

Power Options

2008

For Oregon Customers

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Since Oregon's electric utility restructuring law went into effect in March 2002, large and small business customers have been able to choose an alternative Electricity Service Supplier (ESS). The law is not designed to deregulate utilities – rates continue to be monitored by the Oregon Public Utility Commission (OPUC).

What are my options?

Business customers have the opportunity to choose between regulated Basic Service and market-based options, either from Pacific Power or from an ESS. You may select a new energy option or take no action and stay with your existing service.

How do I know whether I am a large or small business?

All programs are not available to all business customer segments.

Small business customers are those non-residential customers who do not incur a demand charge on their monthly electric bill or whose demand is less than 30 kw for 12 out of the last 13 months. Small businesses, outbuildings with separate service and irrigation pumps are included in this category and are usually served under Oregon rate schedules 23 and 41.

Large business customers are generally those with higher electricity use who have exceeded 30 kw at least twice in the last 13 months. These customers are typically served under Oregon rate schedules 28, 30, 47, 48, 51, 52, 53, 54 or 76R.

Three-year option

- For the 2008 Direct Access enrollment period, the three-year fixed transition adjustment option is available for customers on rate schedules 47, 48, 747 or 748 or customers on rate schedules 30 or 730 under a single corporate name with at least 2 mw billing demand in the last 13 months.
- The three-year option enrollment period has been extended to November 30, 2007.

What rules are the same as in past years?

- All business customers, regardless of size, will be able to opt-out of cost-based service on an annual basis for a term of one year. Opt-out dates are noon on November 15, 2007 to noon on November 26, 2007.
- Transition adjustments will still apply to all opt-out customers. Transition adjustments will be posted on our Web site at the beginning of the opt-out window at noon on November 15, 2007 to apply to the 12-month term beginning January 1, 2008.
- Indicative transition adjustments will be posted to our Web site on November 8. These are not the actual transition adjustments, but will provide some information to use as you consider your options. The transition adjustment is calculated through the use of the company's Production Cost Model. The model measures the market value of the energy based on the company's entire system.

- Opt-out customers can choose Daily Market Flux from Pacific Power or ESS service.
- A \$0.004 per kilowatt-hour shopping incentive is available to customers served on rate schedules 28, 30 and some customers on schedule 41.

Will safety and reliability remain top priorities?

Yes. Pacific Power will continue to maintain the entire system that delivers electricity to your business, including the poles and wires, regardless of whether the power comes from a different supplier. We'll also continue to provide 24-hour customer service, billing and meter reading.

Glossary of Terms

Direct Access: Another name for retail competition. Business customers can choose the option of direct access to alternative Electricity Service Suppliers (ESSs).

DASR: Direct Access Service Request

ESS: Electricity Service Supplier; a company that obtains electricity from generation facilities or from the wholesale power market to sell to businesses in Oregon. ESSs schedule and deliver the power through the local utility's poles, wires and distribution system.

Daily Market Flux: This is the market-rate option offered by Pacific Power to business customers in Oregon, sometimes referred to as the "standard offer." Under this option, the electricity price is based on the Weighted Market Value average Dow Jones Price for the Major Market Hubs the Company transacts.

Emergency Default Service: Should your chosen ESS become unable to provide electric service, Pacific Power automatically becomes your default service supplier. Pacific Power delivers Emergency Default Service for up to five days, then enrolls your business into the Daily Market Flux option until a new DASR/ESS Selection Form is received. The Emergency Default Rate is the Daily Market Flux price plus a 25 percent premium.

Rate schedule: Pacific Power customers are billed under different rate structures

determined by their electricity usage, as per state-regulated tariffs, called rate schedules.

Electricity demand: The rate at which electricity is delivered, often determined by peak usage and averaged over a designated period, usually expressed in kilowatts.

kw: Kilowatt; a unit of electrical power equal to one thousand watts.

kwh: Kilowatt-hour; a unit of electrical power equivalent to one kilowatt of power used for one hour.

mw: Megawatt; a unit of electrical power equal to one million watts or one thousand kilowatts.

Opt-out: This refers to the act of declining regulated cost-based electricity from Pacific Power and choosing market-rate electricity either from Pacific Power or from an ESS.

Transition adjustment: The forecasted variance between regulated rates and wholesale market value is called a transition adjustment. The result is either an addition or reduction in the monthly statement.

Buy-back: This is the process and payment to return to regulated cost-based electricity service (Basic Service) before the 12-month opt-out term is complete, if a customer desires to do so.

Business customers who opt-out of Pacific Power's Basic Service will have direct access to market-based prices that are subject to the volatility and flexibility of wholesale market prices. Specifically, choices are either Daily Market Flux from Pacific Power or service from an alternative Electricity Service Supplier (ESS). The option of receiving service from an ESS is often called Direct Access.

To participate in a market-based option in 2008, you must decline regulated Basic Service during the opt-out window, noon, November 15 to noon, November 26, 2007. As in previous years, transition adjustments will still apply to all opt-out customers (see "About transition adjustments" on page 7) and a buy-back payment will still be required to return to Basic Service before the end of the 12-month term (see "About the buy-back payment" on page 10).

Things to consider

When deciding which pricing option or ESS is best for your business, take care to evaluate the following:

- Enrollment periods and times involved in making a switch.
- Consequences and risk that can result from choosing a specific option. How much risk is acceptable?
- How and when you use power, so you can better assess your options. Market rates differ based on time segments called on-peak and off-peak hours.
- Overall cost and environmental objectives. Are renewable energy options available through an ESS?

Getting started

1. Review past electricity bills to determine if you are a small or large business customer and identify the rate schedule that applies to you.
 - Small business customers, served on rate schedules 23 and 41, pay \$1,800 for their interval meter, required for Daily Market Flux or ESS service.
 - Large business customers (30 kw < 1000 kw), served under rate schedules 28, 30 and 41 are eligible for a "shopping incentive" of \$0.004 per kwh (See "About the shopping incentive" on page 6).
2. Obtain your last 12 months of electricity bills to understand the charges and develop price comparisons.
3. Estimate when you use electricity, since market-based electricity and transition adjustments are priced for on-peak and off-peak time periods. Generally, Pacific Power does not capture that information for non-direct access customers. Monday to Saturday on-peak hours are 6 a.m. to 10 p.m.; off-peak hours are 10 p.m. to 6 a.m., plus Sundays and holidays.
4. Obtain your transition adjustments from the Pacific Power Web site – www.pacificpower.net/directaccess.
5. Obtain the list of certified ESSs from the Oregon Public Utility Commission at www.puc.state.or.us (see also "Choosing an Electricity Service Supplier" on page 5). A list of ESSs registered with Pacific Power is available at www.pacificpower.net/directaccess.

Important dates

Thursday, November 8, 2007 Pacific Power will post a set of "indicative" transition adjustments on our Web site. These are not to be considered final numbers and are estimates based on information available Wednesday, October 31, 2007.

Thursday, November 15, 2007 by 12 p.m. Transition adjustments will be posted on the Pacific Power Web site, and the opt-out window opens for Daily Market Flux and ESS service for 2008. Business customers can begin submitting Change of Service Election Declaration forms (CSED) to opt-out.

Monday, November 26, 2007 at 12 p.m. The one-year option opt-out window for 2008 closes.

Friday, November 30, 2007 The three-year option opt-out window for 2008 closes.

Wednesday, December 12, 2007 DASR/ESS Selection Form is due from ESS to begin service with an ESS on January 1, 2008.

Tuesday, January 1, 2008 For customers who opted-out of Basic Service, Daily Market Flux and ESS service begins for a term of 12 months.

The enrollment process

Opting out of Basic Service

If you wish to opt-out of regulated Basic Service you may do so during the opt-out window – noon November 15 to noon November 26, 2007 – by submitting a Change of Service Election Declaration form (CSED) via fax, mail or online. The CSED must be received by 12 p.m. on November 26, 2007 to be valid.

Fax: 1-800-835-0836

Mail: Pacific Power, P.O. Box 400, Portland, OR 97207

Web: www.pacificpower.net/directaccess

All customers who opt-out during this window do so unconditionally, with the exception of those large business customers eligible for a shopping incentive. These customers can opt-out conditionally upon confirmed reservation of the shopping incentive. Customers who opt-out will be automatically placed on Daily Market Flux on January 1, 2008 unless they come to an agreement with an ESS and the ESS submits a DASR/ESS Selection Form. Pacific Power requires 13 business days to process a DASR/ESS Selection Form.

Do I need to make a decision?

No. You are not required to select a new option. If you choose to do nothing, you will automatically stay on the service you have now.

Choosing an Electricity Service Supplier

Responsibilities of the Electricity Service Supplier

- Certified ESSs are responsible for acquiring transmission services for their customers.
- The ESS must either provide scheduling services or contract for them. A scheduling ESS must forecast hourly loads and provide daily schedules to Pacific Power.
- ESSs procure the required electricity needed to meet their customer loads. The Oregon Public Utility Commission (OPUC) must certify every ESS. A list of approved ESSs is posted on the OPUC Web site at www.puc.state.or.us.

Making the choice

There are a number of questions you should consider before selecting an ESS, including:

- Is the ESS certified with the Oregon Public Utility Commission?
- Does the ESS have an executed service agreement and operating agreement with Pacific Power?
- Is the ESS able to deliver to your community?
- What is the reputation of the ESS?
- What power sources are utilized and what is the environmental impact?
- What are the key terms of the agreement?
- Is the price fixed or varied?
- What is the length of the commitment?
- How are the fees set up?
- What are the conditions of service?

About the shopping incentive

The shopping incentive was created to spur the development of a competitive electricity market in Oregon. Business customers on schedules 28, 30 and some customers on schedule 41 are eligible for the shopping incentive, \$0.004 per kwh credit for customers taking service from an ESS. The total available incentive amount is capped at 10 percent of eligible customer electricity load. Eligible customers can reserve their shopping credit when they submit their Change of Service Election Declaration (CSED).

Schedule 28, 30 and 41 customers can opt-out of Basic Service unconditionally, regardless of whether they receive a shopping incentive, or they can opt-out conditionally, upon confirmation that a shopping incentive has been reserved for them. Pacific Power will notify customers whether they have reserved a shopping incentive within one business day after receipt of the CSED.

Shopping Incentives are awarded on a first-come, first-served basis. After receiving confirmation that a shopping credit has been reserved, customers have until February 1, 2008 to have their ESS submit a DASR/ESS Selection Form to secure the shopping incentive. Only customers receiving service from an ESS are eligible to receive a shopping incentive, which can be applied to their bill as long as the customer continues receiving service from an ESS.

About transition adjustments

If you choose to opt-out of regulated Basic Service, transition adjustments will be included on your business' monthly bill. A transition adjustment is the difference between the estimated market value of the electricity that is freed up when the customer chooses to leave Basic Service for Direct Access versus Pacific Power's regulated price. Depending upon this value, the adjustment will be applied to the monthly bill as either a credit or a charge. These transition adjustments will be posted on our Web site November 15, 2007, at 12 p.m., for the 12-month enrollment period from January 1, 2008 to December 31, 2008.

How transition adjustments are calculated

As a regulated utility, Pacific Power is required to reliably supply electricity at a predetermined price to meet our customers' needs. If a customer chooses a market-based price option, the electricity that Pacific Power planned to supply to that customer at a regulated, fixed price potentially becomes available to be sold in the open electricity market at the highest market price, which fluctuates daily.

In order to determine the Weighted Market Value of the energy associated with the departing Direct Access customer, the company performs a pair of system simulations; one scenario with the company serving the Direct Access customer and one scenario with the company not serving the Direct Access customer. The difference between the two scenarios is analyzed to calculate the impact on the company's overall system. The impacts are used to determine the Weighted Market Value of the energy, which when compared to the customer's energy-only tariff schedule, produces the Transition Adjustments.

If the freed-up electricity's forecasted market value is higher than Pacific Power's regulated price, the transition adjustment is a credit. (Because we estimate we could sell it for more on the wholesale electricity market than we could have under regulated service, you benefit from our gain.)

If the forecasted market value is lower than Pacific Power's regulated price, the transition adjustment is a charge. (Because we estimate we couldn't sell it for as much on the wholesale electricity market as we could have under regulated service.)

The transition adjustments are recalculated each year to reflect current market forecasts. One key point to remember is that transition adjustments are determined based on market forecasts calculated November 7, 2007, and posted on our Web site November 15, 2007, effective January 1 through December 31, 2008. Once the transition adjustments are posted, they will not change for the 12-month term. However, market prices are volatile and may not correlate to the forecasted prices.

How transition adjustments are applied

Since actual prices can vary from our forecast, sometimes significantly, we are providing examples showing the impact on market-based prices. The transition adjustments are predetermined and will not change, regardless of how the market actually performs. The Basic Service rate also is not changed by market performance.

Month 1

	Forecasted Market value	Regulated Basic Service	"Actual" price	Transition adjustment	Daily Market Flux rate
A	\$20.00	\$21.38	\$15.00	+\$1.47	\$16.47
B	\$20.00	\$21.38	\$20.00	+\$1.47	\$21.47
C	\$20.00	\$21.38	\$25.00	+\$1.47	\$26.47

E X A M P L E

In the example above, we forecast the weighted wholesale market value to be \$20 per megawatt-hour. This resulted in a transition adjustment charge of \$1.47 for the example Month 1. The "Actual price" is the hypothetical price of electricity that would be determined by the market.

If the market performs exactly as forecasted, the transition adjustment (which is based on the forecast) brings the Daily Market Flux price close to the regulated Basic Service price – see Row B.

If the "actual" market price ends up being less than forecasted, the transition adjustment remains predetermined to be a charge \$1.47. Even though the difference between the market value of the electricity and our regulated price is greater than we forecast, the transition adjustment charge does not increase. The adjusted Daily Market Flux price becomes less than regulated Basic Service – see Row A.

If the "actual market" price ends up being more than the forecasted price, the transition adjustment remains predetermined to be a charge of \$1.47. Even though the difference between the market value of electricity and our regulated price is less than we forecast, the transition adjustment charge does not decrease or become a credit. The adjusted Daily Market Flux price would be higher than regulated Basic Service – see Row C.

Month 2

	Forecasted Market value	Regulated Basic Service	“Actual” price	Transition adjustment	Daily Market Flux rate
A	\$24.00	\$21.38	\$20.00	-\$2.60	\$17.40
B	\$24.00	\$21.38	\$24.00	-\$2.60	\$21.40
C	\$24.00	\$21.38	\$30.00	-\$2.60	\$27.40

E X A M P L E

In the example above, we forecast the weighted wholesale market value to be \$24 per megawatt-hour. This resulted in a transition adjustment credit of \$2.60 for the example Month 2. The “Actual price” is the hypothetical price of electricity that would be determined by the market.

If the market performs exactly as forecasted, the transition adjustment (which is based on the forecast) brings the Daily Market Flux price close to the regulated Basic Service price – see Row B.

If the “actual” market price ends up being less than the forecast, the transition adjustment remains a credit of \$2.60. Even though our regulated price exceeds the market value of the electricity, the transition adjustment credit does not become a charge. The adjusted Daily Market Flux price remains lower than regulated Basic Service and is lower than the “Actual price” – see Row A.

If the actual market price ends up being more than the forecasted rate, the transition adjustment remains a credit of \$2.60. Though the market value of electricity now exceeds our regulated price by a greater amount than we forecasted, the transition adjustment credit does not increase. The adjusted Daily Market Flux price would be higher than regulated Basic Service, but still lower than the “Actual price” – see Row C.

Choosing a Direct Access option, either from Pacific Power or from an ESS, is your choice and participation is voluntary. Wholesale market prices are volatile and may or may not result in lower electricity prices for your business.

About the buy-back payment

If you are a non-residential consumer who has chosen service under Daily Market Flux, or chosen to receive service from an ESS, you may qualify to return to Basic Service after making a request to Pacific Power to receive this service and agreeing to make a buy-back payment. The buy-back payment compensates Pacific Power for the increased cost of serving returning customers due to changes in the market price when the customer left, as compared to the market price used in determining the customer’s applicable transition adjustment. Upon returning to Basic Service, the transition adjustment will also be removed from the customer’s bill.

You can request to return to Basic Service by calling Pacific Power at **1-800-769-3717** before 1 p.m. on business days. The official buy-back payment amount will be stated in writing and faxed to you for agreement within two hours of your phone call. Upon receiving the calculated amount of the buy-back payment from Pacific Power, you will have until 5 p.m. that day to execute the agreement to pay the buy-back payment. The agreement will be executed by faxing a signed agreement to Pacific Power. After agreeing to make a buy-back payment, payment must be made within five business days. Payment must be made by check and delivered to Pacific Power. If payment is not made within this time frame, you will be placed on Pacific Power’s Daily Market Flux.

For more information

Pacific Power

1-800-769-3717

Fax: 1-800-835-0836

www.pacificpower.net/directaccess

Oregon Public Utility Commission

www.puc.state.or.us

