

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Revision's to PacifiCorp's Tariff P.S.C.U. No.)
43, Schedule 71, Re: The Energy Exchange)
Pilot Program for Commercial and Industrial)
Customers)

DOCKET NO. 01-035-T06

ORDER

ISSUED: June 1, 2001

By The Commission:

BACKGROUND AND PROCEDURAL HISTORY

On December 12, 2000, PacifiCorp, dba Utah Power and Light (Company), filed a revision to its Tariff P.S.C.U. No. 43 and proposed a new Schedule 71, an energy exchange pilot program which offers commercial and industrial customers the choice of curtailing load in exchange for payments from the Company. On January 25, 2001, after consideration of the comments and recommendations from the Division of Public Utilities (Division) and the Committee of Consumer Services (Committee), the Commission approved the tariff with conditions. The Commission ordered the Company to provide a quarterly report analyzing program results by March 15, 2001, and placed a sunset date of April 15, 2001, on the program, pending an evaluation of the report. The program was available to qualifying customers with loads in excess of 4 MW or to customers with 1 MW of on-site generation.

On March 29, 2001, the Company submitted revisions to Schedule 71 that expanded the availability of the program to customers as small as 1 MW, rather than the 4 MW threshold in the original tariff, and extended the program's sunset date to October 1, 2001. In addition, a number of minor revisions were made to clarify language and enhance program operation. An action request was sent to the Division on April 3, 2001, with a response date of April 23. On April 6, 2001, the Company submitted its quarterly report. On April 12th the Division submitted a memorandum explaining that the Company's report was deficient and recommended that the sunset date for Schedule 71 be extended to May 15th in order for the Division to complete its review of the program. On May 11, 2001, the Company filed Substitute Tariffs for Schedule 71 noting that the tariffs filed on March 29th were not consistent with the currently effective tariffs. In addition, the Company proposed that special Condition 6 be deleted in order to open up the program to customers on interruptible service contracts. On May 18, 2001, the Utah Association of Energy Users provided comments on changes to Schedule 71. On May 31st, the Division submitted its recommendation on the substitute tariff. On June 1, 2001, the Committee submitted its recommendations.

DISCUSSION

The Division recommends that Schedule 71 be expanded to include customers of 1 MW and above, and conditional participation of interruptible customers. With regard to interruptible customers, the Division recommends that customers should only be allowed to participate in the energy exchange program up to the point at which their loads would be interrupted under the terms of their contracts. This would require modification of Condition 6. The Division also recommends that the Company be responsible for verifying that customers fulfill the terms of their respective contracts and that these costs, along with other load curtailment verification costs, be contained in the Company's quarterly report. The Division further notes that customers currently having load curtailment agreements with the Company may want the option to participate in the energy exchange program. Those customers should be allowed to participate after they have met the maximum amount of curtailment indicated under the terms of their respective agreements.

The Division recommends that the Company continue to file regular quarterly reports for this program over its term and that the sunset date be extended to October 1, 2001, subject to a quarterly review of program cost effectiveness. The

Division observes that there may be reasons for extending the program after this date, but extension should be based on a Company analysis which shows program cost effectiveness beyond the sunset date.

The Division recommends that the Company be required to provide reports on a more formal and regular basis. The reports should include a system analysis as opposed to the Utah based appraisal contained in the first report. Moreover, the Company should provide such reports in accordance with each requirement specified in the original Order. The next quarterly report is due June 15, 2001. Specifically, the Division requests that hourly market price data be provided in order to assess the actual benefits of the program. The Division requests that all data be provided both in hard copy and on disk. To the extent that information is deemed confidential, the Division will treat it as such.

The Division notes that an additional condition, Special Condition 7, was added to the May 14, 2001 filing. The condition prevents program participants from shifting load to meet the demand exchange conditions. The Division has some concern regarding the incorporation of this condition. While load shifting, states the Division, from one peak period to another peak period is unlikely to produce benefits, shifting loads to off-peak periods may be beneficial. To date, the Company has not provided any analysis indicating that load shifting from peak to off-peak periods provides no benefits. Absent such an analysis, the Division recommends that Special condition 7 be modified to indicate that load shifting from peak to off-peak periods is permissible, but that shifting from one facility meter to another, or from one peak hour to another peak hour, is not. The relevant peak and off-peak hours subsequently need to be identified in the tariff.

The Committee concurs with the Division's recommendations and argues for more stringent quarterly reporting requirements beginning with its June 15th reporting obligation. The Committee requests the Commission to direct the Company to provide all data in the same hourly format in which the Market Pricing Signal is provided, as this is required for a meaningful analysis of the program.

The UAE recommends that the Commission extend and expand Schedule 71 and encourage more widespread use of the tariff. Specifically, UAE recommends that customers be permitted to aggregate loads among themselves in order to reach the 1 MW threshold. UAE supports the inclusion of interruptible customers as participants of the program. UAE recommends that PacifiCorp and large power users be able to negotiate terms for load curtailment on a case by case basis. Such program flexibility will allow more customers to participate in the program. UAE also recommends that the Market Price Signal be tied to a known market index such as Palo Verde to maximize the curtailed load.

FINDINGS AND CONCLUSIONS

1. Extraordinary conditions continue to exist in the Western wholesale market in which the Company is both buying and selling power.
2. Voluntary reduction in power use, by qualifying customers, will reduce the Company's exposure to the wholesale market.
3. Based on the limited analysis provided by the Company, expansion of the program to include additional customers can benefit the Company and nonparticipating ratepayers when purchases from the wholesale market, at times of high prices, are avoided through the cost-effective payments for demand reductions from participating customers.
4. The Division and the Committee recommend approval of the tariff subject to conditions and modifications.
5. The customers whose usage is 1 MW or greater are eligible for the program. In addition, interruptible customers and customers participating in load reduction programs are also eligible for Schedule 71, but only to the extent that the terms of the interruptible contracts and the maximum load curtailment provisions are met.
6. Condition 7 will be adopted in the amended form suggested in the Committee's June 1, 2001 memorandum.
7. The Company should file quarterly reports to the Commission, the Division, and the Committee, for analysis. The reports will include hourly wholesale price information as well as hourly information on load reduction.

8. A sunset date of October 1, 2001, is appropriate for this tariff. If the Company wants a further extension, then it must file a comprehensive report showing the benefits to the Company, and ratepayers, of the continuance of the program.

ORDER

- Pursuant to 54-7-12(4), the Commission approves the revisions to Schedule 71 subject to our findings noted in the order.
- The Company is ordered to produce a quarterly report that will evaluate the operations of the program.
- The tariff will have a sunset date of October 1, 2001.

DATED at Salt Lake City, Utah, this 1st day of June, 2001.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary