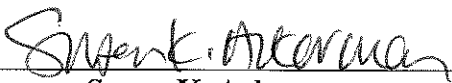
IV. ORDER

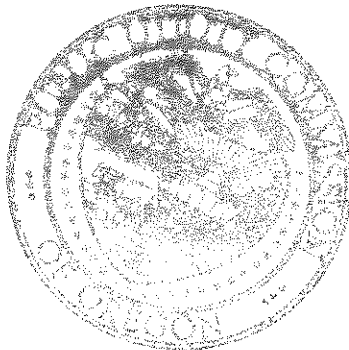
IT IS ORDERED that:

1. The motion to close this docket, filed by the Commission Staff, is denied.
2. The procedural schedule detailed in this order is adopted.

Made, entered and effective JUL 08 2011.


John Savage
 Commissioner


Susan K. Ackerman
 Commissioner



**Docket UM 1415
Draft Straw Proposal**

We propose considering the factors below when evaluating whether or not to approve a proposed mandatory time-varying rate. We may weigh the factors differently depending on the type of time-varying rate. These factors are:

- F-1. The amount of demand-side resource and system benefits that can be tapped through a time-varying rate.
- F-2. The extent to which an optional rate or alternative program can achieve that resource.
- F-3. The impact on customers of the proposed rate (*e.g.* rate shock, bill impacts on vulnerable populations) and the ability of customers to respond to those impacts.
- F-4. The means available to mitigate impacts on customers (*e.g.* phasing in of rate differentials, opt-in and opt-out provisions, providing programmable equipment or software to enable customers to respond more easily).
- F-5. The direct costs of implementing time-varying rates (*e.g.* IT costs, accounting).
- F-6. The ability to explain and communicate the rate to customers.
- F-7. The cost differential between the relevant time periods, how robust the cost studies are, and whether customer response to the time-varying rate is expected to affect the cost differential over time.

Proposed directives to utilities:

- D-1. Within xx days, we direct the utilities to come in with detailed information on the cost of serving Oregon customers during different time periods within the year – cost by hour of the day and month of the year; cost by day of the week and month of the year; cost by on-peak and off-peak period by season of the year; and cost of peak hour by month of the year.
- D-2. We will sponsor Commission-directed workshops at the beginning of utility Integrated Resource Plan (IRP) processes to identify a limited number of time-varying rate structures that utilities will thoroughly evaluate as part of the IRP. The utility evaluation will assess all factors listed above in detail, plus any others identified during the Commission workshops. The evaluation of the costs and benefits of the rate structures will be included in the IRP and subject to review by all parties.
- D-3. The utility will discuss in the IRP whether any time-varying rate should be part of its action plan.