



Commission already has the ability to increase the public purpose charge for the customers under one average megawatt and proposed revising the description of the activity accordingly. I do not support these changes. Recent studies have shown that there is substantially more cost-effective conservation potential than can be acquired at current levels of funding. SB 1149 may cap the public purpose charge for large customers at three percent, but the Commission is proposing legislation to give it the authority to increase the charge for all customers, and DOJ has advised that the Commission can otherwise include the costs of acquiring cost-effective conservation in rates for all customer classes. DOJ has also stated that Mr. Weiss's claim that the Commission can raise the overall public purpose charge collected from customers under one average megawatt is arguable, and making the change he proposed would not change the thrust of the objective.

Mr. Weiss also suggested adding an objective to investigate whether it would be cost-effective to increase low-income assistance and weatherization offered by utilities in light of studies showing that those programs reduce some utility costs (e.g., for collections). I do not recommend including this as an objective. Low-income programs may cut some utility costs, but that does not mean they are cost-effective in the sense that other customers pay lower overall bills even with a low-income program charge added in. We should, however, keep track of these studies as they appear and make sure that cost savings are passed through to customers in rate cases.

**PROPOSED COMMISSION MOTION:**

The 2007-08 Commission Objectives in Attachment A be adopted.

## Oregon Public Utility Commission 2007-08 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.

In 2007-08, 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 to carry out each objective.

Much of the Commission's activity at any time is driven by applications by utilities and other parties. Major filings already under review or expected in 2007-08 are listed after the three principal objectives, along with other significant projects.

### **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. Work cooperatively with the Washington and California Commissions to acquire cost-effective conservation and renewable resources, increase demand response capability, encourage the use of advanced, low-carbon fossil-fuel technologies, and explore use of greenhouse gas emission standards for new long-term power supplies.
2. Oversee the efforts of the Energy Trust to acquire cost-effective conservation and renewable resources.

3. Promote acquisition of cost-effective conservation not otherwise achievable through Energy Trust efforts, using existing authority to allow costs in rates or seeking new authority to change the overall level of the public purpose charge.
4. Develop strategies to facilitate integration of wind resources into the electricity grid.
5. Adopt uniform technical standards and procedures for interconnection of distributed resources.
6. Ensure that utilities appropriately consider energy efficiency, distributed generation, and demand response options as alternatives to distribution and transmission investments.
7. Investigate whether all customers should have a time of use meter and either a time-varying rate option or a credit for peak load reductions (EPAct 05 requirement).
8. Review, and revise as needed, the treatment of CO<sub>2</sub> risk in resource planning and acquisition by electric utilities.
9. Investigate the use of performance-based ratemaking to encourage least-cost resource choices (UM 1276).
10. Complete review of, and revise as needed, Purchased Gas Cost Adjustment mechanisms.

### **Improve retail and wholesale electricity markets.**

The customer load served through direct access under Oregon's electricity restructuring law (SB 1149) has increased, 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. Improve performance of wholesale electricity markets by participating in:
  - a. Implementation of mandatory reliability standards
  - b. Design of resource and transmission adequacy standards

- c. Regional planning for transmission
  - d. Development of voluntary regional grid organizations.
2. Complete assessment of experience with retail competition in other states and the implications for direct access procedures in Oregon.
  3. Review the status of the direct access programs offered by PGE and PacifiCorp and implement any needed changes.

**Advocate or implement universal service and intercarrier compensation policies that encourage needed infrastructure investment and advance technology deployment in an economically efficient manner.**

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 spread 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. Advocate investigation and implementation of universal service reforms through the Federal-State Joint Board on Universal Service.
2. Continue to be a leader in NARUC's effort to change the intercarrier compensation regime through working with the FCC.
3. Formally investigate the issue of federal universal service fund support disaggregation as a means of discouraging CETC "cream skimming."
4. Determine the appropriate ILEC-CLEC sharing percentage when the two types of carriers draw Oregon Universal Service Fund money for the same wire centers.
5. Work with NARUC and Congress on any efforts to rewrite the 1996 Telecommunications Act.

## Other major activities

The Commission will also undertake the following major activities

1. Decide issues raised in major scheduled or anticipated dockets.
  - a. PGE rate issues related to the Trojan Nuclear Plant (e.g., UM 989)
  - b. Review of Integrated Resource Plans (by actual or expected filing date): Idaho Power (2006), PacifiCorp (2007), PGE (2007), Cascade (2007), NW Natural (2007), Avista (2008)
  - c. Cascade Natural Gas show cause proceeding (UG 173)
  - d. MDU acquisition of Cascade Natural Gas (UM 1283)
  - e. Possible PacifiCorp general rate case September 2007
  - f. AR 499 income tax report filings for PGE, PacifiCorp, NW Natural, and Avista
  - g. Avista's application to create a holding company (UM 1250)
2. Complete legislative report on broadband availability, rates, and usage and other features of the telecommunications industry in Oregon.
3. Implement any changes to Oregon's telecommunications statutes proposed by the SB 17 Task Force and enacted by the Legislative Assembly, and continue to consider proposed alternatives to traditional price regulation under prevailing law where competition exists.
4. Implement any statutory requirements for Renewable Portfolio Standards.
5. Participate in discussions with other PacifiCorp state jurisdictions involving allocation issues associated with Renewable Portfolio Standards and other new resource choices.
6. Examine the impact of the Commission safety rules adopted in Docket AR 506 on facility inspections, correction of violations, and vegetation management programs.
7. Adopt rules to increase net metering facility size for PGE and PacifiCorp customers.

8. Participate in Bonneville Power Administration proceedings to implement policies adopted in the Regional Dialogue, with the goal of ensuring residential and small farm customers have equal access to the benefits of the region's low-cost resources.
9. Complete action to review and resolve pole joint use issues.
10. Increase public awareness of the RSPF equipment loan and low-income programs to ensure eligible Oregonians have access to the benefits.
11. Increase access to telecommunications assistance programs by streamlining and simplifying the application process.
12. Increase the types of telecommunication devices available to better serve the disabled population.
13. Develop and refine various processes and systems supporting the RSPF programs so that clients can be served as efficiently as possible and resources are conserved for the taxpayer.
14. Serve Emergency Medical Certificate customers more quickly and efficiently by streamlining cumbersome procedures.
15. Work with stakeholders to review and modify as needed the agency's procedural rules and guidelines.
16. Facilitate any efforts to renew the intervenor funding agreement and work with stakeholders to streamline administration of funding and payment requests.