

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 21, 2001**

REGULAR **CONSENT** **EFFECTIVE DATE** _____

DATE: August 14, 2001

TO: Phil Nyegaard through Lee Sparling and Jack Breen

FROM: Rebecca Hathhorn on behalf of the Portfolio Advisory Committee

SUBJECT: Recommendation for an additional market-based rate portfolio option

SUMMARY RECOMMENDATION:

The Portfolio Advisory Committee (PAC or the Committee) recommends a seasonal monthly market rate with an initial one-time sign-up for service beginning on March 1, 2002, and every January 1, thereafter.

DISCUSSION:

On March 20, 2001, the Commission approved portfolio rate options for PGE and PacifiCorp. Among these options was a market-based rate option designed as a fixed time of use (TOU) rate. On May 30, 2001, PacifiCorp met with PUC Staff to discuss its concerns regarding the lack of cost effectiveness of the time-of-use option as recommended by the PAC and approved by the Commission. At the request of PacifiCorp, Staff convened a meeting of the PAC on June 8, 2001 to discuss PacifiCorp's issues.

At the June 8th PAC meeting, PacifiCorp presented to the Committee its analysis of the cost and benefits of the TOU option and concluded that it was only cost effective for high-use customers. In addition, PacifiCorp reported that if only 10 percent of customers chose the TOU option, it would take 12-months to install the meters. PacifiCorp suggested the ability to cap the number of participants for the TOU rate. Staff pointed out that capping the number of participants would go against the requirement in SB 1149 that the utilities must provide a market-based rate option to all residential customers. There was considerable discussion regarding the cost effectiveness and delivery of the TOU option. Attached as Attachment A are the minutes from the PAC meeting.

At the time the PAC was considering PacifiCorp's concerns, an October 1, 2001 implementation date was still imminent. The Committee and Staff were faced with analyzing PacifiCorp's cost-benefit analysis, which would take a significant amount of time. As of June 8, 2001, tariffs were due in 3 weeks. Therefore, the Committee agreed to continue to review and study the feasibility of the TOU option gathering data from the initial offerings by both PGE and PacifiCorp, but to consider additional market rate options in order to meet the requirements of SB 1149. The Committee agreed that PacifiCorp should still offer the TOU option but would be able to cap the number of participants, if an additional market-based rate option were available. In addition, PGE would not be required to offer any additional market-based rate option recommended by the Committee.

After consideration of other options, the Committee agreed on the following:

A seasonal monthly market rate, with fixed rates that vary by month based on a forward curve, disclosed in advance of sign-up, with a cap. Sign-up would be once a year.

The Committee agreed that there should be a cap on any market rate to minimize harm to customers who sign-up for this option. The general discussion was plus or minus 10 percent beyond what the customer would have paid on the cost-of-service rate over the year.

STAFF RECOMMENDATIONS:

The Portfolio Advisory Committee (PAC or the Committee) recommends a seasonal monthly market rate with an initial one-time sign-up on March 1, 2002, and every January 1, thereafter. The rate would specify prices at the time of sign-up for all 10 months for 2002 and 12 months thereafter. The customer must be on the rate at least 10 months in the initial enrollment, for 2002 and 12 months thereafter. The utility would propose a way to minimize harm to customers who sign up for this option and to the eligible customer classes.