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December 17, 2010

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
PO Box 2148
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**Re: UM 1460 – DEVELOPMENT OF SMART GRID OBJECTIVES AND
ACTION ITEMS FOR 2010-2014**

Attention Filing Center:

Enclosed for filing in UM 1460 are an original and five copies of:

Reply Comments of Portland General Electric Company

This document is being filed by electronic mail with the Filing Center. An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided.

This document is being served upon the UM 1460 service list.

Thank you in advance for your assistance.

Sincerely,

Randall J. Dahlgren
Director, Regulatory Policy & Affairs

RJD:smc
Enclosures
cc: Service List-UM 1460

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **Reply Comments of Portland General Electric Company** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No. UM 1460.

Dated at Portland, Oregon, this 17th day of December, 2010.



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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1460**

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Development of Smart Grid Objectives and
Action Items for 2010-2014.

**Closing Comments of Portland General
Electric Company**

Portland General Electric Company (“PGE”) submits these Reply Comments in accordance with the procedural schedule previously adopted in this proceeding. Our comments are organized to correspond to the order and numbering of the sections of Public Utility Commission of Oregon Staff’s (“Staff”) Straw Proposal and the issues raised by Staff and other parties in their Opening Comments with regard to those sections.

PGE appreciates the Staff’s effort to develop a Smart Grid Straw Proposal that fleshes out goals and elements for a Smart Grid Plan (SGP) to be developed and updated by the utilities, as well as parties’ comments. Clearly, all parties believe that a SGP is advisable to inform and help develop Oregon’s Smart Grid effort.

In general, PGE supports the concept of Smart Grid planning as an integral part of our ongoing utility and resource planning process. However, this docket has raised several significant issues that must be addressed, either in this docket or more likely in other dockets. PGE suggests that to the extent possible, these issues should be addressed in the appropriate docket(s) and the decision(s) noted and included in the SGP. As we stated in our Opening Comments, parties have indicated that the SGP should not be

burdensome to the utilities but that it should also contain the utilities' expected Smart Grid efforts as well as the results of the utilities' research and exploration.

PGE believes that the first SGP should be considered a working draft to the extent that it will be the utilities' best effort to inform parties, but it may not meet all of the expectations of stakeholders for a variety of reasons. Also, given the relatively short time frame, there may not be sufficient time to address all of the stakeholders' comments and/or issues.

Staff's Opening Comments

Staff indicated that the initial SGP would not require extensive amounts of effort and would essentially present work and research that the utility is either already doing or intends to do. However, Staff's Opening Comments in response to their straw proposal seem to make the requirements for the SGP more constraining and would call for the expenditure of more time and resources.

For example, the Straw Proposal initially expressed a goal that the utilities "*present, at high level, the utility's best current thinking regarding business cases for implementing SG technologies and programs.*" Now, however, Staff has backed away from a high level analysis and requests "*detailed analysis that fully layout the business basis for actions in the SGP.*" Staff Comments at 5. Providing a fully developed business basis for the actions in the SGP not only will require more time and resources, but could be premature and inaccurate, given the research or pilot nature of many of the programs and/or concepts in the SGP. Indeed the purpose of such pilots is to help determine if

there is a business case for implementing such Smart Grid technologies and programs in the context of traditional utility obligations.

Staff's Section II. Goals for the SGP

Goal 2: Show a timeline for implementing SG technologies, programs and protocols investigated that a utility recommends for adoption

We recognize that the earlier customers and other stakeholders receive notification regarding PGE's future Smart Grid projects the more comfort they may have in our decision-making process. PGE welcomes and encourages the feedback but also realizes that there needs to be a timeline and a process that allows the utilities to move forward with the implementation of Smart Grid ideas with further research and/or pilot programs, even though all the details that one would expect for a full program are not available. Indeed, the research and pilot programs are usually designed to bring out further details and considerations of the proposed plan. One possibility is to develop a set of principles that the utility would be free to follow for implementation; the utility would have the responsibility to explain any variations from those principles in the plan and why those variations were chosen.

Staff's Section III. Guidelines for Issues Common to all SGPs

Guideline 1: Access, Control, and Use of Customer Information

"Staff acknowledges customer privacy is a valid concern," and "[i]n response to this concern, Staff proposes that the Commission require that utilities employ privacy safeguards consistent with Department of Homeland Security's Fair Information Practice Principles."

The use of customer information can be a contentious issue, but it is important to note exactly what information PGE and other utilities are likely to gather in the initial stages of smart-grid development: by and large, we are collecting information about electric usage. We have been collecting such information for years as part of providing services to customers; what will change is the level of detail we will collect. If more types of services could be offered based on this information, we would file tariffs with proposed uses of these data and program descriptions, and the public process could then consider any restrictions on the use of these data that might be appropriate.

The Department of Homeland Security principles make sense in a situation where the government is collecting information about people that it would otherwise not have access to and should therefore justify having, keeping, and using that information. Also, these requirements may entail extra costs, which may not be appropriate for a pilot program. Indeed, as the program moves from a pilot to a more generalized program, PGE would, as a matter of business, consider any additional privacy safeguards that may be necessary. However, to impose such a broad requirement for all Smart Grid projects is not appropriate. One of the key purposes of Smart Grid pilots will be to determine what standards work best within our system. Rather than making a policy determination at this time that the Department of Homeland Security's Fair Information Practice Principles are the appropriate safeguards for customer information, utilities should be allowed to evaluate and consider what standards work best to protect customer information as part of the Smart Grid planning process. If the Commission believes that such data needs an added level of privacy, or additional security, it makes sense to

address these issues in a rulemaking where the pros and cons, including costs, can be discussed.

Guideline 3: Treatment of Obsolescence Risk

Staff's Opening Comments propose *"that the utility identify in its SGP where it sees [obsolescence] risk arising, describe the magnitude of the risk, both quantitatively and qualitatively, where possible. While issues of cost recovery, accelerated depreciation and the like are outside the scope of this investigation, it is important that the utility be working to identify any such risks that arise from proposed actions in its SGP."*

We agree that obsolescence risk needs to be addressed and cost recovery issues resolved as soon as possible. Again, we note that obsolescence may not be quantifiable in the early stages of a Smart Grid project when the utility is looking out several years. However, as the project details are researched and pilot programs developed, the potential obsolescence of some assets will become clearer and PGE will be able to suggest recovery mechanisms, as it did with its advanced metering infrastructure system (AMI), collecting the remaining asset costs of the old meters before collecting the costs of the new meters.

Guideline 4: Utility Energy Management in Customer's Home or Business

Staff believes that to foster a competitive market in customer energy use management services, at a minimum utilities must *"be in compliance with the existing Code of Conduct rules identified in this section of the SGSP. Additionally, the utility must also be in compliance with the customer information access rule also contained in the SGSP."*

With regard to development of competitive markets, the existing Code of Conduct rules have been in place for a number of years and they have been used in regard to more than just the Electricity Service Suppliers. However, we note that there simply may not be a robust market for many of the types of products and/or services that may arise out of the development of the Smart Grid, and the initial costs of these products and services may very well be more than most households or businesses could comfortably afford, although the overall benefits would be positive. We should try to learn from markets in other parts of the country as they develop. Also, if interface with utility systems is necessary or desirable, the possible advantages of having consumer choices should be weighed against the costs to the utility of providing standardized interfaces, along with considering the likelihood of identify theft and other unwanted results.

Staff's Section IV. SGP Content – Overview

Item B: Systems Reliability

Staff states that *“[i]t is also important for the SGP to address the rationale for actions the utility investigated and rejected. There are two reasons for this. First, it may provide additional context for the actions that are included in the SGP. Second, Staff wants the benefit of the utility’s thinking on actions it chose to reject.”*

PGE agrees that it is reasonable for the utility to note and briefly discuss those technological and process improvements that it considered but decided not to pursue. However, it is not reasonable for the utility to provide detailed explanations at the same level as the discussion and support for those Smart Grid programs that the utility expects to pursue. This is because there will always be limitations on utility resources: including time, personnel available to analyze and implement the proposals, and funds to spend on

pilots and upgrades. While it is reasonable for PGE to discuss what we have decided to try and why, it is not reasonable to require the expenditure of significant time and effort needed to discuss every Smart Grid idea PGE has considered and rejected.

Item D: Education and Information - Customer Energy Use Management

Staff notes that customer education and information regarding customer energy use management will be essential for customer adoption of these services. Therefore, *“the utility’s SGP must address how it plans to conduct education and information campaigns with the aim of encouraging greater customer energy use management.”*

While customer education is highly desirable as more capabilities are made available through Smart Grid Technology, utilities will need to recover the costs of this education. This is likely to mean that more advertising dollars should be included in the Category A part of the revenue requirement. PGE suggests that the Staff could convene the stakeholders at one or two workshops to discuss what types of advertising would be acceptable for Smart Grid education and what types of documentation, expenditures, recovery mechanisms, and so forth utilities should expect.

CUB, NWECA, and ODOE’s Opening Comments

PGE agrees with most of the Opening Comments of the Citizens’ Utility Board of Oregon (CUB) and we share their concern that several policy determinations are being prematurely made at this time. We also agree that protecting a competitive Smart Grid market is premature at this stage of development. For example, CUB states that *“trying to advance a policy whereby the utility would generally be prohibited from participating in the market for home and business energy management”* and intending that *“those*

services would be provided by third-party “aggregators” could make demand response more expensive because there is a cost to aggregate all the customer information that the utility already possesses. PGE agrees that this policy determination is premature.

CUB’s Section II. Policy Decisions

Item B: Application of the Direct Access rules to demand response programs

CUB states in its Opening Comments that Oregon “decided a decade ago that Direct Access only makes sense for large customers. The Direct Access Code of Conduct was written for the specific purpose of governing the utility’s role in the world of competitive generation services for large industrial customers. The Code of Conduct was not written to govern the utility’s role in providing Demand Response programs to residential customers. It is unclear today, which (if any) Demand Response programs for residential customers will be competitively offered by non-utilities. Until we know more about the role of the competitive market, it is premature to apply the Direct Access Code of Conduct to Smart Grid activities.” PGE agrees with CUB that applying the Direct Access Code of Conduct to Smart Grid activities is premature.

Item C: Assurance that devices or software allow for interoperability with third-party software

PGE supports CUB’s assertion “that there may be some devices and software where interoperability is not required and that there are some devices and software where interoperability may be preferred but cannot be assured.” We too would be more comfortable if this section contained “qualifying language such as “when appropriate” to recognize that this may not be appropriate for every device and every bit of software

related to Smart Grid.” In addition, interoperability may raise issues of data security that should be considered.

NW Energy Coalition (NWECC)

NWECC in its Opening Comments states that it *“endorses the comments of the Citizens' Utility Board in this proceeding”* but adds one additional item that seems to be the opposite of CUB’s position. NWECC states *“that the utilities must take a more proactive role in enabling the development by third parties of Smart Grid applications than is discussed in the Staff's Straw Proposal.”* PGE does not agree with NWECC and believes it is premature to require *“each utility to determine its avoided costs of providing these services, and to be required to pay customers or third-party aggregators for them.”* As we noted above, PGE believes that much of our near-term Smart Grid initiatives will be program pilots intended to gather information and to help determine which products or services are best suited for our system.

Oregon Department Of Energy (ODOE)

ODOE’s Opening Comments *“recommend that the Commission's acknowledgement of an SGP be sensitive to the findings that arise from any analysis of the estimated benefits and costs, as that would call for any SGP to not remain theoretical in its "net benefit" assessment of any deployable SG enabling technologies or SG protocols.”* PGE agrees with ODOE.

Smart Grid Oregon’s Opening Comments

PGE disagrees with the recommendations put forth in SGO's Opening Comments because they concern broader policy implications than the development of a utility's SGP. These broader policy implications belong in a separate proceeding.

Pacific Power and Idaho Power's Opening Comments

In general, PGE supports the ideas and considerations expressed in Pacific Power and Idaho Power's Opening Comments.

Conclusion

PGE respectfully requests that the Commission adopt Staff's Proposed Guidelines for Utility Smart Grid Plan (SGP) submitted as Attachment A to Staff's Opening Comments with the changes proposed by PGE in our Opening and Reply Comments.

DATED this 17th day of December, 2010.