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September 4, 2018

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem OR 97301

Re: In the Matter of PORTLAND GENERAL ELECTRIC CO.
2018 Request for a General Rate Revision
Docket No. UE 335

Dear Filing Center:

Please find enclosed the Direct Access Testimony of Bradley G. Mullins on behalf of AWEC.

The confidential portions of Mr. Mullins' exhibits are being handled in accordance with Order No. 18-047 and will follow to the Commission via Federal Express.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Rainbow Wainright
Rainbow Wainright

Enclosure

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the **confidential Exhibits to the Direct Access Testimony of Bradley G. Mullins** upon the parties shown below by mailing copies via First Class U.S. Mail, postage prepaid, and by sharing copies via the Huddle workspace in this docket.

Dated at Portland, Oregon, this 4th day of September, 2018

Sincerely,

/s/ Rainbow Wainright
Rainbow Wainright

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BEFORE THE

PUBLIC UTILITY COMMISSION OF OREGON

UE 335

In the Matter of	)
	)
PORTLAND GENERAL ELECTRIC COMPANY,	)
	)
Request for a General Rate Revision.	)

DIRECT ACCESS TESTIMONY OF BRADLEY G. MULLINS

ON BEHALF OF THE ALLIANCE OF WESTERN ENERGY CONSUMERS

September 4, 2018

TABLE OF CONTENTS

Exhibit List

Exhibit AWEC/401: Illustration of Value of Freed-up Capacity in the Transition Period

Exhibit AWEC/402: PGE Response to AWEC Data Request 154

Exhibit AWEC/403: PGE Handout in AR 441 Workshop

Exhibit AWEC/404: PGE Comments and Staff Report in Advice No. 02-17

Exhibit AWEC/405: PGE Response to Staff Data Request 324

Confidential Exhibit AWEC/406: PGE Response to AWEC Data Requests 148 and 151

Exhibit AWEC 407: PGE Response to AWEC Data Request 153

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Bradley G. Mullins, and my business address is 1750 SW Harbor Way, Ste 450, Portland, Oregon 97201.

Q. ARE YOU THE SAME WITNESS WHO PREVIOUSLY FILED TESTIMONY IN THIS MATTER?

A. Yes. On May 24, 2018, I filed opening power cost testimony on behalf of the Alliance of Western Energy Consumers ("AWEC"). On June 6, 2018, I filed opening testimony on behalf of AWEC in the general rate case portion of this proceeding. I also filed rebuttal testimony in the general rate case portion of the proceeding on August 15, 2018. In addition, I have been AWEC's witness supporting the Net Variable Power Cost stipulation filed on August 22, 2018.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT ACCESS TESTIMONY?

A. On August 20, 2018, Portland General Electric Company ("PGE") and a few other parties entered into a multi-party settlement on Direct Access issues (the "Stipulation"). AWEC objects to the Stipulation and I am sponsoring this testimony on behalf of AWEC to provide support for AWEC's opposition to the Stipulation.

Q. PLEASE SUMMARIZE YOUR TESTIMONY REGARDING THE DIRECT ACCESS STIPULATION.

A. AWEC agrees with several aspects of the Stipulation on direct access. For example, AWEC does not oppose continued use of a five-year transition period for the opt-out program. Notwithstanding, AWEC continues to oppose the imposition of a cap on the direct access program that would have the effect of making a single customer ineligible for the program.[1/]

1/ See PGE's Response to AWEC Data Request 148, Conf. Att. A.

This was a major issue raised by AWEC in this case that was neither resolved nor addressed in the Stipulation. The direct access program has been around for 16 years without needing a cap, and AWEC continues to be of the position that a hard cap is unnecessary. At a minimum, the cap should be raised to a level that allows all eligible customers to participate. Resetting the cap to provide for an additional 250 aMW of participating load (for a total of 550 aMW) would be one way to accomplish this.

PGE's only argument against increasing the cap is that it may increase potential cost-shifting. PGE, however, has provided no credible evidence that the current five-year program has resulted in cost-shifting, and now, by signing the Stipulation, apparently agrees that no unwarranted cost-shifting is occurring. Indeed, as my testimony below shows, use of a ten-year transition period (as PGE originally advocated for) is more likely to result in cost-shifting *to* direct access customers *from* cost-of-service customers, unless a capacity credit is provided.

II. THE PARTICIPATION CAP IS UNNECESSARY

Q. WHAT DID YOU PROPOSE WITH RESPECT TO A CAP ON DIRECT ACCESS PARTICIPATION?

A. In my opening rate case testimony I proposed to eliminate the program cap altogether.[2] PGE's long-term opt-out program has been in place for nearly 16 years. Only approximately 236 aMW of load has participated in the program to date, which is affirmative evidence that a cap is unnecessary to prevent excessive volumes of customers from leaving. If those large volumes of customers had desired to leave, they would have left already. Further, I noted that the only impact of the cap recently has been to exclude a single customer, which is discriminatory,

[2] AWEC/200, Mullins/45-46.

given that the long-term opt-out program was intended to apply to all customers with loads exceeding 1 aMW. PGE's direct access program is not a pilot program anymore, so it is unnecessary to keep treating it as if it were through the imposition of an arbitrary cap.

Q. HOW WAS THIS ISSUE RESOLVED IN THE STIPULATION?

A. The Stipulation retained the 300 aMW participation cap that was put in place 16 years ago. With approximately 236 aMW of load enrolled in the program, however, PGE is proposing that only about 64 aMW of additional load should be eligible to participate. Based upon interest in the current opt-out window, the remaining 64 aMW remaining under the cap will likely decline even further.

Q. DID THE STIPULATING PARTIES JUSTIFY THEIR POSITION ON THIS ISSUE?

A. No. The Stipulating Parties offer no testimony to support keeping in place the old participation cap.[3/]

Q. HOW DID PGE RESPOND TO THIS ISSUE IN REBUTTAL TESTIMONY?

A. PGE did not respond to AWEC's concerns regarding the necessity of the cap, nor the fact that the cap has really only had the effect of making one customer ineligible for the program. PGE also failed to respond to the distinction I noted with the Commission's order granting a ten-year transition period for PacifiCorp, which was based in part on that utility's multi-state allocation protocol in place at the time that order was issued. Rather, PGE's Rebuttal Testimony made a number of sweeping statements, such as "Increasing these limits would only serve to exacerbate potential cost shifts." Further, PGE notes that direct access participation might increase with AR 614.

3/ Stipulating Parties/500 at 3:19-4:3.

Q. WILL ELIMINATION OF THE CAP EXACERBATE POTENTIAL COST SHIFTS?

A. No. PGE's statements regarding cost shifts are unsupported and simply false. PGE appeared to be operating under the assumption that the direct access program inherently results in cost-shifting. As discussed below, however, remaining customers have benefitted from the direct access program. PGE's statements are further confuted by its acceptance of the Stipulation, which, as AWEC's objections discuss, necessarily means PGE must agree that there is no cost-shifting. The program has been specifically designed to avoid unnecessary cost-shifting through transition adjustments. Thus, removing the cap will not result in any unwarranted cost-shifting.

Q. IS AR 614 RELEVANT TO THE CAPS ON THE DIRECT ACCESS PROGRAM?

A. The AR 614 program has not been developed, so it is premature to assume how that program might interplay with PGE's existing program. Notwithstanding, establishment of a cap with respect to the AR 614 program should have no bearing on whether a cap is necessary for the existing program. The AR 614 program represents new loads that the utility is not planning for. Whether a cap is in place on the existing program will have no impact on the volume of new customers that might choose to participate in the new load program.

III. DIRECT ACCESS DOES NOT RESULT IN COST SHIFTING

Q. WHY DO YOU DISAGREE WITH THE PRESUMPTION THAT DIRECT ACCESS INHERENTLY RESULTS IN COST SHIFTING.

A. If viewed in the long-term, PGE is able to avoid building new energy- and capacity-related production plant. In the very short-term, lost loads do have a cost effect of spreading fixed cost over fewer megawatt-hours. In the long-term, however, that cost effect is offset by avoided future production costs.

Q. WHAT WAS YOUR PROPOSAL IN OPENING TESTIMONY REGARDING THE CAPACITY BENEFITS OF THE DIRECT ACCESS PROGRAM?

A. My proposal in Opening Testimony was to include a value of freed-up capacity, based on the marginal cost of capacity used to establish the marginal cost of generation in the rate case. Under my proposal, the capacity payment would only apply if the utility is deficient in the five-year transition period.

Q. DID OTHER PARTIES SHARE SIMILAR POSITIONS?

A. Yes. Commission Staff and the Northwest and Intermountain Power Producers Coalition made similar proposals. PGE was opposed to including the value of freed-up capacity.

Q. HOW WAS THE ISSUE OF FREED-UP CAPACITY RESOLVED IN THE STIPULATION?

A. The Stipulation did not include a provision to account for the value for freed-up capacity. PGE acknowledged that it currently has a capacity need of at least 100 MW beginning in 2021.[4/] AWEC has repeatedly noted that PGE needs to consider direct access as a resource before PGE undertakes efforts to acquire new resources. Accounting for the capacity benefit in the transition adjustment calculations would help to further that purpose.

Q. HOW DID PGE RESPOND TO THE VALUE OF FREED-UP CAPACITY IN REBUTTAL TESTIMONY?

A. PGE argued that direct access customers do not avoid capacity costs, because the capacity costs are spread over fewer megawatt-hours.[5/]

Q. IS PGE'S ARGUMENT VALID?

A. No. PGE's argument is true in the period subsequent to the transition period. It is not true, however, in the transition period itself. PGE's argument ignores the fact that departing

4/ PGE/2500, Macfarlane-Goodspeed/9:2-3.
5/ Id. at 11:11-16.

customers are paying transition adjustments in the first five years to make other customers whole. While it is true that the costs are spread over fewer megawatt hours, the transition adjustments compensate remaining customers as if the costs were not being spread over fewer megawatt hours. PGE's analysis misses this vital concept underlying the transition adjustment.

Q. HAVE YOU PREPARED AN EXHIBIT TO ILLUSTRATE THIS CONCEPT?

A. In Exhibit AWEC/401, I have illustrated this point and proved the invalidity of PGE's argument. That exhibit shows that, under the current construct, where there is no value attributed to freed-up capacity, any capacity cost avoided in the transition period produces savings to remaining customers. Mathematically, if PGE avoids just one dollar of capacity-related costs in the transition period due to direct access, remaining customers recognize capacity benefits, even after considering the fact that the costs are spread over fewer megawatt-hours.

As can be seen in the exhibit, I calculate a hypothetical amount of production cost going out five years. These amounts, detailed in lines 1 through 7 for each year, are based on the level of test period production costs from PGE's initial filing with one exception. I added an additional $5,000,000 of fixed production expense, which I assume can be freed-up if a 100 aMW block of load departs.

Next, in lines 8 through 11, I calculated the hypothetical value of freed up energy, using an assumed market price of $25/MWh.

On lines 12 through 18, I calculated the hypothetical production costs following the departure of a 100 aMW block of load. I did so by removing the incremental capacity costs associated with the direct access customer load. I also deducted the value of freed up energy associated with the direct access customer load.

Beginning on lines 19 through 23, I calculated the transition adjustment cost to the 100 aMW of departing direct access customer load by taking total production costs, excluding the incremental capacity cost of serving the direct access customer, less the value of freed-up energy.

Beginning on line 24 through end of the exhibit, I calculated the impact to remaining customers associated with this hypothetical set of parameters. The cost to remaining customers in this analysis is the production costs after departure from line 18, less the transition adjustment revenues. The results on line 30 show that, on a per megawatt-hour basis, the remaining customers paid less as a result of the direct access customers' departure. On a dollars basis, the savings equated to $4,743,676, effectively representing remaining customers' 94.87% share of the $5,000,000 in avoided capacity cost. As long as line 4, the cost of capacity avoided by the departing customer, is positive, remaining customers will recognize a benefit in the transition period.

While the actual value of avoided capacity will differ, AWEC/401 demonstrates the essential point: by definition, line 4 cannot be a negative number since the departure of a customer could not result in any additional capacity cost to the utility. A utility would never have to build more generation as a result of a customer's choice to depart. Thus, if, under the current construct, any capacity cost is avoided in the transition period, remaining customers benefit, while departing customers are not provided a credit for this capacity value in the transition adjustment calculation.

Q. HOW DOES THE TRANSITION PERIOD IMPACT THIS CAPACITY VALUE TO REMAINING CUSTOMERS?

A. The effects of direct access on remaining customers can be thought of from both a short-term and long-term perspective. Viewed in the short term, there might be transition costs associated with departing load (and transition charges to account for those costs) due to the fact that fixed production costs must be spread over fewer megawatt-hours. If viewed in the long term, however, departing loads provide benefits to remaining customers. In the long term, the utility avoids or defers building new generating capacity as a result of the departing customer, or in the absence of load growth may retire old, expensive capacity, without the need to immediately replace it with new capacity.

Q. IS THE CURRENT TRANSITION ADJUSTMENT CALCULATION A SHORT-TERM OR A LONG-TERM METHODOLOGY?

A. The existing transition adjustment calculation is equivalent to valuing the departing load using a very short-term perspective, based on the short-term marginal cost of energy. The "market-minus" approach that PGE uses to calculate transition adjustments effectively takes the cost of production and subtracts the forecast market prices of electricity to determine the departing customer's share of remaining fixed costs.

Q. SHOULD THERE BE ALIGNMENT BETWEEN THE TRANSITION ADJUSTMENT CALCULATION AND THE TRANSITION ADJUSTMENT PERIOD?

A. Yes. If a short-term period is to be used as the transition period, short-term marginal costs are appropriate to value the departing loads. If a long-term period is to be used, however, it would be more appropriate to use long-term marginal costs to value the departing loads. In fact, requiring the customer to pay transition adjustments over the long term based on short-term marginal costs, as PGE initially recommended, inherently results in cost-shifting from remaining customers to the departing customer because it does not consider the value of freed-up capacity. The mechanics of this were detailed in Exhibit AWEC/401. The value of freed-up capacity resulting from the direct access customer's departure, therefore, has some impact on how one might view the transition period.

Q. IS THE VALUE OF FREED-UP CAPACITY MORE IMPACTFUL IF A LONG-TERM TRANSITION PERIOD IS ADOPTED?

A. Yes. PGE has done no long-term IRP analysis to consider the long-term effects of departing customers on rates. In Washington, however, Puget Sound Energy ("PSE") did perform such an analysis, when considering the departure of Microsoft.[6] That analysis compared the avoided cost of no longer serving Microsoft's departed load with the lost revenues from this departure.[7] It showed that, while in the first few years remaining customers paid more, in the long run customers were overwhelmingly better off as a result of Microsoft's departure. As PSE's witness, Jon Piliaris, explained:

> [T]he results of this analysis rely on the difference between the price for power supply embedded in PSE's retail electric rates and its avoided power supply cost, as well as PSE's need for new resources to meet its load requirements. Without a need for new resources, a loss of retail load should result in a net cost to other PSE customers since the retail price for power supply currently exceeds PSE avoided costs of power supply, which is roughly approximated by the projected market price for power. However, when PSE anticipates the need to make a major resource acquisition, this loss of retail load becomes a net benefit to other customers through the delayed or reduced acquisition of those resources.[8]

The five-year transition period PGE uses today (and would continue to use in the Stipulation) essentially captures the first part of PSE's analysis – it establishes a transition adjustment based on the difference between PGE's embedded cost of power supply and the market price. It does

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[6] WUTC Docket UE-161123, Exh. No.__(JAP-1T) (Oct. 7, 2016). The numbers in PSE's analysis are confidential.
[7] Id. at 4-6.
[8] Id. at 5:19-6:6.

not, however, capture the second part of PSE's analysis – the avoided cost of incremental capacity. It is that part of the analysis that is essential to capture, particularly if transition charges were to be extended beyond five years.

Q. ARE PGE'S CUSTOMERS BETTER OFF IN AS A RESULT OF THE DIRECT ACCESS PROGRAM?

A. Yes. Below I present two analyses considering what PGE's production costs would have been had there been no long-term opt-out program in place in Oregon. These analyses show that remaining customers have not been harmed as a result of Oregon's direct access program, and in fact, have benefited from the direct access program.

In the first analysis, presented in Table 1 below, I estimate the benefit of the long-term opt-out program to remaining customers using the long-run marginal cost of energy and capacity from PGE's marginal cost study. It shows that customers would have paid about the same $/KWh rate if the direct access program did not exist, based on the long-run marginal costs. When one considers that many of the opt-out customers are no longer paying transition adjustments to reimburse remaining customers for their share of fixed costs, this analysis shows that Oregon's direct access program is working exactly as intended.

Table 1
Effects of Direct Access on Remaining Customers, Using Long-Run Marginal Costs
(Dollars in Thousands)

	Bundled Actual Cost	Incr. Cost to Serve Dir. Access Customers	Total Cost Without Dir. Access Program
Variable	$ 686,099	$ 77,838	$ 763,938
Fixed	375,309	25,821	401,130
Trans. Adj. Revs		18,170	18,170
Total Production Cost	$ 1,061,408	$ 121,830	$ 1,183,238
MWh	17,087,764	1,952,690	19,040,454
$/kWh	0.0621	0.0624	0.0621

In the above analysis I calculated the incremental cost to serve direct access customers using the marginal cost inputs in PGE's cost of service study. The first column shows the actual production costs associated with serving cost of service customers in PGE's initial filing. The second column details the additional cost of serving current direct access customers if the direct access program did not exist. That column also considers the transition adjustment revenues that departing customers are paying to cost of service customers. The third column sums the prior two to arrive at the cost ratepayers would be paying in the absence of Oregon's direct access program. Since the volumes are different, one must focus on the rate to determine how ratepayers have been impacted, and as can be seen, the average rate is the same with and without the direct access program, indicating that customers have not been harmed as a result of the program. While the two $/KWh values round to the same figure, the unrounded values are slightly different, but the proximity of the two values is by no means a coincidence, since the program has been specifically designed in a manner that avoids undue cost-shifting.

The assumption inherent in Table 1 is that PGE would have had to acquire new resources at an average cost roughly equal to its long-run marginal cost. The reality, however, is that the resources PGE has acquired recently have exceeded its marginal cost of capacity. I documented the fact that the cost of Port Westward II exceeded PGE's marginal cost of capacity in PGE's 2015 General Rate Case, Docket UE 294.[9/] Further, the marginal capacity values in the marginal cost of generation study are levelized values, which do not reflect the front-loaded way that new resources impact revenue requirement. Finally, resource additions are also inherently blocky, meaning that serving an additional 236 aMW of load may have triggered the need for an even larger resource addition, perhaps the 450 MW Carty II Generating facility modeled in PGE's 2016 IRP.

I account for these realities in Table 2, below, where I have used the first-year net revenue requirement of the existing Carty generating facility of $85,177,580[10/] as a proxy for the capacity value provided by the approximate 236 aMW of direct access customers. Viewed as a counterfactual, this analysis assumes that, in the absence of the direct access program, PGE would have been required to construct the Carty II generating station.

9/ In Re Portland General Electric Corporation, Request for a General Rate Revision, Docket UE 294, ICNU/200, Mullins/10:17-11:7.

10/ From PGE's final revenue requirement workpapers in Docket No 294.

Table 2
Effects of Direct Access on Remaining Customers, Using Carty as Proxy
(Dollars in Thousands)

	Bundled Actual Cost	Incr. Cost to Serve Dir. Access Customers	Total Cost Without Dir. Access Program
Variable	$ 686,099	$ 77,838	$ 763,938
Fixed	375,309	85,178	460,486
Trans. Adj. Revs		18,170	18,170
Total Production Cost	$ 1,061,408	$ 181,186	$ 1,242,594
MWh	17,087,764	1,952,690	19,040,454
$/kWh	0.0621	0.0928	0.0653

This analysis shows that, not only are customers held harmless, but they are paying significantly less than what they would have if Direct Access had not been implemented. Based on the $/kWh savings in the table, current ratepayers would be required to pay $53,751,643 more than they are today if the program did not exist.[11/] The analyses also demonstrate that PGE's view in Rebuttal Testimony regarding a ten-year transition period and the value of freed-up capacity are not an accurate view of the true system value associated with the direct access program.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

[11/] Calculated as (0.653 $/kWh - 0.0621 $/kWh) * 17,087,764,000 kWh.

Illustration of Freed-up Capacity Benefit To Remaining Customers Associated with Direct Access
Hypothetical 100 MW Load and $5 million freed-up capacity cost beginning in year 4
Dollars in thousands

	Description	Source	Period 1	Period 2	Period 3	Period 4	Period 5
1	**Production Costs Prior to Departure**						
2	Variable	Actual	686,099	686,099	686,099	686,099	686,099
3	Fixed	\	375,309	375,309	375,309	375,309	375,309
4	Incr. Capacity Cost of Serving Departing Customer					**5,000**	**5,000**
5	Total Production Costs Prior to Departure	∑ Lines 2:4	1,061,408	1,061,408	1,061,408	1,066,408	1,066,408
6	MWh	Actual	17,087,764	17,087,764	17,087,764	17,087,764	17,087,764
7	$/MWh Cost	Line 5 / Line 6	62.12	62.12	62.12	62.41	62.41
8	**Value of Freed-up Energy (100 aMW)**						
9	Opt-out MWh	100 aMW *8760	876,000	876,000	876,000	876,000	876,000
10	Market Price	Hypothetical	25	25	25	25	25
11	Value of Freed-up Energy	Line 10 * Line 9	21,900	21,900	21,900	21,900	21,900
12							
	Production Costs After Departure						
13	Variable	Line 2	686,099	686,099	686,099	686,099	686,099
14	Fixed	Line 3	375,309	375,309	375,309	375,309	375,309
15	Incr. Capacity Cost of Serving Departing Customer	Set to Zero				-	-
16	Production Cost Before Freed-up Energy	∑ Lines 13:15	1,061,408	1,061,408	1,061,408	1,061,408	1,061,408
17	Value of Freed-up Energy	Line 11	(21,900)	(21,900)	(21,900)	(21,900)	(21,900)
18	Production Costs After Departure	Line 16 + Line 17	1,039,508	1,039,508	1,039,508	1,039,508	1,039,508
19	**Cost To Departing Customer**						
20	Allocation %	Line 9 / Line 6	5.13%	5.13%	5.13%	5.13%	5.13%
21	Allocated Production Costs	Line 16 * Line 20	54,413	54,413	54,413	54,413	54,413
22	Less Value of Freed-up Energy	Line 17	(21,900)	(21,900)	(21,900)	(21,900)	(21,900)
23	Transition Adjustment Cost	∑ Lines 21:22	32,513	32,513	32,513	32,513	32,513
24	**Costs to Remaining Customers**						
25	Production Cost After Departure	Line 18	1,039,508	1,039,508	1,039,508	1,039,508	1,039,508
26	Transition Adjustment Revenues	- Line 23	(32,513)	(32,513)	(32,513)	(32,513)	(32,513)
27	Total Production Costs To Remaining Customers	∑ Lines 25:26	1,006,995	1,006,995	1,006,995	1,006,995	1,006,995
28	MWh Remaining	Line 6 - Line 9	16,211,764	16,211,764	16,211,764	16,211,764	16,211,764
29	$/MWh Cost to Remaining Customers	Line 27 / Line 28	62.12	62.12	62.12	62.12	62.12
30	$/MWh Cost/(Savings) to Remaining Customers	Line 29 - Line 7	-	-	-	(0.293)	(0.293)
31	**$ Cost/(Savings) to Remaining Customers**	Line 28 * Line 30	-	-	-	**(4,743,676)**	**(4,743,676)**

August 28, 2018

TO: Jesse O. Gorsuch
Davison Van Cleve, P.C.

FROM: Stefan Brown
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 335
PGE Response to AWEC Data Request No. 154
Dated August 21, 2018

Request:

Reference PGE's response to OPUC DR 261, Confidential Attachment A. Please provide the aggregate number identified at the bottom of this attachment on a nonconfidential basis. In the alternative, please explain why PGE is treating this number as confidential under the Protective Order issued in this docket.

Response:

The aggregate Cost of Service opt-out enrollment annual loads provided in PGE's response to OPUC Data Request No. 261, Confidential Attachment 261-A, totals to 236.1 MWa.

Portland General Electric

AR 441

Overview of PGE Cost of Service Opt-Out Proposal

(For Discussion Purposes)

Establish two defined Large Nonresidential service option groups:

Group 1 Cost of Service [Essentially the same as current]

- Available to all large nonresidential customers
- Similar to current Schedule 83
- Includes PGE long and short term resources
- Provides market-based pricing options, similar to current pricing options (other options are possible)
- Provides direct access option with return to COS option (same as current)
- RVM continues but Parts A & B are collapsed with no opt-out of Part B

Group 2 Non-Cost of Service

- Available to customer greater than 250 kW who can aggregate to 1 aMW
- Minimum 5-year opt-out of RVM adjustment. Return to COS with up to 2-year notice as any other new customer.
- Separate 5-year transition cost/benefit recovery through charge/credit to electing customers
- Remaining COS large (>30 kW) nonresidential customers "buy" 5-year power made available by electing customers at forward curve used to set the transition charge/credit.
- Provides direct access option with no return to COS during the 5-year period
- Provides power supply options at quote. These options will receive the equivalent T&D charges as direct access (e.g. daily scheduling, balancing requirements, etc.) on a customer by customer basis.
- Opt-out continues beyond 5 years absent a 2-year notice to return to COS
- Limited to 300 aMW
- OPUC approval of tariff changes required; service agreements are implemented

Portland General Electric
For Discussion Purposes Only

Comparison of Customer Options
With Cost of Service Opt-out

Group	Cost of Service		Non-Cost of Service	
Supplier	**PGE Service**	**Direct Access**	**PGE Supply**	**Direct Access**
Cost of Service Supply	Included	Available	n/a	N/a
Energy Pricing Options - **daily index** - **monthly** - **quarterly** - **annual**	Price options may be offered; prices at overall system costs; terms and conditions to fit offers	Per ESS offer	All may be offered, commitments and other terms and conditions apply	N/a
RVM	Parts A&B apply, combined		Not applicable	
RVM Part B Opt-out	No	No	N/A	N/A
Power Supply - Title held by	PGE	ESS	PGE	ESS
Charges* for Services: - **Power** - **Transmission** - **Distribution** - **Ancillary Svcs** - **PCA** - **Other Adj**	PGE: Sch 83 " " " " "	Direct Access: Per ESS OATT PGE 583 OATT N/A As applicable	Same as Direct Access: Per PGE OATT PGE 583 OATT N/A As applicable	Direct Access: Per ESS OATT PGE 583 OATT N/A As applicable
Maximum cum. load served	No limit	No limit	300 mWa	
Load Aggregation	n/a	Per ESS	1 mWa, not less than 250 kW/acct	1 mW, not less than 250 kW/acct
Return to COS Notice			At least 2 year notice	At least 2 year notice
5 Year Transition Adj	n/a	n/a	Applicable	Applicable

*Subject to change from time to time with OPUC approval.

Portland General Electric Company
121 SW Salmon Street • 1WTC1703 • Portland, Oregon 97204
office (503) 464-7353 • facsimile (503) 464-7050

Pamela Grace Lesh
Vice President
Regulatory & Federal Affairs

RECEIVED
OCT 0 2 2002
PUC
Utility Program

October 2, 2002

Public Utility Commission of Oregon
550 Capitol St NE
Suite 215
Salem, OR 97301-2551

Attn: Vikie Bailey-Goggins
Administrator, Regulatory Operations Division

RE: **Advice No. 02-17**

This filing reflects the results of the "Opt Out Process" discussed under AR441. We have requested an effective date of November 1, 2002 and included with this letter are the original and four conformed copies of the following:

Third Revision of Sheet No. 1-3
First Revision of Sheet No. 1-4
Third Revision of Sheet No. 100-1
First Revision of Sheet No. 125-1
First Revision of Sheet No. 125-2
Second Revision of Sheet No. 125-3
Second Revision of Sheet No. 125-4
First Revision of Sheet No. 125-5
Original Sheet No. 129-1
Original Sheet No. 483-1
Original Sheet No. 483-2
Original Sheet No. 483-3
Original Sheet No. 483-4
Original Sheet No. 483-5
Original Sheet No. 483-6
Original Sheet No. 483-7
First Revision of Sheet No. B-3
First Revision of Sheet No. H-1
First Revision of Sheet No. H-12
First Revision of Sheet No. H-13
First Revision of Sheet No. H-18

The purpose of this filing is to allow large nonresidential consumers with loads greater than one MWa to forego access to any cost of service rate (COS opt-out) for five years. By voluntarily giving up the right to cost of service rates, the Consumer is exempt from the charges or credits associated with resource transition costs currently contained in Schedule 125, Resource Valuation Mechanism.[1] A description of the COS opt-out proposal and a discussion of the rate schedules needed to implement the COS opt-out proposal is provided below. We propose to limit the COS-opt participation to 300 mWa.

Our proposal establishes a minimum five year period (2003 through 2007) during which participating Consumers may not return to cost of service rates. We also provide a description of how a Consumer could, at their option, return to cost of service rates after five years. Practical considerations suggest an "opt-back-in" ability be provided; however, our proposal states that the return to COS requires a two year notice and the Consumer will be considered a new Consumer relative to then available service options. Consequently, a COS opt-out participant may find different options available when compared to Consumers who did not participate in the COS opt-out.

The COS opt-out concept was initiated by Consumers and Energy Service Suppliers (ESSs) who indicate that a competitive market for power supply to retail loads will be jump started by eliminating the price uncertainty associated with the Schedule 125 on-going valuation process. In place of the year to year RVM adjustment, COS opt-out Consumers will have a fixed transition adjustment for the five year period in proposed Schedule 129.

In order to implement the COS opt-out proposal for 2003 we have proposed to have the rate schedules and tariff changes effective November 1, 2002. In addition, Consumers electing the COS opt-out must inform the Company by November 8, 2002. This timing will provide Consumers and ESSs with a window in which to make the COS opt-out decision for 2003 and give the Company time to incorporate the elections into the finalized RVM update for posting on November 15th.

The COS opt-out as proposed will result in limited rate impacts on non-participating Large Nonresidential Consumers, estimated to be about 0.5 percent based on current information. However, nonparticipating Consumers will receive the advantages of a resource at a fixed price for five years thereby offsetting some future market purchases. The COS opt-out impact on the non-participant group is the result of differences between the five year fixed transition cost adjustment amount from COS opt-out Consumers and the Schedule 125, RVM Part A adjustment that the COS opt-out adjustment Consumers would otherwise cover.

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[1] For 2003 only, those Consumers that did not elect to be exempt from the Schedule 125 Part B adjustment will be subject to this adjustment.

Schedule 483

Schedule 483, Transmission Access Service, Large Nonresidential, is the specific rate schedule under which Consumers exercising the voluntary option to forego access for five years to any cost of service rate (the COS opt-out) will be provided service. The schedule provides that Electricity Service may be through direct access service or Company-Supplied Energy service. The Consumer may act as their own ESS or utilize an ESS.

Due to the time needed to add this alternative pricing option to the Company's new customer accounting system, the Company proposes that for 2003, large nonresidential consumers choosing this option will receive a Company supplied power option through Schedule 83 and an ESS option through Schedule 583. Beginning in 2004, consumers served on Schedule 483 will have a Company or direct access energy supply option only as specified under Schedule 483.

The Company-supplied power beginning in 2004 will be priced on a Daily Index with a margin and a separate wheeling charge as specified. The PGE OATT will provide all transmission and ancillary service-related charges. Consumers are required to provide a forecast of loads to the Company on a daily basis.

The Basic, Ancillary Service, Distribution and System Usage rates under Schedule 483 are identical to Schedule 583. In addition, all supplemental adjustment schedules will apply except as specifically exempted by Schedule 483. For example, Schedule 125 will not apply to Schedule 483 with the exception of the limited applicability of Schedule 125, Part B which is addressed in the schedule.

To participate, Consumers must have a load of at least one MWa and may aggregate accounts with Facility Capacity of at least 250 kW. We believe that a limitation on both total participating load and minimum load size for individual consumers is appropriate. The risks and impacts on other consumers are manageable and larger consumers are expected to be able to fully understand the implications of a COS opt-out.

Schedule 483 includes the requirement that a Consumer must sign a service agreement in order to take this service. The service agreement will include the first Special Condition in Schedule 483. This special condition describes what risks the Consumer has agreed to in exercising their COS opt-out. The Company has no knowledge as to whether a COS opt-out will be beneficial to any Consumer and therefore will not be able to advise Consumers on the appropriateness of a choice.

Schedule 100

On Schedule 100, we add Schedule 129 to the matrix as an adjustment and Schedule 483 is added as an additional schedule with the matrix identifying which adjustments are applicable to Schedule 483.

Schedule 125

Schedule 125 has been changed to: 1) allocate long term resources freed up by the COS opt-out to remaining large nonresidential consumers; 2) eliminate the option to choose to be exempt from Part B; and 3) allow consumers currently exempt from the Part B adjustment to continue to be exempt until notice to return is given.

Schedule 129

This schedule sets out the fixed five year transition charge for the COS opt-out consumers served under Schedule 483. Our analysis of the five year impacts on resource costs has resulted in a transition cost of 0.061 cents per kilowatt-hour. We computed the fixed transition charge from the model used to evaluate PGE's resource plans. The transition cost model estimated in total for all PGE resources the cumulative 5 year costs of resources and compared the costs to the market value of the output of the resources. The market value was determined from a recent 5 year power cost strip incorporating costs of delivery to Portland. The analysis shows a net transition cost of $44,575,00 per year over a five year period. Workpapers to this filing provide a summary of the computation of the transition charge.

At the end of five years, Schedule 129 is terminated. Consumers that remain on Schedule 483 will continue to be exempt from any future transition charges that are similar to the charges set out in Schedule 125.

Rules B and H

We have revised language in the rules to clarify that an individual consumer may act as their own ESS. It is our understanding that consumers who chose to act as their own ESS are not required to be certified by the OPUC, nevertheless, it is important for a Consumer to provide all the information and follow the same procedures as ESSs do in providing direct access service.

OATT Imbalance

We will file a proposed modification to add an energy imbalance structure specifically for direct access service to the Company's OATT, Schedule 4, Energy Imbalance Service with the Federal Energy Regulatory Commission on or about November 1, 2002. The direct access energy imbalance service will provide for the settlement of deviations between ESS delivered power for direct access consumers and actual usage by the direct access consumers. The energy imbalance computation for direct access service will be as follows:

- Set a direct access deviation band of +/- 7.5% (with a minimum of 2 MW) where within the bandwidth, energy imbalances are settled as currently provided in the OATT.

Portland General Electric

- For deviations outside the bandwidth, the direct access energy imbalance will incorporate a 10 percent premium to the energy imbalance charge. This will encourage ESSs to submit schedules that accurately match the loads of their direct access service consumers.

The OATT changes are based on concerns expressed by AR441 participants and reflect assurances that ESS and Consumers will not systematically bias schedules toward over or underdeliveries to take advantage of market price opportunities that could emerge at the expense of the Company. We expect to closely monitor scheduling of power and associated loads.

Please direct any questions regarding this filing to Sara Cardwell, (503) 464-7394.

Sincerely,

Pamela H. Tesh

ITEM NO.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 30, 2002

REGULAR X **CONSENT** ___ **EFFECTIVE DATE** **November 1, 2002**

DATE: October 25, 2002

TO: John Savage through Lee Sparling LS

FROM: Jack Breen III JB III

SUBJECT: PORTLAND GENERAL ELECTRIC: (Advice 02-17) Request for Approval of Tariffs to Implement Opt-Out Process

STAFF RECOMMENDATION:

Staff recommends that the Commission allow Portland General Electric's October 2, 2002, filing, as amended on October 24, 2002, to go into effect November 1, 2002, with less than statutory notice.

DISCUSSION:

Introduction

On October 2, 2002, Portland General Electric (PGE or company) filed Advice No. 02-17 with an effective date of November 1, 2002. The filing was made in accordance with ORS 757.205, Filing Rate Schedules with the Commission. On October 24, 2002, PGE filed replacement sheets and an application to waive statutory notice to modify provisions related to the Part B adjustment in Schedule 125, and make other minor clarifications and corrections. Advice No. 02-17 allows qualifying customers to commit to direct access or a daily pricing option from PGE for five years with a fixed transition cost. Nonresidential customers over 1 MWa[1] may opt-out by electing by November 8, 2002, to be served under Schedule 483, Transmission Access Service, Large Nonresidential.

If a customer chooses this opt-out process under Schedule 483, the following occurs:

- The customer is charged a fixed transition charge for five years (Schedule 129).

[1] Projected 2003 average usage of 8,760,000 kWh (from accounts over 250 kW).

- The customer is exempt from the transition costs contained in Schedule 125, Resource Valuation Mechanism[2].
- The customer foregoes receiving a cost of service rate for at least five years.
- On Schedule 483, the customer may go between ESS service and the PGE supplied daily price option.
- After five years, the Schedule 129 charges expire and the customer may continue on Schedule 483 on a year-to-year basis with no transition charges (or credits).
- With two years notice, a customer can switch to any PGE option available to new customers for service after 2007.
- Sign-ups for the opt-out are limited to the first 300 MWa that applies.

This filing also addresses a significant issue that is largely unrelated to the five-year plan – the Part B exemption, and other less significant details regarding implementation of the five-year plan.

After this introduction, this memo is organized into the following sections:

- Stakeholder Process
- Development of Competition
- Opportunity for Review, Customer Notification, and Customer Participation Issues
- Description of Current and Proposed Major Rate Schedules
- Technical Issues Related to the Proposed Rate Schedules
    - Transition Charges
    - Transmission Access
    - Margin on PGE's Daily Price Option
    - What Happens in Five Years?
- Part B Exemption
- Other Issues
    - SB 1149 Statutes and Rules
    - Other Tariff Changes
- Conclusions

This filing is the result of an extensive stakeholder process that emanated from a desire by customers and ESSs to be able to enter into multi-year deals with greater certainty about transition costs. If a customer elects the five-year option, the customer pays the transition charge shown in Schedule 129 of 0.061 cents per kWh rather than the

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[2] The exception is the 2003 Part B rate, if applicable.

Schedule 125, Resource Valuation Mechanism, transition charges that change annually[3].

Schedule 483 also allows a customer to continue to receive its energy supply from PGE under a daily price option. In 2003, service would be provided by PGE under its Schedule 83 daily price option based on the Dow Jones Mid-Columbia Daily on- and off-peak Electricity Firm Price Index (DJ-Mid-C Firm Index) plus 0.243 cents per kWh, plus losses. Customers choosing the company supplied option in 2004 will pay DJ-Mid-C Firm Index daily prices plus 0.2 cents (2 mills) per kWh, plus losses. The customers choosing the company supplied energy option in 2004 will be subject to distribution and transmission charges equivalent to those incurred by ESS customers (Schedule 583), pay wheeling and transmission charges, provide a daily energy schedule, and incur imbalance charges in a manner that is comparable to the requirements faced by an ESS customer.[4]

There are about 123 customers eligible for Schedule 483, which represents approximately 780 accounts.

Stakeholder Process

PGE's filing is an outgrowth of discussions about a proposal by the Industrial Customers of Northwest Utilities (ICNU) to encourage the development of a competitive retail market. ICNU proposed that certain customers be given a one-time option to permanently waive the right to a cost-of-service rate and commit to obtaining power in the market without exposure to transition charges (or credits). In June of this year, the Commission opened AR 441 to consider rule changes needed to accommodate the ICNU proposal. PGE, PacifiCorp, ICNU, the Citizens' Utility Board (CUB), Building

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[3] Unless the customer provided a timely notice to be exempt from Schedule 125 Part B charges, a customer that elects Schedule 483 will be subject to such charges for 2003 only.

[4] PGE indicates,

> Due to the time needed to add this alternative pricing option to the Company's new customer accounting system, the Company proposes that for 2003, large nonresidential customers choosing this option will receive a Company supplied power option through Schedule 83 and an ESS option through Schedule 583. Beginning in 2004, consumers served on Schedule 483 will have a Company or direct access energy supply option only as specified under Schedule 483.

Owners and Managers Association-Portland (BOMA), several ESSs, and Staff have actively participated in the discussions and rulemaking proceeding. In August, the parties decided to focus on specific tariff language for an opt-out procedure. In response to concerns about customers not being able to return to a cost-of-service option under the original ICNU proposal, PGE outlined an approach allowing customers to return after five years, with two years' notice required. After several discussions with the other parties, PGE finalized and submitted this advice filing.

After the filing, staff solicited comments regarding this advice filing and found widespread support for its adoption by the Commission.

<u>Development of Competition</u>

Although it appears that some customers may choose direct access on January 1, 2003, the development of direct access in Oregon has been nil to this point. Staff, PGE and the parties believe the five-year opt-out will assist in the development of direct access in Oregon.

<u>Opportunity for Review, Customer Notification, and Customer Participation Issues</u>

One commenter indicated, "Practically speaking, these two filings (02-17 and 02-18) have come in almost too late to get reasonable review and decisions before notice that would be required for implementation in January." Although staff agrees the review time was short, the five-year opt-out was a product of extensive prior discussions among the parties and staff is satisfied that the review time was adequate.

Staff also believes that PGE's notification program is adequate. PGE's comments regarding customer notification are as follows:

> Our account management team has been making calls to the 123 customers to inform and explain the proposed schedule and proposed options. Personal visits are arranged if the customer is interested. In addition, a meeting is being planned for those customers interested in more information (scheduled for Nov 5).

Under PGE's Schedule 483, a customer is eligible if its projected 2003 usage is 1 MWa from one or more points of delivery and each point of delivery must have a facility capacity of at least 250 kW. One commenter indicated that PGE should consider lowering the account size threshold down from 250 kW to 100 kW to allow the aggregation of smaller accounts and that an additional five-year opt-out should be offered next year. Staff supports reviewing these proposals during 2003 for possible implementation in 2004.

Other parties questioned the effect of the possible sale of PGE. Staff recommends addressing those types of issues, if needed, in the proceeding that would be conducted by the Commission to review such matters.

Description of Current and Proposed Major Rate Schedules

Schedule 83 (current) – Schedule 83 specifies the PGE energy options available to large nonresidential consumers. It specifies the basic charge, transmission and related service charge, distribution charge, and energy charge options (annual cost of service, daily, monthly, quarterly). The energy charges change depending on changes in net variable power costs (cost of service) and market conditions (daily, monthly, quarterly options).

Schedule 583 (current) – Schedule 583 specifies the PGE charges billed to a consumer who chooses direct access. It specifies the same basic and distribution charge as Schedule 83 and an ancillary service charge. Because the ESS supplies energy and transmission, it does not specify such charges.

Schedule 125 (current) – Schedule 125, Resource Value Mechanism (or RVM) is used to recognize the difference between the market price and cost of power on an annual basis. For 2003, the Schedule 125 adjustments will be the Part A and Part B adjustments. These adjustments are described in the tariff as follows:

> PART A – LONG-TERM RESOURCES
> Part A shall reflect the difference between the projected total cost of power (including a credit for any Company provided Ancillary Services) from long-term resources owned or controlled by the Company including associated transmission by others and the market price of an equivalent amount of power. The market price shall be based on the forward price curve that the Company uses to set the Cost of Service Option of Schedule 83. Long-term resources are all generating plants and power purchases with an initial term longer than five years, except BPA Subscription Power.
>
> PART B – SHORT-TERM RESOURCES
> Part B shall reflect the difference between the projected cost of power from short-term resources including associated transmission by others and the market price of an equivalent amount of power. The market price

shall be based on the forward price curve that the Company uses to set the Cost of Service Option of Schedule 83. Short-term resources are all resources that do not meet the definition of long-term resources except BPA Subscription Power.

Schedule 483 (proposed), Schedule 129 (proposed) – As described above, these schedules implement PGE's five-year opt-out process. Customers selecting these schedules forego access to a cost of service rate for five years and incur transition charges via Schedule 129 rather than the normal ongoing valuation process.

Technical Issues Related to the Proposed Rate Schedules

Transition Charges - Under the proposed Schedule 129, Five Year Transition Cost Adjustment, customers would incur a fixed charge of 0.061 cents per kWh from January 1, 2003 to December 31, 2007. Customers choosing the Schedule 483 option will be exempt from the transition charges in Schedule 125, Resource Valuation Mechanism[5].

The Schedule 129 transition charge is based on a five-year power transition cost of $44.6 million and a five-year wheeling transition cost of $1.8 million. In other words, the delivered cost of the energy output of PGE's resources exceeds the market value of the delivered energy by $46.4 million over the five-year period.

PGE computed the five-year power transition cost using the Transition Cost Model (TCM) filed in Docket LC 33. PGE updated the TCM to include on-peak and off-peak power prices from the company's September 26, 2002 forward curve. Other important assumptions include: (1) inclusion of ancillary services in the calculation of the power transition cost; (2) use of a nominal discount rate of 8.34%; and (3) inclusion of estimated fixed costs of PGE resources from Docket LC 33.

The TCM methodology used to calculate the fixed five-year transition cost differs significantly from the Monet methodology used to calculate the annual transition cost under Schedule 125, Resource Valuation Mechanism. Staff finds the Schedule 129 fixed five-year transition charge of 0.061 cents per kWh to be reasonable. However, Staff's support of this outcome should not be considered an endorsement of the TCM methodology.

Transmission Access - Schedules 83 and 583 allow customers to currently select PGE's standard offer service or direct access, respectively. In UE 115, the Schedule 83 rates

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[5] For comparison, in PGE's July 1, 2002 RVM filing in UE 139, the estimated Schedule 125 Part A transition charge for 2003 was 0.219 cents per kWh (PGE Exhibit 201).

were set to recover transmission and related service costs (78 cents per kW of monthly demand) and the Schedule 583 rates were set to recover ancillary service costs (28 cent per kW of monthly demand). This difference accounted for the fact that the ESS was required to bear its own transmission costs.

In 2003, customers that choose the PGE daily pricing option will pay Schedule 83 charges. The current Schedule 83 charges include the cost of wheeling through averaged rates. In 2004, under Schedule 483, customers choosing the PGE supplied option will be will be charged a wheeling charge of $1.243 per kW (the cost is based on the BPA transmission rate). This charge reflects PGE's costs to move PGE-supplied power to the PGE system from the Mid-C hub (i.e., the basis of the price index). Customers choosing the 2004 PGE energy option, like customers that choose to be served by an ESS, will incur charges for power delivery within the PGE control area based on the relevant charges in PGE's Open Access Transmission Tariff.

During 2003, staff plans to review this approach and determine whether changes are needed in Schedules 83 and 583 to ensure competitive parity between the company energy options and the ESS energy options.

Margin on PGE's Daily Price Option - More than one party commented on the margin on the Schedule 483 Daily Price Option that will go into effect on January 1, 2004 for PGE supplied energy. Generally, customers that may choose the company energy option view it as too high and ESSs that will compete against the company energy option view it as too low.

PGE considered the original adder that was used in other optional market based pricing (PGE's old Schedule 67). PGE also looked at the return component of production plant costs expressed on a per unit basis. PGE ultimately determined its proposal by listening to the contrasting views of the parties. Staff believes the 2 mill mark-up is reasonable.

What Happens in Five Years? - Under the proposed Schedule 483, a customer is subject to Schedule 129 (the five year transition charge) and, in certain cases, the 2003 Part B adjustment. After five years, Schedule 129 expires so that, absent any changes, customers continue to remain eligible for Schedule 483 service with no transition charges or credits. The term of Schedule 483 is five years and year to year thereafter. Customers must give the Company not less than two years notice to terminate service under Schedule 483. At the time of termination, the tariff states that the customer will be considered a new customer for purposes of determining available service options. Schedule 483 customers must sign a service agreement with PGE that includes, in part, the following provisions:

- Customer agrees to remain on Schedule 483 for a minimum of five years and waives rights to receive cost of service rates or other rates.
- Customer agrees to give two years notice prior to terminating service under the schedule.

Part B Exemption

Currently, a customer may choose one year in advance to be exempt from Part B charges – the short-term resource transition charge. Under the current tariff language, a customer may opt out of the Part B adjustment for 2004, for example, by giving notice prior to December 31, 2002. Under PGE's original filing in Advice 02-17, customers that opted out of Part B for 2003 (elected by December 31, 2001) could continue to opt out, but no additional customers could opt out for 2004.

ICNU comments that the existing tariff provides, and PGE should continue to provide, for at least one more year, the ability to opt out of the Part B adjustment. ICNU's position is that certain customers, based on the existing tariff language, expected to have the option available in the future and would like to opt out.

Strategic Energy LLC, a certified ESS, has been actively marketing to customers that customers should opt out of the Part B exemption for 2004 and opposes PGE's original proposal in Advice No. 02-17.

PGE comments that the Part B opt-out is confusing for customers in light of the five-year option, that it is increasingly difficult to balance its position after the elections are made, and that its current proposal was part of its offer in the AR 441 sessions.

Staff believes it would be unfair to Strategic Energy and its customers to adopt PGE's proposal and recommended a compromise that would allow customers with a signed agreement[6] with a Commission-certified ESS to elect by December 31, 2002, to opt out of Part B for 2004.

On October 24, 2002, PGE filed replacement sheets in Advice 02-17 to include tariff language that implements the compromise.

Other Issues

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[6] For a term of at least one year.

SB 1149 Statutes and Rules - Staff met with Paul Graham to discuss the consistency of PGE's opt-out proposal with SB 1149 and the administrative rules adopted to implement it (Division 038). The principal concern raised in discussion of the various opt-out proposals was whether ORS 757.603, which requires that the utility provide each customer a regulated, cost-of-service option, would enable an opt-out participant to return to a cost-of-service rate at any time. Mr. Graham advises that the answer is no, as long as the opt-out is in fact voluntary and the conditions for any return to a cost-of-service rate are clearly specified. PGE's tariff filing meets that requirement. The opt-out mechanism also appears to comply with Division 038 rules on cost-of-service requirements and transition costs.

Other Tariff Changes – PGE is modifying Schedule 100 to show which rate adjustments are applicable to which schedules. PGE is modifying Rules B and H to clarify that an individual customer may act as its own ESS. Although it is not under this Commission's jurisdiction, PGE will file a proposed modification to its Open Access Transmission Tariff with FERC to add an energy imbalance structure specifically for direct access.

Conclusions

The parties have worked extensively over the past year to craft an option that will help facilitate the development of a competitive market and be fair to all customers. Staff recommends that the Commission accept the parties' work and allow the proposed tariff changes to take effect on November 1, 2002.

PROPOSED COMMISSION MOTION:

PGE's Tariff Advice 02-017, as amended on October 24, 2002, be allowed to go into effect on November 1, 2002, with less than statutory notice.

August 6, 2018

TO: Kay Barnes
Public Utility Commission of Oregon

FROM: Stefan Brown
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 335
PGE Response to OPUC Data Request No. 324
Dated July 30, 2018

<u>Request:</u>

Please refer to PGE/2500, Macfarlane – Goodspeed/6 which states "In 2001, COS loads totaled over 19,000 gigawatt hours (GWh)."

a. **Please provide the weather normalized COS load and the annual COS system peak in 2001.**
b. **Please provide the forecasted COS system peak for 2019.**
c. **Please provide the cumulative amount of energy efficiency in MWh for PGE COS customers beginning with installations in 2001 and ending with forecasted installations in 2019.**
d. **Please provide the cumulative amount of energy efficiency in MW contribution to system peak for PGE COS customers beginning with installations in 2001 and ending with forecasted installations in 2019.**
e. **Please provide the cumulative cost for energy efficiency incentives beginning with installations in 2001 and ending with forecasted installations in 2019.**

<u>Response:</u>

a. The direct access program had not been implemented as of 2001. In 2001, PGE's annual energy deliveries were 19,063,321 MWh, or 19,097,047 MWh after adjusting for mild weather conditions. The annual system peak was 3,512 MW.
b. PGE's forecasted cost of service (COS) system peak for 2019 is 3,447 MW.
c. Energy Trust of Oregon (ETO) began implementing energy efficiency programs in 2002, as such, PGE is responding to this request using data beginning in that year. PGE does not have access to historical ETO savings data separated by current Long Term Direct Access election status. Assuming all energy efficiency savings have been installed on customer sites that have remained on COS rates, PGE estimates its cumulative energy efficiency for the period from 2002 to 2019 to be 452.8 MWa, or approximately 3,965,915 MWh. This estimate is based on ETO's most recent True-Up Report for 2002-2016, Annual Report for

2017 and forecast for 2018-2019. Please see Attachment 324-A for additional detail and references.

d. ETO has not provided estimates of MW contribution to system peak related to energy efficiency savings nor has PGE attempted to estimate such a value.
e. PGE collects from customers funding for energy efficiency through the Schedule 108 Public Purpose Charge (SB 1149) and Schedule 109 (SB 838) and disburses those funds to agencies. Attachment 324-B provides the amounts disbursed to those agencies. PGE does not have the cumulative cost of energy efficiency incentives; the incentive information is held by ETO.

August 28, 2018

TO: Jesse O. Gorsuch
Davison Van Cleve, P.C.

FROM: Stefan Brown
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 335
PGE Response to AWEC Data Request No. 148
Dated August 21, 2018

Request:

Please provide the total energy consumption for each account on Schedule 90 for the most recent 12-month period.

Response:

Total energy consumption for each Schedule 90 account over the August 2017 to July 2018 billing period is provided in confidential Attachment 148-A.

Attachment 148-A is protected information subject to Protective Order No. 18-047.

UE 335 PGE Response to AWEC DR No. 148
Attachment 148-A CONF
Page 1

Account	**Annual Usage (kWh)**
Account 1	[redacted]
Account 2	[redacted]
Account 3	[redacted]
Account 4	[redacted]
Account 5	[redacted]

*Annual Usage is over the 12 month period from August 2017 to July 2018

August 28, 2018

TO: Jesse O. Gorsuch
Davison Van Cleve, P.C.

FROM: Stefan Brown
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 335
PGE Response to AWEC Data Request No. 151
Dated August 21, 2018

Request:

Please identify the number of customer accounts with usage of 60 aMW or more in the most recent 12-month period and provide such usage for each account.

Response:

In the most recent 12-month billing period from August 2017 to July 2018, PGE had two customer accounts with usage of 60 MWa or more. Usage for each account is provided in PGE's response to AWEC Data Request No. 148, Confidential Attachment 148-A.

August 28, 2018

TO: Jesse O. Gorsuch
Davison Van Cleve, P.C.

FROM: Stefan Brown
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 335
PGE Response to AWEC Data Request No. 153
Dated August 21, 2018

Request:

Reference the paragraph titled "Applicable" in PGE Schedule 490. Does PGE interpret this paragraph to allow one Schedule 90 account with less than 100 MWa of usage to participate in the long-term opt-out program under this tariff? Please explain your answer.

Response:

No. If the combined usage of a customer's accounts opting out aggregate to less than 100 MWa, they are eligible to opt out under rate schedule 489.