



ends with the current billing period. In addition, Schedules 28 and 48 both set demand charges, also recovered on a per kW basis, based on the greatest applicable demand occurring during the billing month. This structure may not be optimal for a customer that may have generally steady demand from month to month but experiences unusually high peaks in demand.

Staff met with MCDD and PacifiCorp on March 6, 2007, to discuss the steps needed to be taken to address MCDD's petition. As a result of the meeting, PacifiCorp agreed to prepare an illustrative, alternate rate design to its standard Schedule 41, Agricultural Pumping Service rate design for parties to review in an attempt to better meet the MCDD's needs. The proposed reconfiguration was designed to look in part like Portland General Electric's Schedule 49, which has a rate design that recovers demand costs via a per kWh charge, which ties demand payments directly to actual energy usage and reduces the rate risk MCDD faces from demand spikes.

PacifiCorp submitted tariff reconfiguration workpapers to parties on April 13, 2007, in the form of two Excel spreadsheets.

The first spreadsheet addressed the main pump currently served on Schedule 48. The main pump would not normally qualify to receive service under Schedule 41 because it exceeds the schedule's size requirements, but PacifiCorp, at least for the illustrative rate design exercise, removed that restriction. Annual bills were calculated for the main pump under Schedule 48, Schedule 41, and Schedule 41- Alternative Rate Design. The demand percentages and savings were as follows:

<b>Schedule</b>	<b>Estimated Demand Percentage</b>	<b>Estimated Annual Savings</b>
48	43%	-
41	7.3%	(\$3,583)
41-Alternative Rate Design	0.4%	\$188

For the main pump, PacifiCorp's Schedule 41-Alternative Rate Design both reduced the percent of the bill allocated to demand charges by 99 percent and also could potentially provide some savings to MCDD.

PacifiCorp calculated similar values for the remaining Schedule 28 accounts:

<b>Schedule</b>	<b>Estimated Demand Percentage</b>	<b>Estimated Annual Savings</b>
28	71%	-
41	46%	\$2,945
41-Alternative Rate Design	0.4%	\$5,053

For the remaining Schedule 28 accounts, a switch to either Schedule 41 or Schedule 41-Alternative Rate Design results in a reduction in the percent of the bill allocated to demand charges and potential savings. Switching to the illustrative Schedule 41-Alternative Rate Design resulted in a 90 percent reduction in billed demand charges.

The reduction in demand charges does result in an increase in the energy charges, because PacifiCorp still needs to recover the demand-related costs incurred in serving MCDD. The primary purpose of this type of rate design is to avoid large minimum bills, not to forgive payment of incurred demand costs. Building demand-related costs into the energy rate's block structure is common practice in many jurisdictions, especially those that do not unbundle the costs of service and bill their rates on a customer and energy charge basis.

Following PacifiCorp's distribution of the reconfiguration calculations, staff analyst Steve Chriss received an email from MCDD counsel Melinda Davison on April 26, 2007, that the reconfiguration did not meet MCDD's needs. Mr. Chriss followed up this email with a request for clarification of MCDD's needs, to which a response was provided by MCDD counsel Allen Chan on May 2, 2007. Mr. Chan stated that the main need of MCDD is a reduced demand charge.

Mr. Chan followed up with an email to Mr. Chriss on June 1, 2007, stating that the reconfigured Schedule 41-Alternative Rate Design "does not really change anything for MCDD, especially with regard to the main pump" and that "The point is that MCDD is paying too much under PacifiCorp's rate schedules because the rate schedules do not reflect MCDD's seasonal usage of electricity. Under PacifiCorp's Alternate Rate Design, PacifiCorp has simply shifted all of the demand charges to higher energy charges, resulting in MCDD paying roughly the same amount." Mr. Chan provided a bottom line, which was "that MCDD needs a rate schedule that more accurately reflects its cost of service."

Upon receiving Mr. Chan's June 1 email, staff's understanding of MCDD's primary concern changed from the percent of the bill allocated to demand charges to a larger cost of service issue. Staff believes that this change requires MCDD's concerns to be addressed in the context of a PacifiCorp rate case. In the context of a rate case, the cost to serve MCDD can be addressed as part of the full marginal cost study and rate design.

Additionally, because the specific cost to serve MCDD is unknown at this time, there is no guarantee that a rate tailored to the district would result in a rate decrease, so any action taken outside of a rate case that results in a rate decrease for MCDD would be spurious at best.

Staff interprets MCDD's petition to mean that PacifiCorp would have to propose adoption of a tariff suitable to MCDD's needs in its next general rate case. Staff does not believe that PacifiCorp should be compelled to support a separate tariff for drainage districts in its rate case filing. Staff's recommendation differs in that it requires PacifiCorp to provide the analysis needed to consider a separate drainage district tariff but does not obligate the company to support it.

**PROPOSED COMMISSION MOTION:**

1. MCDD's petition to order PacifiCorp to develop a tariff suitable to MCDD's needs and file it in the next rate case proceeding be denied.
2. PacifiCorp be directed to include an analysis of the effects and propriety of treating drainage districts as a separate customer class in its next general rate case. PacifiCorp's analysis should include a draft tariff rate design that would treat drainage districts as a separate class.