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November 16, 2010

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission  
550 Capitol Street NE, Ste 215  
Salem, OR 97301-2551

Attn: Filing Center

**RE: UM 1460 – Commission Smart Grid Objectives for 2010-2014  
Pacific Power’s Comments on Straw Proposal.**

PacifiCorp d/b/a Pacific Power encloses for filing its initial comments on the Straw Proposal circulated to parties in this proceeding on October 22, 2010.

Please contact Joelle Steward, Regulatory Manager, at (503) 813-5542 for questions on this matter.

Sincerely,

Andrea L. Kelly  
Vice President, Regulation

Enclosure

Cc: Service List – UM 1460

## CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket No. UM-1460 on the following named person(s) below by e-mail and U.S. Mail addressed to said person(s) at his or her last-known address(es) indicated below:

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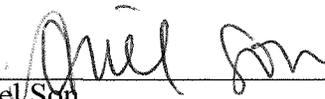
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Dated: November 16, 2010

  
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Ariel Son  
Coordinator, Regulatory Operations

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1460**

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON

Staff Recommendations to use Oregon  
Electricity Regulators Assistance Project  
funds from the American Recovery and  
Reinvestment Act of 2009 and develop  
Commission Smart Grid Objectives for  
2010-2014

Pacific Power's Comments on Straw  
Proposal

1           In accordance with the Prehearing Conference Memorandum issued August 16, 2010,  
2 PacifiCorp, d.b.a. Pacific Power (Pacific Power or Company), submits its initial comments on  
3 the Straw Proposal for Smart Grid Planning (Straw Proposal) filed by Public Utility  
4 Commission of Oregon (Commission) Staff on October 22, 2010. The Company appreciates  
5 Staff's efforts in drafting the Straw Proposal. The Company's comments are based on the  
6 Straw Proposal and the discussions held during the November 3, 2010 workshop. Pacific  
7 Power's responses to the Straw Proposal elements follow the order in which they were  
8 presented. Pacific Power acknowledges the ongoing nature of the issues addressed herein  
9 and reserves the right to modify or present additional comments at a future time, as  
10 permitted.

11    **I.       Goals and Guidelines for all Smart Grid Plans**

12        **A.    Goal and Sub-Goals for Docket**

13           The Company generally agrees with the goals identified in the Straw Proposal,  
14 however, it is not clear that it is necessary to identify "inform future commissions in  
15 subsequent proceedings" as a goal. Future commissions would have the ability to review

1 previous work on smart grid issues, regardless of whether the intent of a proceeding is to  
2 inform future commissions.

## 3 **B. Guidelines for Common Issues to All SGPs**

### 4 **1. Access, Controls and Use of Customer Information**

5 The smart grid increases the amount of intelligent data to a level never before seen in  
6 the electric industry. This data includes priority data for electrical system operation, customer  
7 data and usage patterns, and generation and transmission operational information. This data  
8 will be transmitted mainly over secure communication systems, many of which will have  
9 wireless components. Wireless data transmittal increases the risk of cyber-attacks against the  
10 electrical infrastructure. Protection of both utility operational systems and customer privacy  
11 data is paramount when considering the roll-out of any new technology.

12 Accordingly, the Company supports the adoption of a guideline to ensure that  
13 customer data privacy standards as well as Company operational data are considered and met  
14 through the deployment of any smart grid technology. The Company recommends the  
15 following guideline:

16 Utility companies will take reasonable steps to ensure the protection of customer data,  
17 including but not limited to name, address, and other personally-identifying  
18 information, and usage and other meter data, technical configuration, type and  
19 destination, as well as ensure that it is meeting all federal and state standards as it  
20 considers the deployment of smart grid technology.

### 21 **2. Opt in, Opt out or Mandatory Program Participation**

22 It is premature to develop a guideline on how customer participation in smart grid-  
23 related programs should be managed. However, a discussion of customer participation  
24 options is warranted when a utility proposes a pilot program and therefore should be  
25 addressed in the smart grid plan in the appropriate section.

1 **3. Treatment of Obsolescence Risk**

2 It is premature to develop a guideline on the treatment of obsolescence risk; however,  
3 a discussion is warranted in the smart grid plan in the context of specific recommended  
4 actions.

5 **4. Utility Energy Management in Customer's Home or Business**

6 The Company disagrees with this guideline in the Straw Proposal. As written, the  
7 Straw Proposal ostensibly precludes the recovery of costs associated with customer energy  
8 management hardware or software. For instance, programmable controllable thermostats and  
9 similar equipment that may be supplied as part of a smart grid program would not be  
10 recoverable to the utility. This would create a chilling effect on the utility's interest in  
11 developing and implementing possible pilot programs or deployment of such technology,  
12 even if it can be shown to be cost-effective. Moreover, smart grid guidelines or a smart grid  
13 plan should not prejudge ratemaking treatment. Accordingly, this guideline should be  
14 removed from the Straw Proposal.

15 **II. SGP Structure and Content**

16 **A. SGP Content - Overview**

17 While the Company appreciates and agrees that the guidelines should identify the  
18 minimum components to be addressed in the smart grid plan, a specific format should not be  
19 prescribed. A utility should have the flexibility to structure its smart grid plan in a manner  
20 that it finds reasonable at the time. This would also be consistent with the flexibility afforded  
21 the utilities for integrated resource plans, the guidelines for which identify required  
22 components but not specific formats.

1           **B.       Timeframes for SGP**

2           The Straw Proposal recommends a 20-year planning horizon for the smart grid plan  
3 with a five-year action plan. Pacific Power recommends that the plan instead include a 10-  
4 year planning horizon in order to provide a more meaningful report. Ten years would be  
5 consistent with the Company's business plans; the period beyond ten years would be merely  
6 an exercise in speculation and serve no real value. The Company also proposes a minimum  
7 three-year action plan instead of five years because beyond three years the action plan loses  
8 value. As smart grid plans develop, utilities may identify actions beyond the next three years  
9 as appropriate. This is discussed further below in Section III.A.

10           **C.       SGP Estimated Benefits and Costs**

11           The identification of costs and benefits are an important aspect of smart grid  
12 planning. Costs and benefits should be evaluated over a horizon that is appropriately tailored  
13 to the relevant technology. It is important to note that due the developing nature of the smart  
14 grid industry, the costs and benefits are commercially sensitive and will need to be treated as  
15 confidential with restrictions for who may have access to the information.

16           **D.       Systems Reliability**

17           The Company has no comments on this section at this time and agrees that it is an  
18 important aspect of smart grid planning.

19           **E.       Treatment of Customer-Related Data**

20           See the Company's comments on I.B.1. above.

21           **F.       Education and Information – Customer Energy Use Management**

22           The smart grid plan should identify customer education efforts if any are planned.  
23 Additionally, the smart grid plan should include a discussion of actions that a utility is

1 considering to allow customers to access data if any such actions are planned.

2 **G. Communications and IT Infrastructure**

3 The backbone of the smart grid is the information and communication infrastructure,  
4 which is critical to the success of any program. Accordingly, this is an important aspect of  
5 smart grid planning and should be discussed in the smart grid plans. The Company notes that  
6 certain aspects of this information, including but not limited to bandwidth capability, if  
7 requested or required, is sensitive and will need to be treated as confidential.

8 **H. Cyber and Physical Security**

9 The security of operational data presents one of the greatest unknown risks at this  
10 time. North American Electric Reliability Corporation critical infrastructure protection (CIP)  
11 reliability standards were designed to protect the bulk power system against potential cyber  
12 security attacks. Yet, these standards do not address the evolving smart grid market and the  
13 vulnerabilities that may be present as more utilities install advanced communications  
14 networks. As utilities progress towards the smart grid, enhanced security measures and more  
15 stringent requirements will be necessary. Their enactment will increase the overall cost of  
16 managing the smart grid. The Company agrees that the smart grid plan should include a  
17 section to discuss CIPs requirements. The costs of complying with enhanced security  
18 measurements and requirements should be reflected in the smart grid costs to the extent that  
19 they are known.

20 **I. Distribution of SGP Benefits and Costs**

21 To the extent that the Company can identify possible distribution of benefits and costs  
22 to customer groups it may do so in the smart grid plan. However, the Company will look to  
23 the comments and input from the groups representing various customer classes to help the

1 Commission understand the impacts. Additionally, the sentence stating that the utility “stay  
2 alert to, and advise the Commission of, potential or actual threats to any of its businesses that  
3 currently contribute revenue for cost recovery” should be deleted from this section because it  
4 is vague and overly board.

#### 5 **J. SG-Enabled Pricing Options**

6 At the workshop, Staff clarified that this section is intended for the utility to explain  
7 the status of the deploying advanced metering infrastructure and the capability of pricing  
8 options in conjunction with that infrastructure. With this understanding, the Company agrees  
9 that this is important to include in a smart grid plan. This section should be rewritten to more  
10 simply state this intention.

#### 11 **K. Risk and Mitigation**

12 The Company agrees that risk and mitigation are important aspects of smart grid  
13 planning and would add obsolescence risk in this discussion.

### 14 **III. SGP Submission, Review and Use in Future Proceedings**

#### 15 **A. SGP Submission Schedule and Submission Frequency**

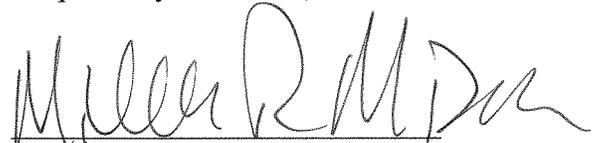
16 As previously discussed, Pacific Power recommends that the smart grid plan reflect a  
17 10-year planning horizon with a three-year action plan. Additionally, the Company  
18 recommends that the smart grid plan be updated biennially. The Company does not expect  
19 either the technology or the future plans to change significantly faster than this. The updates  
20 should be comprehensive and reassess each required element. If during the course of the  
21 planning horizon, a decision related to smart grid does occur (e.g., pilot programs) the utility  
22 would notify the Commission as a part of the normal course of business or in accordance  
23 with the requirements of a specific program.

1           The reporting timeline in the Straw Proposal requires a final report due no later than  
2 June 2018, at which point Staff will submit a report to the Commission on the smart grid  
3 planning effort. Pacific Power supports having this check-in point for the on-going need of  
4 the smart grid report. This will provide an opportunity for the Commission and interested  
5 stakeholders to assess not only the need but the content and process if any further reporting is  
6 required. With Pacific Power's proposal for a biennial update, the Company's final plan  
7 would be filed in approximately July 2017. The Staff recommendation could take place  
8 following this report.

9           Lastly, Pacific Power supports the 180-day acknowledgement process for the report if  
10 it allows biennial updates. If the Commission adopts the Straw Proposal with an annual  
11 update, the Company recommends that the review be limited to 90 days. A more lengthy  
12 review inhibits the utility's ability to move forward with any actions or deployment and  
13 reduces the utility's timeframe to prepare the next report.

DATED: November 16, 2010

Respectfully submitted,



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