

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: June 29, 2005

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE  July 1, 2005

DATE: June 16, 2005

TO: Public Utility Commission

FROM: Bill McNamee

THROUGH: Lee Sparling, Ed Busch and Jack Breen III

SUBJECT: PORTLAND GENERAL ELECTRIC: (Advice No. 05-6) Proposes Schedule 84R, Large Load Planning Pilot Rider, that allows eligible consumers a credit for a forecast of energy needs and/or reduction in demand charges based on capacity utilization and availability.

**STAFF RECOMMENDATION:**

I recommend that the Commission allow Portland General Electric (PGE) Company's Advice No. 05-6 to go into effect on July 1, 2005, with less-than-statutory notice.

**DISCUSSION:**

Portland General Electric (PGE) filed Advice No. 05-6 with the Oregon Public Utility Commission (OPUC) on May 20, 2005, under ORS 757.205. This filing introduces a new tariff – Schedule 84R (*Large Load Planning Pilot Rider*), and proposes an associated revision to Schedule 83 (*Standard Offer Service, Large Nonresidential*).

On June 15, 2005, PGE made an amended filing, including a request to waive statutory notice. The Company renumbered the proposed Schedule from 750 to 84R.<sup>1</sup> PGE indicates that 700 series schedules are normally reserved for non-utility services and that 84R is more consistent with the numbering of other rate schedule riders. Also, in response to Staff's request for clarification, PGE revised some of the tariff language.

Schedule 84R is applicable to a specific industrial customer that has a high load factor and significant supply and usage requirements.<sup>2</sup> The purpose of the proposed pilot program is to study the value of offering an incentive for the large customer to share

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<sup>1</sup> The Large Load Planning Pilot Rider was originally filed as Schedule 750.

<sup>2</sup> Minimum aggregate monthly historical usage of 36,500 MWh, a minimum facility capacity of 1,000 kW and an average monthly load factor of 85 percent.

with PGE its future expansion plans and usage forecasts. The concept is that such information will allow PGE to improve the efficiency of its system planning and customer service.

Schedule 84R offers the customer two incentive options: (1) Energy Needs Forecast (ENF) Credit; and (2) Capacity Utilization Credit (CUC). PGE Advice No. 05-6 also proposes to add a Demand Charge Discount Option to its Schedule 83. Each of these options is summarized below.

Energy Needs Forecast (ENF) Credit: The ENF offers the customer a billing credit of up to 0.1 cent per kWh in return for the customer providing PGE with frequent and accurate load forecasts. PGE states that the ENF option is designed to test the value of a positive, rather than penalty-based, pricing structure to support customer load commitments. PGE maintains that improving the accuracy of customer load forecasts will enhance the efficient usage of the Company's power supply and T&D system resources.

The tariff requires that, at least 30 days prior to the start of a calendar quarter, the customer will provide PGE an updated forecast of its expected load for the next six months. The process includes an "after the fact" reconciliation of the forecast and actual usage. If deviations are outside a band of +/- 5 percent, the ENF credit is reduced by .075 cents per kWh. If the process fails to produce accurate forecasts for two consecutive quarters, PGE may terminate the credit.

Capacity Utilization Credit (CUC): This option is designed to encourage a customer with multiple plant sites to consider siting load growth developments at a site with a lower incremental demand charge (i.e., surplus power delivery capacity). The CUC freezes the customer's historical billing demand level at the site location where growth is supported by existing power delivery infrastructure. The CUC is available only if the Company is not required to make incremental infrastructure investments to meet the customer's load. PGE states that the concept of providing an incentive for the customer to direct load growth to sites with surplus infrastructure may defer additional system investments and the associated O&M costs.

Demand Charge Discount Option: PGE maintains that this proposed option addresses an identified cost of service differential that is not currently reflected in the Schedule 83 rate design. PGE states that the current rate design does not reflect recent distribution system developments that have allowed the use of large substation transformers (i.e., 50 MVA) to serve large primary voltage loads. Therefore, PGE proposes to reflect the economies-of-scale associated with the large transformers by offering a \$0.25 distribution demand discount to qualified customers. To qualify, the customer's load

must exceed 36,500 MWh per month (i.e., 50 aMW) at a single metered Point of Delivery where primary voltage is provided through a 50 MVA substation.

**REVIEW:** PGE indicates that it will not request any deferral for future recovery of the pilot's costs, including any lost revenues. For a 50 aMW load, PGE states the annual ENF credit of .1 cent per kWh would be \$438,000. The pilot will terminate upon the implementation of new rates resulting from the Company's next general rate filing, which PGE expects to occur in 2007. Continuation of the tariff beyond the pilot's termination will be at PGE's discretion, depending upon any identified benefits and the Commission's approval.

Initially, Staff was concerned that the offer of a rate discount may violate OAR 860-038-0260(3), that states:

After March 1, 2002, subject to Commission approval, an electric utility may enter into special contracts for distribution service but may not enter into special contracts for power supply.

The theory behind this rule is that since other providers (electricity service suppliers) can compete to serve industrial and other nonresidential customers, allowing the utility to offer a rate discount would be unfair competition. Legal counsel has advised Staff, however, that PGE's proposed Schedule 84R is not a "special contract" because it is not justified "primarily by price competition or service alternatives" available to the qualifying customer (see *OAR 860-038-0005(60)*). Therefore, Schedule 84R is not prohibited by Commission rules.

Staff agrees with PGE that the Large Load Planning Pilot Rider has the potential to improve the flow of information between the customer and PGE. This improved information may help PGE to improve its system planning, thereby enhancing investment decisions and saving ratepayers money. The success of the pilot will be assessed through ongoing customer participation and the results of the ENF and CUC incentive options on customer planning and load growth decisions.

**PROPOSED COMMISSION MOTION:**

Portland General Electric Company's Advice No. 05-6 be allowed to go into effect on July 1, 2005, with less-than-statutory notice.