

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 21, 2007**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** September 1, 2007

DATE: August 14, 2007

TO: Public Utility Commission

FROM: Carla Owings and Lori Koho

THROUGH: Lee Sparling, Ed Busch, Judy Johnson and Bonnie Tatom

SUBJECT: PORTLAND GENERAL ELECTRIC: (Advice No. 07-16) Offers qualifying large nonresidential customers a three- or five-year opt-out beginning January 1, 2008, through an enrollment period during September 2007 (Enrollment Period F).

PORTLAND GENERAL ELECTRIC: (Advice No. 07-18) Requests modification to language to add a special condition on Schedule 129, Long Term Transition Cost Adjustment.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric's request to add an enrollment period to Schedules 129, 483 and 489 (Enrollment Period F). This additional enrollment period allows qualifying large nonresidential customers to choose a three- or five-year opt-out beginning January 1, 2008. Staff also recommends that the Commission approve the request to modify the language in Schedule 129 to add a special condition, effective September 1, 2007.

DISCUSSION:

Multi-year Opt-out Window, Open Enrollment:

Pursuant to OAR 860-038-0275(5), Portland General Electric (PGE or Company) must "offer customers a multi-year, direct access program with an associated fixed transition adjustment." These multi-year options are available to large nonresidential customers with annual usage equal to, or greater than, one average megawatt. Such options have been available under Schedule 483 since 2002.

As a result of UE 180, PGE implemented Schedule 489 for large nonresidential customers whose demand exceeded 1,000 kW more than once within the preceding 13 months. The existing Schedule 483 now applies only to large nonresidential customers whose demand has not exceeded 1,000 kW more than once within the preceding 13 months. The Long-Term Transition Cost Adjustment (Schedule 129) is applicable to large nonresidential customers that have selected service under Schedule 483 or 489.

On June 22, 2007, PGE filed Advice No. 07-16, a request to add an enrollment period to Schedules 129, 483 and 489 that offers large nonresidential customers a three- or five-year opt-out beginning January 1, 2008. This open enrollment period (Enrollment Period F) is to begin September 1, 2007 and end September 30, 2007.

The Five-year Cost-of-Service Opt-out: The five-year cost-of-service opt-out provides a fixed transition adjustment rate for each year of the opt-out term. At the end of the five-year term, the customer can return to the company's cost-of-service tariff, provided a two-year notice is given to PGE. Alternatively, the customer may remain with an Electricity Service Supplier (ESS) without being subject to any additional Schedule 129 transition adjustments.

The Three-year Cost-of-Service Opt-out: The three-year cost-of-service opt-out provides a fixed transition adjustment rate for each year of the opt-out term. The transition adjustment rates for this offering are equal to the rates for the first three years of the five-year opt-out. At the end of the three-year term, customers must select, and take, service under an applicable rate schedule, as continuing service on Schedule 483 or 489 on a year-to-year basis is not an option.

Schedule 129 Transition Adjustment Rates: Customers that select a Schedule 483 or 489 cost-of-service opt-out will be subject to the applicable Schedule 129 transition adjustment rates. PGE included all resources attributable to its owned generation in its valuation of market and cost of its long-term resources, including the Port Westward plant and its newest resource anticipated to be online by January 1, 2008, Biglow Canyon.

Staff agrees with PGE's methodology¹ used to calculate the transition cost adjustment as well as its decision to include Biglow Canyon as a current resource. In the past, both Staff and PGE have agreed that excluding any resource cost from the transition adjustment calculation creates an improper incentive for customers to take a multi-year cost-of-service opt-out to avoid the initial fixed costs of a new resource and to return to cost-of-service rates after the new plant has recognized its first years of depreciation.

¹ The current transition adjustment calculation is a forecast of long-term resources market value and cost for the years beginning in 2008 through 2012.

When this happens, it can inappropriately shift higher recovery of costs to other customers.

Modification of Language to Add a Special Condition:

On June 22, 2007, PGE filed a request to add language to Schedule 129, Long-Term Transition Cost Adjustment with an effective date of September 12, 2007.

The language submitted will align the level of Schedule 129 credits with the equivalent collection amount applicable to large nonresidential customers, on an annual basis. Prior to UE 180, PGE utilized its annual RVM update to match the amount of annual Schedule 129 credits with the equivalent actual collection from large nonresidential customers. However, the current annual update process does not have such a mechanism for the true-up of the transition adjustment. PGE proposes that it continue with the methodology established in the former mechanism to adjust the System Usage and Distribution Charges to match the estimated Schedule 129 credits with the actual amount collected from large nonresidential customers.

The language proposed by PGE will appear on Schedule 129 and will list each of the rate schedules impacted by the revised System Usage and Distribution Charges. It will require that PGE adjust the System Usage Charges or Distribution Charges (when the system Usage Charge is not separately stated on the rate schedule) concurrent with its final November 15, 2007 annual power cost update, so there will be no rate impact until after the November update.

Assuming no additional participation for 2008 in PGE's multi-year cost-of-service opt-out option, Schedule 129 credits are estimated to decrease by about \$3 million. This will reduce the System Usage or Distribution Charge applicable to customers by approximately 0.33 mills/kWh. The November 15, 2007 update will allow for a true-up of the estimated transition charge to the actual collections during the enrollment period.

Upon review of the application, Staff requested that the Company revise the effective date of the special condition language initially proposed by the Company to coincide with the modification to Schedule 129 for the multi-year opt-out window for September 1, 2007. PGE has complied with Staff's request and modified the effective date.

Staff has reviewed the Company's calculation for the transition adjustment as well as its request for modifications for a special condition. Staff recommends the Commission approve the Company's applications.

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PROPOSED COMMISSION MOTION:

PGE's request to (1) add an enrollment period during September 2007 (Enrollment Period F) that allows qualifying large nonresidential customers to choose a three- or five-year opt-out beginning January 1, 2008, and (2) modify the language on Schedule 129 to add a special condition, be approved, effective September 1, 2007.