

ORDER NO. 11 351

ENTERED SEP 19 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 236

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Request to Update the Long-Term Cost of
Service Opt-Out Program for Large
Nonresidential Customers (Advice 11-14).

ORDER

DISPOSITION: TARIFF SHEETS SUSPENDED

On June 30, 2011, Portland General Electric Company (PGE) filed Advice No. 11-14, requesting to update the long-term cost of service opt-out program for large nonresidential customers for service beginning January 1, 2012. Subsequently, Providence Health & Services, a direct access customer, and Noble Americas Energy Solutions, an active electricity service supplier, filed comments opposing the proposed changes and requesting an investigation. At our Staff's request, PGE agreed to support a suspension of Advice No. 11-14 to allow for an investigation and to make a new filing (Advice No. 11-18) that makes only one interim change related to the 2 percent rate increase limiter.¹

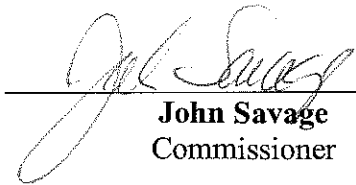
The details of the filing and Staff's recommendation are described in Staff's Report, attached as Appendix A, and incorporated by reference. At our Public Meeting on August 23, 2011, we adopted Staff's Recommendation as set forth in the Staff Report to suspend Advice No. 11-14 and open an investigation into the changes proposed for the three- and five-year cost of service opt-out program.

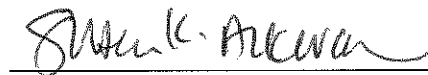
¹ In a separate action, we adopted Staff's recommendation to allow Advice No. 11-18 to go into effect on less than statutory notice.

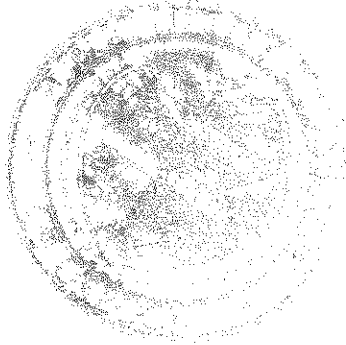
ORDER

IT IS ORDERED that Advice No. 11-14 filed by Portland General Electric Company is suspended for a period of time not to exceed six months from September 1, 2011, the effective date of the tariff sheets.

Made, entered, and effective SEP 19 2011.


John Savage
Commissioner


Susan K. Ackerman
Commissioner



ITEM NO. 1 & 2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 23, 2011

REGULAR X CONSENT _____ EFFECTIVE DATE September 1, 2011

DATE: August 18, 2011

TO: Public Utility Commission

FROM: Ed Durrenberger *MG for E*

THROUGH: *LS* Lee Sparling and *MG* Maury Galbraith

SUBJECT: PORTLAND GENERAL ELECTRIC: (Advice No. 11-14) Modifies long-term cost of service opt-out programs for qualifying large nonresidential customers and offers a three- or five-year cost of service opt-out beginning January 1, 2012, through an enrollment period in September 2011 (Enrollment Period J).

PORTLAND GENERAL ELECTRIC: (Advice No. 11-18) Offers qualifying large nonresidential customers a three- or five-year cost of service opt-out beginning January 1, 2012, through an enrollment period during September 2011 (Enrollment Period J).

STAFF RECOMMENDATION:

I recommend that the Commission suspend Portland General Electric's (PGE or Company) Advice No. 11-14 and open an investigation regarding the implementation of the proposed direct access changes contained therein.

I recommend that the Commission approve PGE's application to waive statutory notice and approve Advice No. 11-18 which offers qualifying large nonresidential customers a three- or five-year cost of service opt-out beginning January 1, 2012, through an enrollment period during the month of September 2011 (Enrollment Period J) and amends Special Condition 2 of Schedule 129 on an interim, one year basis.

DISCUSSION:

On June 30, 2011, PGE filed Advice No. 11-14, requesting to update the long-term cost of service opt-out program for large nonresidential customers for service beginning

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January 1, 2012. PGE's proposed changes to the long-term cost of service opt-out program include:

- Lowering the Schedule 485 and 489 participation limit from 300MWa to 200MWa.
- Removing the 2% rate impact limiter in Special Condition 2 of Schedule 129.
- Shortening the enrollment window from the entire month of September to the last half of September.
- Changing the Schedule 129 Long-term Transition Adjustment calculation to be on the same basis as the Schedule 128 Short-term Transition Adjustment.
- Requiring three-year notice to return to cost of service pricing for new participants of the five-year opt-out commencing 2012, and,
- Removing the Schedule 84 Large Load Split Service Rider.

The Company states that the program has not been modified since 2006 and that conditions have changed and certain features have remained unused warranting an update to the program.

Upon learning of the proposed updates, Providence Health & Services, a direct access customer, and Noble Americas Energy Solutions, an active electricity service supplier (ESS), filed comments with the Commission expressing opposition to the proposed changes and requesting that the advice filing be suspended pending the outcome of an investigation. Unfortunately, PGE's filing of the proposed updates was relatively close to the annual enrollment window for choosing direct access. Staff and other parties need more time to sort through the effects of the proposed changes. At Staff's request, the Company agreed to support Commission suspension of Advice No. 11-14 to allow for an investigation and to file replacement tariffs that would offer eligible customers a three-or five-year opt-out option beginning January 1, 2012 under the existing terms with only one interim change.

On August 5, 2011, PGE filed Advice 11-18 and an application to waive statutory notice. This filing offers qualifying customers the three- and five-year cost of service opt-out program beginning January 1, 2012, consistent with the Company's current tariff and past practices through an enrollment period during the month of September 2011 (Enrollment Period J). The only change to the existing long-term opt-out options is to remove the 2% rate impact limiter in Special Condition 2 of Schedule 129 on an interim basis.

The current multi-year direct access options offered under Schedules 485 and 489 include the following provisions:

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Five-year Cost of Service Opt-out: The five-year cost of service opt-out provides a fixed transition adjustment rate for each year of the opt-out term. At the end of the five-year term, the customer can return to the Company's cost of service tariff, provided a two-year notice has been given to PGE. Alternatively, the customer may remain with an Electricity Service Supplier (ESS) without being subject to any additional Schedule 129 transition adjustments.

Three-year Cost of Service Opt-out: The three-year cost of service opt-out provides a fixed transition adjustment rate for each year of the opt-out term. The transition adjustment rates for this offering are equal to the rates for the first three years of the five-year opt-out. At the end of the three-year term, customers must select and take service under an applicable rate schedule, as continuing service on Schedule 485 or 489 on a year-to-year basis is not an option.

Schedule 129 Transition Adjustment Rates: Customers that select a Schedule 485 or 489 cost of service opt-out will be subject to the applicable Schedule 129 transition adjustment rates. PGE included the value of all resources attributable to its owned generation as well as a valuation of market costs for long-term resources in determining the transition costs. The prices included with this filing for Schedule 129 are indicative only, subject to revision the week of August 15, 2011, to reflect the latest updated power costs and loads. The updated Schedule 129 long-term transition cost adjustment rates will then be posted and filed on September 1, 2010, in time for the start of the enrollment window.

Staff Review:

PGE's cost of service opt-out filing implements the requirements of OAR 860-038-0275(5), which is intended to "offer customers a multi-year, direct access program with an associated fixed transition adjustment." Advice No. 11-18 requests a revision to Special Condition 2 in Schedule 129, the Long Term Transition Cost Adjustment tariff. The revision would be to specify that the 2% rate increase limiter be calculated on the basis of netting changes in fixed generation revenue against changes in Schedule 129 Transition Adjustment payments or collections. Presently the 2% rate increase limiter applies to only fixed generation revenue. The Company has stated that they do not anticipate that the change will affect any customers in 2012. In addition, both of the parties that filed letters in opposition to Advice No. 11-14 have been consulted and do not oppose the change on an interim basis for 2012 with the understanding that it will not prejudice any party's participation in the requested Commission investigation.

The work papers supplied with the filing provide sufficient evidence that the transition adjustment rates in the filing have been determined in the same manner as previous

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Schedule 129 rates and are appropriate. With the adoption of the transition costs as proposed, customers choosing direct access service under Schedule 485 or 489 will be required to pay a transition adjustment charge reflecting a situation where PGE's long-term resource costs are forecast to be higher than the market value of the energy output. This outcome causes stranded resource costs to be levied on customers choosing direct access under these tariffs.

PROPOSED COMMISSION MOTION:

PGE's Advice No. 11-14 be suspended and an investigation be opened into the changes proposed for the three- and five-year cost of service opt-out program.

PGE's Advice No. 11-18, the request to offer qualifying large nonresidential customers a three- or five-year cost of service opt-out beginning January 1, 2012, through an enrollment period during the month of September 2011, (Enrollment Period J) be approved, effective September 1, 2011.

PGE Advice No. 10-14 and 11-18