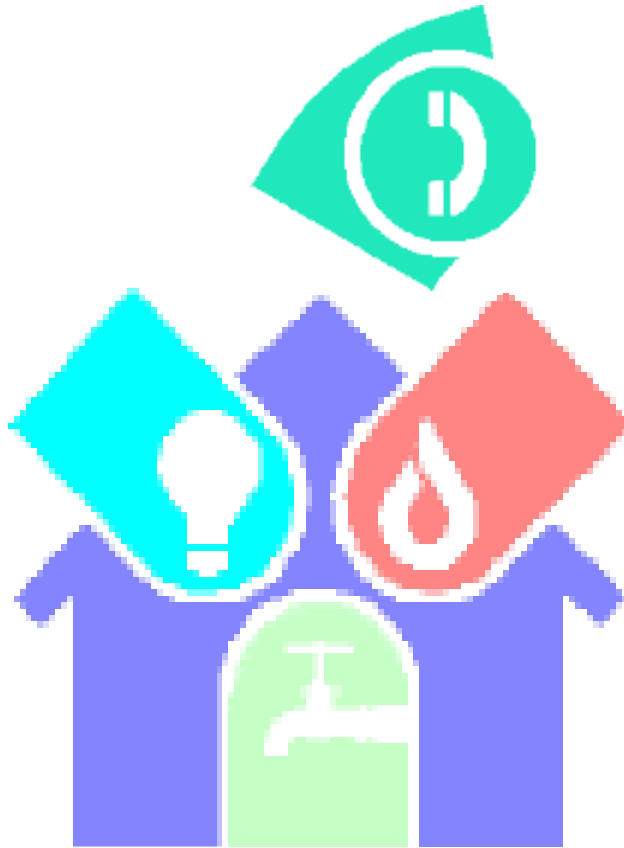


Oregon Public Utility Commission



2002 Objectives

Roy Hemmingway, Chairman
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AGENCY MISSION

Ensure that safe and reliable utility services are provided to consumers at just and reasonable rates through regulation and promoting the development of competitive markets.

INTRODUCTION TO OBJECTIVES

Changes in law and technology are dramatically affecting the landscape of the industries we regulate, opening the door to more competitors and enabling the establishment of more competitive markets. This year, the Commission will adopt a revised Mission Statement, reflecting market changes and our proper role in the restructuring of the industries we regulate. The specific OPUC 2002 objectives, contained in this work plan, represent the Commission's ongoing commitment to ensure that our processes and policies achieve our mission and meet our responsibilities to the public, the utilities, and the Legislature. They reflect our best efforts toward achieving the following Commission goals:

Goal: Promote competition in markets where competition is possible.

Competition can spur increased efficiency and lead to more choices and lower prices for customers. Where effective competition exists, the need for regulation can be replaced by market forces. The Commission will promote structures that encourage and/or create effective competitive markets where possible and where appropriate to maintain and enhance existing benefits. At the same time, the Commission will diligently use appropriate regulatory authority to protect customers where sufficient competition does not exist or where the public interest necessitates regulation.

Goal: Maintain status as an independent body deciding issues based on a record developed in an open and fair process.

The Commission's examination and development of restructuring options expose a myriad of new issues and bring new participants to our proceedings. With so many new issues, so many new participants, and so much at stake, our credibility with the public, new entrants, and the regulated industries depends upon our ability to be independent, conduct open and fair proceedings, and make decisions that inspire confidence among all interested parties and the public at large.

Goal: Improve the Commission's role as a policy resource to the Governor and Legislature.

The transition from the traditional regulated industries to more competitive markets creates complex restructuring issues and policy options, each with its own set of costs, benefits, and risks. The Commission will assist the Governor and Legislature in understanding the implications of the changes and the ramifications of public policy options by preparing briefing materials on regulatory issues of interest. The Commission will continue to respond to the Governor's and Legislative inquiries in a timely and accurate manner. We will continue to discuss significant issues with stakeholders and may identify matters that may require attention by the Legislature.

Goal: Establish procedures to streamline conduct of the Commission's business.

During the transition to open markets, the complexity of the issues involved in restructuring and the need for timeliness in a competitive environment requires that the Commission operate efficiently at every level. Therefore, the Commission will streamline its proceedings and the processing of utility filings while continuing to protect the public interest.

PUC 2002 OBJECTIVES

AGENCY

Public Affairs

Objective: Increase public awareness of the Oregon Public Utility Commission and its various programs.

The public affairs section will more widely distribute its news releases to the public in order to make the public more aware of Commission decisions and changes in Commission programs. In addition, the Commission will periodically send informal information pieces to key constituents including Oregon's congressional delegation to inform them of pending issues before the Commission as well as formal actions taken. Another major undertaking will include the development of educational materials explaining the intricacies of Oregon's Electric Restructuring law, which takes effect March 1, 2002. The public affairs section also intends to publicize and make available to the public a Spanish version of the "Understanding Your Phone Bill Pamphlet" and work with other state agencies to increase awareness of Commission programs.

ADMINISTRATION

Administrative Hearings

Objective: Initiate a rulemaking proceeding that will address issues related to Commission participation in contested case proceedings.

In its past two sessions, the Oregon Legislature enacted bills on Commission procedures. The 1999 Legislature created a Task Force to study the Commission's structure. In its final report, the Task Force recommended the Commission take a more visible and interactive role in contested case proceedings. In addition, while finding no indication of unfairness, the Task Force recommended the Commission take steps to improve the perception of fairness in its proceedings. Furthermore, the 2001 Legislature enacted HB 2988 that requires the Commission to hold oral argument in major contested cases upon the request of any party.

Throughout 2001, the Commission has convened stakeholder collaborative sessions to study implementation of the Task Force's recommendations. In 2002, AHD will propose administrative rules to address the issues raised by the Task Force and the requirements of HB 2988. The Commission will continue to work with the stakeholders in the collaborative process to find other ways to improve Commission procedures.

Objective: Complete a Rules of Practice handbook for complex contested cases.

The Commission's administrative rules contain a detailed set of procedures for Commission contested cases. Over the years, the Commission has adopted a number of less formal practice requirements to facilitate processing complex contested cases. The guidelines address such matters as informal discovery procedures, email filing requirements, due dates, and limitations on the number of persons that can be included on the service list. In consultation with stakeholders, AHD will compile the practice requirements into a Handbook. The Handbook will be distributed to parties in Commission proceedings.

Objective: Complete a manual on the Commission's internal procedures for processing rulemaking and contested case dockets.

As part of its continual process review, AHD will complete a manual that will document internal procedures for handling rulemaking and contested case dockets. This manual, which will be updated regularly, will be useful for all agency staff. In the process of completing the manual the Division will establish and document processes, resolve process issues, eliminate redundancy, and maximize process efficiency and effectiveness.

Consumer Services

Objective: Through partnering with private and public organizations, increase the efficiency of processing consumer complaints.

Consumer Services will improve its efficiency by increasing the exchange of information through expanded partnering with the Oregon Department Of Justice (DOJ), the Federal Communications Commission (FCC), and with utility companies. This outreach will include staff visits and meetings with DOJ, telephone conferences with the FCC, and quarterly and annual meetings with the utilities. It will also include special meetings between the utility representatives and Consumer Services staff. Consumer Services personnel will participate in utility sponsored field trips to increase the experience of our staff, thereby assisting them in consumer inquiries. This will help decrease the time it takes staff to investigate and close cases.

Consumer services will monitor the objective by using the measurement of "at fault" complaints per 1000 customers. This will be modeled on the Service Quality Measures (SQM's) on which PGE and PP&L are currently evaluated. Those two companies have seen marked improvement in "at fault" levels after the SQM's became part of their corporate culture. If we are effective in improving partnering with organizations and utility companies then the number of "at fault" complaints per 1000 customers should improve.

Objective: *Expand consumer awareness by exploring ways to provide additional information to utility customers.*

Consumer Services will expand consumer awareness by exploring ways to increase the information that is available on the PUC Web site with updated Information Bulletins and Fact Sheets. This will require Consumer Services to be proactive in preparing and posting information on “hot topics”. This will include changes in utility rules, regulations and tariffs, rate increases, mergers and restructuring. The increased consumer awareness will decrease the time staff spends taking comments for the record and assisting consumers in finding solutions to their problems.

Diversity Council

Objective: *Redefine and reassess the role of and need for the Diversity Council by creating a new, more comprehensive survey to measure the staff’s attitudes on diversity. The Diversity Council will use the results to further clarify its mission to address areas of need.*

The Diversity Council conducted two agency-wide surveys over the past five years to assess the diversity climate at the PUC. The first one was conducted in 1996. This survey showed the majority of staff felt there were no diversity problems at the PUC but indicated a few concerns on ethnic, gender and economic status issues. The Diversity Council used the services of an independent analyst to review the second survey, conducted in 2000. While he found little or no change in diversity perceptions at PUC during the five years covered by the two surveys, the analyst concluded that the 2000 survey did not provide adequate information to reach conclusive or statistically valid data.

The PUC will create a new, more comprehensive survey to measure the staff’s attitudes on diversity. The Diversity Council will use the results to further clarify its mission to address areas of need.

Personnel Services

Objective: *Ensure all PUC policies and procedures are updated by the end of calendar year 2002 by working with parties responsible for developing/updating them and by providing administrative assistance to finalize the product.*

Updated policies and procedures are necessary in order to provide current agency operating information to the legislature, utilities and the general public upon request. It is also an excellent tool to use for effective workforce management within the agency. The completed product shall have a table of contents with policies and procedures clearly designated by content names rather than numbers.

Residential Service Protection Fund (RSPF)

Objective: *Develop an operations manual for the Oregon Telephone Assistance Program (OTAP) and the Telecommunication Devices Access Program (TDAP).*

Due to the many changes in both OTAP and TDAP, it is necessary to develop a written manual to assist staff. It has been at least four years since the TDAP procedures were updated, and OTAP does not have a current operations manual. Developing concise program guidelines will not only help staff be more efficient, but will reduce the amount of time used to train temporary workers or new staff members.

UTILITY PROGRAM

General

Objective: *Complete the first phase of the eFilings project that will eventually allow utilities, the Department of Justice, and parties to file and view documents via the PUC Web site.*

The plan for eFilings includes breaking the project into a number of small phases, allowing for a three to nine month release cycle for each phase of the project. Phase 1 includes developing recommendations for policies and guidelines that will set the framework for the agency's electronic government business processes. At the completion of Phase 1, documents filed in a docket by Staff and Administrative Hearings Division can be filed electronically. The first step in accepting external electronic filings will be a partnership with the Department of Justice in Phase 2. The agency's administrative rules will be studied and revised as necessary to accommodate the electronic filings.

Electric and Natural Gas

Objective: *Investigate possible changes in the Commission's least-cost planning requirements.*

Order 89-507 directs energy utilities to file least-cost plans every two years. A utility's plan shows how it proposes to develop or acquire supply-side and demand-side resources to meet its customers' needs at the lowest cost. Electric utility plans in recent years have been complicated by uncertainty about what customers the utility will be obligated to serve over time and whether new resources will be included in rates at cost or at market prices. The Commission will solicit comments regarding the treatment of customer uncertainty and new resources in least-cost plans. Furthermore, the Commission will consider whether electric utilities should be required in the plans to examine ways to manage volatility in wholesale electricity prices through such tools as diversity in power purchases, owning resources instead of buying power, and use of price hedging instruments. It will also investigate whether least costs plans should focus more on distribution and less on generation. The Commission will conduct workshops on possible changes in the planning requirements and modify the requirements as needed.

Objective: *Identify and implement actions needed to remove barriers to the development of cost-effective distributed resources.*

Distributed resources are small generating facilities located near customer loads. They can improve system reliability, reduce overall costs, and have beneficial environmental impacts relative to central station generation. A variety of factors affect their use, including cost, interconnection standards, utility incentives to install facilities or encourage customers to do so, provisions for customers to resell excess generation, and treatment in the utility planning process. In 2001, the Commission surveyed power producers and customers to attempt to identify barriers to the development of distributed generation and actions to remove them. In coordination with other agencies, the Commission will prepare a report that uses the results of the survey and other studies to identify steps it could take to eliminate barriers to the development of cost-effective distributed resources. The Commission will solicit comments on the report and then draft any legislation or initiate any proceedings needed to implement recommended actions.

Objective: *Oversee the activities of the Energy Trust of Oregon (Trust) in investing in energy efficiency and renewable resources.*

In late 2001, the Commission contracted with the Energy Trust of Oregon to have the Trust administer the conservation and renewable resource portions of the SB 1149 public purpose funds. Portland General Electric and PacifiCorp will collect the public purpose funds through a three percent charge on customer bills, beginning March 1, 2002, and the conservation and renewable resource component may total as much as \$50 million a year in the near term. The Commission will oversee the Trust's activities through its review of strategic plans, budgets, annual reports and other information it requests, its representation as an ex officio member of the Trust's board of directors, and its exercise, if necessary, of contract provisions ranging in severity from a notice of concern up to contract termination.

Objective: *Foster policies and agreements that achieve equal access by residential consumers to federal power independent of type or ownership of distribution supply.*

The Bonneville Power Administration (BPA) sells power at cost throughout the region. On average, over the next 20 years, the cost of the power is projected to be well below the market price of wholesale power. The reason BPA is expected to have low cost power available is, of course, that its power is primarily provided by hydroelectric projects. By federal law, publicly owned agencies have first rights to the power, but the price and terms of the power is subject to wide discretion by BPA. The discretion arises from federal statutes that require BPA to hold publicly owned utilities harmless in providing benefits to the investor-owned utilities. Until recently, BPA used its discretion to significantly limit the benefits made available to the investor-owned utility residential and small-farm consumers. The BPA treatment led to regional divisiveness and threats of public condemnation of investor-owned systems in order to improve access to federal system benefits. To preserve the benefits of the region, and to treat all residential consumers equitably, access to federal system benefits should not be dependent on type of electricity supplier. To this end, the Commission will actively participate in regional forums defining the role and mission of BPA. The Commission will also coordinate with

other Oregon stakeholders having common interests to develop a unified position to communicate to the congressional delegation. The Commission will also continue to monitor and estimate the distribution of federal system benefits across states and types of utilities.

Objective: *Participate in the development of policies to enhance the reliability and efficiency of the region's high voltage electrical transmission system.*

In February 2000, as part of its effort to promote competition in wholesale electricity markets, the Federal Energy Regulatory Commission (FERC) issued Order 2000 encouraging the formation of Regional Transmission Organizations (RTOs) on a voluntary basis. Since that initial action, FERC has taken steps to require membership in RTOs and has also moved to divide the country up into four main RTOs. RTO filings by Pacific Northwest utilities have been submitted to the FERC. The FERC expects RTOs to be a key tool in establishing competitive wholesale electric markets and ensuring a reliable and safe high voltage system.

Given the critical role envisioned for RTOs, the Commission will carefully analyze regional and national transmission and reliability issues and craft policies that will serve to guide its participation in forums such as the National Association of Regulatory Utility Commissioners (NARUC), the Committee on Regional Electric Power Reliability Cooperation (CREPC), and RTO filings before the FERC. The Commission will advocate exploring alternatives to transmission system additions, such as conservation and demand exchanges, to maximize use of the existing grid. The Commission will also provide recommendations to Oregon's Congressional delegation on bills related to transmission issues, and will coordinate its efforts with those of other state agencies to ensure development of a unified state position.

Objective: *Investigate the role of demand response programs and load curtailment plans in the provision of electricity service.*

Electric utilities throughout the country have used a variety of tools to deal with shortages and high power costs. Demand response programs enable customers to respond to real-time price signals. They include demand buyback and electricity exchange programs, where the utility shares the savings from reduced usage with a participating customer, as well as time-of-use pricing. Load curtailment plans are used by utilities to interrupt service when power is not available at any price. The Commission has adopted load curtailment plans for Oregon's electric utilities, but the plans have never been implemented. In coordination with other agencies, the Commission will identify and evaluate demand response programs that are appropriate for Oregon's investor-owned electric utilities and work with the utilities to put them into effect. In addition, the Commission will review the existing load curtailment plans to determine whether there is a need for changes in the statutory authority for load curtailment or in the structure of the plans themselves.

Telecommunications

Objective: *Implement requirements for interconnection and other carrier-to-carrier arrangements that will encourage high quality basic and advanced telecommunications services at competitive prices.*

The Commission will establish a more attractive business climate for telecommunications by standardizing key features of carrier-to-carrier relations. In docket UM 962, the Commission will adopt standard wholesale discounts applicable to resale agreements between incumbent local exchange carriers (ILEC) and competitive carriers (CLECs). Docket UT 138/139 will establish a structure for unbundled network elements that is consistent with approaches used in other states. Through two collocation dockets, UM 975 and UM 976, the Commission will put in place standard prices for collocation arrangements and consider rules for collocation provisioning.

The Commission will continue its efforts to open local service markets to competition. In docket UM 823, the Commission will carefully assess whether Qwest Corporation has complied with a requirement to open the company's local services to competition. This is a precondition for allowing Qwest to provide in-region long distance services. Expectations placed on Qwest have statewide implications, since Qwest's commitments to competitors will set new, higher standards for other ILECs. In docket UT 138/139, the Commission will ensure that Qwest Corporation and Verizon Northwest do not impose excessive non-recurring charges on competitors for ordering unbundled network elements. Dockets UM 874 and UM 1025 will update prices for unbundled network elements. The Commission will ensure that competitors can use ILEC facilities to extend the reach of their networks at reasonable, cost-based prices.

Objective: *Ensure high levels of technical service quality in a competitive environment.*

The Commission established new retail service quality standards in 2000, as required by ORS 759.450, in order to ensure efficient connectivity and to provide effective, high-quality customer connections to the public switched network. In a continuing effort to assure that technical network service quality standards guarantee Oregonians effective use of the public switched network, the PUC is investigating whether use of company-specific technical service quality information will help customers to make informed choices concerning their selection of local and interexchange carriers (UM 1038). Further, the PUC is investigating whether service improvement plans should be implemented automatically when telecommunications carriers are not meeting minimum service quality standards, thus avoiding long delays between the time discrepancies are noted and remedial action is taken by telecommunications carriers to improve technical service quality to customers. Last, in order to assure high quality service and promote competition, the PUC is investigating the efficacy of wholesale service quality standards in a multi-provider environment (AR 324).

Objective: *Promote competition in rural Local Exchange Carriers' (LECs) service areas through a balance of Universal Service support and reduction of implicit subsidies in intrastate access charges.*

The Commission will review the current rural LEC intrastate access charge and universal service plan. The current plan is not competitively neutral, nondiscriminatory or portable. The Commission, in

UM 1017, will investigate possible reductions of implicit subsidies in intrastate access charges, and will determine an appropriate cost method, support area and benchmark for Universal Service support. The Commission, in subsequent phases of UM 1017, will address any changes adopted by the Federal Communications Commission (FCC) to the national cost method for rural carriers. The 1999 Legislature, in establishing the Oregon Universal Service Fund, required the Commission to address any rural cost method changes ordered by the FCC within six months of implementation.

Water

Objective: *Provide the Legislature with options to ensure greater equity in the relationship between the cost of water and wastewater regulation and the fees paid by water and wastewater utilities for such regulation.*

The cost of the Commission's Water Program is significantly above the level of gross revenue fee funding provided by water and wastewater utilities. This funding imbalance will be addressed with stakeholders and other interested parties. The Commission will consider alternatives including: (1) a reduction in the current level of water and wastewater regulation; (2) an increase in the annual gross revenue fee paid by water and wastewater utilities; and, (3) ways of reducing the cost of regulation. After completing the stakeholder process, the Commission will draft legislation for the 2003 Legislative Session.