

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 25, 2005**

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: January 20, 2005

TO: Commissioners Lee Beyer, Ray Baum, and John Savage

FROM: Lee Sparling

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: Proposes adoption of agency objectives for 2005-06.

STAFF RECOMMENDATION:

I recommend adoption of the 2005-06 Commission Objectives in Attachment A.

DISCUSSION:

The Commission has adopted annual objectives almost every year since the late 1980s. The purpose of adopting and publishing the objectives is to ensure that stakeholders and the general public are informed of the agency's plans and priorities.

This year, the recommended objectives cover a two-year period. Under this approach, the three principal objectives will be revisited two years from now (for 2007-08). Those objectives are:

1. Adopt regulatory policies that encourage utilities and customers to meet energy needs at the lowest possible cost and risk.
2. Improve retail and wholesale electricity markets.
3. Adopt or advocate policies regarding telecommunications competition and regulation that are appropriate for a changing industry.

However, the specific activities shown under each objective, as well as the list of other major activities (such as rate case reviews) will be updated at the end of 2005.

Energy and telecommunications stakeholders discussed a draft of these objectives with the Commissioners and staff at workshops held on December 20, 2004. I have revised the draft to reflect comments at the workshop and added several items to the list of

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other major activities that were recommended by other divisions of the agency. The proposal to take steps to increase access to telecommunications assistance programs was reviewed and endorsed by the Oregon Industry Advisory Group and the TDAP Committee.

PROPOSED COMMISSION MOTION:

The 2005-06 Commission Objectives in Attachment A be adopted.

Oregon Public Utility Commission 2005-06 Objectives

The Oregon Public Utility Commission strives to ensure that consumers get safe and reliable utility service at reasonable and stable rates. The Commission relies on regulation and, where possible, competitive market forces to achieve this goal. To that end, the agency also promotes the development of competitive markets affecting utility service.

Much of the Commission's activity at any time is driven by applications by utilities and other parties. In 2005, for example, the Commission will review general rate cases filed by PacifiCorp and Idaho Power Company.

In 2005-06, the Commission will review and revise its energy and telecommunications policies in light of changing technology, legal requirements, and market conditions. The Commission has three principal objectives in this regard. They are presented below, along with the major activities planned in 2005 to carry out each objective.

Adopt regulatory policies that encourage utilities and customers to meet energy needs at the lowest possible cost and risk.

Electric and gas utilities are acquiring new resources to meet growing demands. Many different supply-side and demand-side resources, with different costs and risks, can be used to meet these needs. The Commission's regulation should ensure that utilities acquire the best mix of resources for their customers and use those resources efficiently.

Activities:

1. Investigate and modify, as needed, least-cost planning requirements to foster timely, efficient acquisition of new resources (UM 1056).
2. Revise competitive bidding guidelines to ensure that all targeted resources are considered on an equal basis.
3. Investigate the use of performance-based ratemaking to encourage least-cost resource choices.
4. Oversee the efforts of the Energy Trust to acquire cost-effective conservation and renewable resources.

5. Monitor utility efforts to acquire renewable resources and intervene where the Commission can help facilitate development (e.g., to ensure transmission will be available).
6. Review and revise, as needed, interconnection policies and technical standards for the use of distributed resources.
7. Assess the incentives a utility has to support customer development of combined heat and power projects and its ability to participate in such projects (by investing and earning a regulated return).
8. Ensure that utilities appropriately consider energy efficiency, distributed resources, and pricing options as alternatives to distribution and transmission investments.
9. Facilitate adoption of advanced metering technologies, which will allow greater use of demand response programs.
10. Complete study of whether utility strategies for purchasing natural gas are reasonably designed to achieve rate stability at the lowest possible cost.
11. Assess and set guidelines for the ratemaking treatment of hedging activities by electric utilities.
12. Complete study of whether to promote the direct use of natural gas to meet customer needs over its use to generate electricity for that purpose.

Improve retail and wholesale electricity markets.

The customer load served through direct access under Oregon's electricity restructuring law (SB 1149) is increasing, but there may still be barriers to the development of a competitive retail market. The Commission will work to ensure that no supplier has an unfair advantage and that no undue cost shifts to other customers occur. All customers, whether they are served through direct access or by their local utility, can benefit from improvements in the operation of the transmission system.

Activities:

1. Assess experience with direct access in Oregon and other states.
2. Investigate alternative approaches to the treatment of transition costs and benefits.
3. Improve the efficiency of wholesale electricity markets by promoting:

- a. Development of a Grid West proposal and cost-benefit study, to allow critical review of whether to proceed with phased implementation of Grid West,
- b. Adoption of mandatory reliability standards,
- c. Investigation of resource adequacy standards, and
- d. Creation of an independent monitor for western markets.

Adopt or advocate policies regarding telecommunications competition and regulation that are appropriate for a changing industry.

The Commission is charged with promoting competition in local telecommunications markets while maintaining strong regulatory oversight where needed to ensure high-quality service, universal access to basic service, and continuing innovation in services offered. The Commission's policies and its stance on federal policies must recognize the continuing changes in telecommunications technology and market conditions. For example, the introduction of Internet telephone service threatens the continued use of access charges and universal service funds to support universal service, and state and federal authorities will need to respond.

Activities:

1. Create and advocate policies for intercarrier compensation and universal service support.
2. Begin review of the need to revise Oregon's telecommunications statutes.
3. Determine the current and planned availability of broadband service in Oregon, and identify how the Commission can facilitate its deployment.
4. Initiate rulemaking to update the Commission's retail telecommunications service quality standards.

The Commission will also undertake the following major activities:

1. Decide issues raised in major scheduled or anticipated dockets.
 - a. Idaho Power (UE 167) and PacifiCorp (UE 170) general rate cases
 - b. PGE power cost adjustment (UE 165)
 - c. Idaho Power and PacifiCorp least-cost plans
 - d. Avista, Cascade, and NW Natural least-cost plans
 - e. PGE rate issues (UM 989 and UCB 13)

- f. Limits on PGE and PacifiCorp conservation funding (UE 1169)
 - g. Deferred accounting (UM 1147)
 - h. Review of NW Natural's decoupling mechanism (UG 143)
 - i. Qwest petition to deregulate business services (UX 29)
2. Complete action to review and resolve pole joint use issues.
 3. Participate in the Bonneville Power Administration's Regional Dialogue and related forums to ensure residential and small farm customers have equal access to the benefits of the region's low-cost resources.
 4. Evaluate possible billing accuracy service quality measures for electric and natural gas utilities.
 5. Examine issues related to new natural gas supply (including LNG) in least-cost plans and through participation in regional forums.
 6. Investigate alternative methods for certifying telecommunications carriers as eligible for funding from the federal universal service fund.
 7. Complete implementation of e-filing to provide access to electronic copies of case documents via the agency's website.
 8. Work with stakeholders to review and revise, as needed, intervenor funding procedures.
 9. Examine issuance and use of protective orders in Commission dockets to balance the need to protect proprietary information with the interest in having information publicly available.
 10. Increase public awareness of the Commission and its various programs and provide media training to key agency personnel.
 11. Increase access to telecommunications assistance programs by publicizing their availability and simplifying the application process.
 12. Implement the interagency agreement with the Department of Justice covering wireless carriers.