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January 26, 2010

VIA ELECTRONIC AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: UE 213 - In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates and Charges for Electric Service in the State of Oregon

Attention Filing Center:

Enclosed in the above-referenced docket are an original and five (5) copies of the following:

1. Testimony of Mike Youngblood, Courtney Waites, Jim Hovda, and Perry Van Patten on behalf of Idaho Power Company; and
2. Testimony of George Compton and Lisa Gorsuch on behalf of Oregon Public Utility Commission Staff.

A copy of this filing was served on all parties to this proceeding as indicated on the attached certificate of service.

Please contact me with any questions.

Very truly yours,

Wendy McIndoo

cc: Service List

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing documents on the parties of record in Docket UE 213, on the date indicated below, by email and U.S. first class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: January 26, 2010


Wendy McIndoo

CASE: UE 213
WITNESS: George R. Compton

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 300

Surrebuttal Testimony

January 26, 2010

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

2 A. My name is George R. Compton. I am a Senior Economist, employed three-
3 quarter time by the Economic Research and Financial Analysis Division (ERFA)
4 of the Public Utility Commission of Oregon (OPUC). My business address is 550
5 Capitol Street NE Suite 215, Salem, Oregon 97301-2551. Previously filed Exhibit
6 Staff/101 describes my background and qualifications.

7 **Q. ARE YOU THE SAME PERSON WHO FILED—IN SUPPORT OF THIS**
8 **DOCKET’S RATE SPREAD AND RATE DESIGN STIPULATION—DIRECT**
9 **TESTIMONY, EXHIBIT STAFF/100, AND THE OTHER ACCOMPANYING**
10 **EXHIBITS STAFF/102,STAFF/103, AND EXHIBIT/104 CORRECTED?**

11 A. I am.

12 **Q. WHAT IS THE PURPOSE OF THIS SURREBUTTAL TESTIMONY?**

13 A. I will be responding to elements of the Response Testimonies of Citizens’ Utility
14 Board (CUB) witnesses Bob Jenks and Gordon Feighner. I will also touch on
15 CUB/103, a previously published report by consumer affairs consultant, Barbara
16 Alexander.

17 **Q. YOU REFERRED TO THE DOCKET’S RATE SPREAD AND RATE DESIGN**
18 **STIPULATION. DID CUB JOIN THAT STIPULATION?**

19 A. Yes it did—having agreed with most of its elements. As stated in the Stipulation
20 (page 1, line 17), “CUB objects only to the Residential Rate Design portions of
21 this Stipulation.”

22 **Q. DID CUB’S RESPONSE FILINGS ADDRESS OTHER MATTERS BEYOND**
23 **NARROWLY DEFINED RESIDENTIAL RATE DESIGN?**

1 A. They did. I would propose that we address the other matters first.

2 **Q. CUB SIGNED ON TO THE STIPULATION THAT ALLOWED PRICES FOR THE**
3 **AGRICULTURAL IRRIGATION CUSTOMERS THAT WOULD FALL**
4 **CONSIDERABLY SHORT OF YIELDING REVENUES THAT WOULD EQUATE**
5 **TO THAT SCHEDULE'S COST OF SERVICE. THAT SHORTFALL PROMPTS**
6 **CUB WITNESSES JENKS AND FEIGNER TO SEEK SOME REDUCTION OF**
7 **IT OVER TIME THROUGH THE ANNUAL PCAM MECHANISM¹—I.E.,**
8 **WHEREBY THE IRRIGATION SCHEDULE WOULD RECEIVE A GREATER**
9 **INCREASE THAN WOULD THE OTHER SCHEDULES. PLEASE COMMENT.**

10 A. As Mr. Feighner points out, the issue would be moot if general rate cases for
11 Idaho Power-Oregon (also, the Company, Idaho Power, or Idaho) were more
12 frequent. (The general rate case is the standard venue for addressing rate-shock
13 mitigation.) Staff agrees that we should look at opportunities, as they arise, to
14 reduce the level of support provided to the irrigation class.

15 **Q. CUB WITNESSES JENKS AND FEIGNER BOTH SPEND A CONSIDERABLE**
16 **AMOUNT OF THEIR TESTIMONIES ADVOCATING ENERGY**
17 **CONSERVATION PROGRAMS AS SUPPLEMENTAL OR ALTERNATIVE TO**
18 **ELECTRICITY RETAIL PRICING MECHANISMS. PLEASE COMMENT.**

19 A. As I understand it, the purpose of this general rate case has been to establish the
20 appropriate revenue requirement and the retail prices intended to achieve it. To
21 open the case up to a consideration of extra duties on the part of the Company

¹ See pages 2 and 3 of Mr. Feighner's testimony.

1 would raise all kinds of complications.² I would agree that there is a place for
2 both pricing and generic conservation programs, and to an important degree they
3 can be viewed as complementing each other. But with virtually everything but
4 rate design having been settled, it would not seem appropriate to introduce an
5 entirely new dimension to the general rate case and use it to impede due
6 consideration of the proposed rate design reform in its own right. Furthermore,
7 as I note later here and in my prior testimony, fostering equity—and not “just”
8 conservation/efficiency—constitutes sufficient grounds in its own right for the
9 introduction of rates seasonality in this docket. From that perspective, pricing
10 reforms and generic conservation programs can be viewed as separate and
11 distinct public policy vehicles, with neither necessarily having to slow down and
12 wait for the other to catch up.

13 **Q. THE PAPER BY CUB “WITNESS,” BARBARA ALEXANDER (CUB EXHIBIT**
14 **103), HARDLY, IF AT ALL, TOUCHES UPON THE SUBJECT OF SEASONAL**
15 **RATE DESIGN.³ WHAT IS THE MAIN THRUST OF HER TESTIMONY?**

16 A. She principally makes a case in opposition to advanced/”smart” meters for
17 residential customers and the dynamic, or real-time, pricing enabled therewith.
18 That previously published report does not deal with the issue of seasonal rates,
19 *per se*.

² Examples: If additional Company-sponsored conservation programs should be instituted, what would their nature be, how much should the revenue requirement be increased to accommodate the programs, who should administer them, should deferred accounting be instituted as compensation, how should the cost burden be spread among the rate schedules, etc.

³ A pdf word search for “seasonal” came up with only two references in all of Barbara Alexander’s 34 pages of testimony. (See pages 15 and 23.)

1 **Q. COULD THE CONNECTION BETWEEN SEASONAL RATES AND SMART**
2 **METERS/REAL-TIME PRICING BE THE IDEA THAT THE FORMER MIGHT BE**
3 **A PRECURSOR TO THE LATTER. AND, IF SO, THE LATTER IS**
4 **SUFFICIENTLY UNDESIRABLE TO JUSTIFY OPPOSING IT REGARDLESS**
5 **OF HOW HARMLESS OR EVEN BENEFICIAL THE SO-CALLED**
6 **PRECURSOR MIGHT BE IN ITS OWN RIGHT?**

7 A. Staff does not view seasonal rates as a precursor to real-time or conventional
8 time-of-use (TOU) rates. Arguments for them should stand or fall on their own
9 merits, regardless of the existence of seasonal rates. Seasonal rates have been
10 around this country long before real-time pricing was technically feasible.⁴

11 Seasonal rates do not require the special metering required by TOU rates, much
12 less the dynamic capability entailed with critical-peak or real-time pricing, and
13 they don't suffer from the levels of billing uncertainty for which dynamic pricing
14 was criticized by Ms. Alexander.

15 It should also be pointed out that a strong argument *for* a pronounced inverted
16 rate structure for the summertime is that such constitutes a low implementation
17 cost, very effective surrogate for TOU rates. Since the highest-load period during
18 the day in the summer is due to air-conditioning,⁵ the peak-price time under a
19 TOU framework will normally be those same hours, e.g., from noon to 8pm. By
20 setting the rate inversion point at a level above average basic use (i.e., exclusive

⁴ Oregon's PUC endorsed them for residential customers as far back as at least the late 1970's. (See, for example, Second Revision of Sheet No. 4-1 PACIFIC POWER & LIGHT SCHEDULE 4 RESIDENTIAL SERVICE, issued June 4, 1979.)

⁵ Agricultural loads are spread more evenly over the course of the 24-hour day.

1 of air-conditioning), the effect is to charge the higher price for the air-conditioning
2 loads without the need for special TOU or even “smarter” meters. In other words,
3 much of the conservation price-signal-benefit associated with TOU rates in the
4 summertime can be achieved with a simple inverted rate design.⁶

5

6 **Q. NOW LET’S TURN TO THE MORE NARROWLY DEFINED ISSUE OF**
7 **RESIDENTIAL RATE DESIGN FOR IDAHO POWER-OREGON. WHAT**
8 **STIPULATED ELEMENTS OF THE RESIDENTIAL RATE DESIGN PROPOSAL**
9 **DID CUB OBJECT TO?**

10 A. Most of my direct testimony (Exhibit Staff/100) was written under the supposition
11 that CUB would oppose residential prices that were seasonally differentiated. I
12 see now from Gordon Feighner’s testimony also an opposition to elevating Idaho
13 Power’s monthly residential customer charge from \$5.25 to \$8.00.⁷ (See
14 CUB/200, page 16, line 13 through page 17.)

Q. ON WHAT GROUNDS DID STAFF ACCEPT THE EIGHT DOLLAR
CUSTOMER CHARGE IN THIS DOCKET?

15 A. Idaho Power (or the Company) sought a customer charge of ten dollars in its
16 original application. Per the Stipulation, the Company accepted the eight dollar

⁶ There is a trade-off in the determination of the proper price inversion point. The more elevated the point where the tail-block begins, the less the likelihood that non-air-conditioning consumption is being priced at the higher rate; but also the more elevated the point where the tail-block begins, the less the likelihood that air-conditioning consumption for a particular customer will be priced at the higher, tail-block rate.

⁷ Mr. Feighner’s proposal is for an increase of \$1.25 per month from what he erroneously states is a base charge of \$4.50 instead of the current tariff amount of 5.25. (See CUB/200, page 16, line 14 and THIRD REVISED SHEET NO. 1-2 [SCHEDULE 1 RESIDENTIAL SERVICE] of the Idaho Power tariff.)

1 compromise figure. In the last PGE general rate case Staff did not oppose
2 elevating that company's monthly customer charge to eight dollars.

3 **Q. DO YOU AGREE WITH THE TRUISM NOTED BY MR. FEIGNER THAT**
4 **ELEVATING THE CUSTOMER CHARGE NECESSARILY SHRINKS THE**
5 **VOLUMETRIC COMPONENT OF THE RESIDENTIAL TARIFF, THEREBY**
6 **ATTENUATING THE CONSERVATION-FOSTERING ATTRIBUTE OF THE**
7 **INCREMENTAL PRICE SIGNAL?**

8 A. Not exactly. If the offset is applied to the initial block of the tariff rather than
9 the tail block, then in theory those whose incremental consumption falls in the
10 tail block will be unaffected by the increased customer charge. Justification
11 for the elevated customer charge comes from the broad acceptance in the
12 industry of the proposition that customer-related (as opposed to energy- or
13 demand-related) costs are at least at the eight dollar level, and that a fixed
14 monthly charge is the appropriate way to recover those costs.

15 **Q. THE OTHER REASON MR. FEIGNER GAVE FOR NOT ELEVATING THE**
16 **CUSTOMER CHARGE TO THE SAME DEGREE AS IN THE STIPULATION**
17 **WAS TO AVOID A "DISPROPORTIONATELY HIGH IMPACT ON**
18 **CUSTOMERS WITH LOW MONTHLY USAGE."**⁸ **IN REVIEWING YOUR**
19 **EXHIBIT STAFF/104 CORRECTED, I OBSERVE PERCENTAGE INCREASES**
20 **AS HIGH AS IN THE FORTY PERCENT RANGE FOR THOSE CUSTOMERS.**
21 **WHAT IS YOUR RESPONSE?**

⁸ See CUB/200, page 16, lines 22 and 23.

1 A. First let me note that these are customers with *very* low usage and
2 commensurately low total bills. By the time usage gets up to the relatively low
3 650 kWh's per month level,⁹ the percentage increase is below the 26 percent
4 average for the residential schedule as a whole.¹⁰

5 Elsewhere in this testimony I refer to a concern regarding rate impacts
6 measured in simple dollars as opposed to percentages. In this context one
7 would contrast the 41 percent, but only \$6, increase seen by a customer who
8 uses only 200 kWh's in the month with the "only" 20 percent, but \$12, increase
9 seen by a customer who uses 1000 kWh's in the month.¹¹ For the reader's
10 interest I have prepared an exhibit (Staff/301) which shows the percentage
11 and dollar impacts on customers' bills from adopting Mr. Feighner's customer
12 charge proposal (i.e., to increase the customer charge by \$1.25 rather \$2.75)
13 and making up the revenue requirement shortfall by increasing the year-round
14 initial block in the rate design.

15 **Q. THE FOLLOWING QUESTIONS ADDRESS THE SPECIFIC SEASONAL**
16 **OBJECTIONS RAISED BY CUB WITNESSES JENKS AND FEIGNER, AND**
17 **IN APPROXIMATELY THE ORDER IN WHICH THEY WERE RAISED.**
18 **ON PAGE 1 OF CUB/100 (LINES 4 TO 6) MR. JENKS ALLEGES THAT "THE**
19 **PROPOSAL BY STAFF...TO IMPLEMENT A SUMMER...TAILBLOCK [IS] FOR**
20 **THE SOLE [EMPHASIS ADDED] PURPOSE OF DISCOURAGING**

⁹ Average monthly usage for the schedule runs in excess of 1200 kWh's per month. (See Exhibit Staff/104 which shows annual consumption of 198,558,922 kWh's. Dividing that figure by the indicated customer-months, 160,983, yields an average monthly use of 1,233 kWh's.)

¹⁰ See Staff/104 Corrected.

¹¹ See Staff/104 Corrected.

1 **RESIDENTIAL AIR CONDITIONING USAGE...” IS THAT AN ACCURATE**
2 **PORTRAYAL OF YOUR TESTIMONY ON THIS SUBJECT?**

3 A. No. While I did focus on air conditioning (which is the primary contributor to the
4 residential and commercial summer load peaks), the tail block would apply to all
5 usage in excess of 1000 kWh’s per month for residential customers. But more to
6 the point, I made perhaps more of a case for the social equity basis for seasonal
7 rates as I did for the economic efficiency aspects. (See pages 8 through 11 of
8 Staff/100.) In arguing strenuously against allowing the intra-schedule cross-
9 subsidization that follows rates’ not covering costs, I went so far as to say that for
10 “social-equity” reasons, “cost-based prices” (as embodied in the residential
11 summer tail block) should prevail “even if no one were to respond to them by
12 altering behaviors.” (See lines 19-20 of page 11 of Staff/100.)

13 **Q. CONTINUING ON THAT SAME PAGE, MR. JENKS STATES THE**
14 **FOLLOWING:**

15
16 **The proposal would result in the Company sending price signals to winter-**
17 **peaking residential customers during the summer peak, when at the same**
18 **time the Company is protecting summer-peaking irrigation customers from**
19 **receiving accurate price signals through imposition of a heavy subsidy**
20 **levy on other customer classes for support of irrigation customers. The**
21 **contrast between the price signals being sent to these two groups of**
22 **customers is stunning and it undercuts the stated logic of the Staff and**
23 **Idaho Power Company’s proposal. Staff has stated that irrigators would**
24 **suffer rate shock at increases above 27.96%, so what about this proposal’s**
25 **inequities and the rate shock that will be faced by winter-peaking**
26 **residential customers if this proposal is implemented?**

27
28 **WHAT IS YOUR RESPONSE?**

1 A. First, by signing the Stipulation, CUB agreed to limit the irrigators' "rate shock" to
2 an average figure of 27.96 percent and to allow, on average, the residential class
3 to experience a "rate shock" of 26.3 percent.¹² These average figures have
4 nothing to do with the presence or absence of rates seasonality. To get a better
5 understanding of how rates seasonal rates may affect individual residential
6 customers, it is necessary to distinguish among residential customers as a class
7 and the subgroups within that class. Yes, as a whole, the residential class is
8 winter-peaking. And yes, according to the Stipulation in which CUB participated,
9 the winter-peaking residential class, as a whole, will participate in the subsidizing
10 of the summer-peaking agricultural class.¹³ But within the residential class there
11 are four categories of customer groups that may be affected differently by the
12 imposition of seasonal rates: 1) Those who are winter-peaking but only slightly so
13 because they neither heat with electricity nor make any or much use of
14 refrigerated air-conditioning; 2) those who are strongly winter-peaking because
15 they heat with electricity but make little or no use of refrigerated air-conditioning;
16 3) those who are strongly summer-peaking because they make heavy use of
17 refrigerated air conditioning but do not heat with electricity; and 4) those who
18 peak in both the heating and the cooling seasons because they heat with
19 electricity and make heavy use of refrigerated air-conditioning. Refer now to
20 Exhibit Staff/104 Corrected. Clearly the truly winter-peaking customers, i.e.,

¹² See Line 30, of Exhibit Staff/102 for these percentage figures. Somewhat arbitrarily, the agreement was to hold the irrigators to an increase in keeping with achieving 75 percent of that schedule's cost-of-service. To take them to 100 percent of the cost-of-service would have resulted in the truly shocking increase of over 70 percent. (See Line 27, Column H of Exhibit Staff/102.)

¹³ Such is a product of the residential revenue requirement being fixed at 103 percent of its cost-of-service rather than at 100 percent. See Line 31, Column B of Exhibit Staff/102.

1 those in category “2,” will *benefit* from the proposed seasonal rate design insofar
2 as their winter bills will receive an increase that is beneath the residential
3 schedule average. On a percentage basis, they will experience the least amount
4 of “rate shock,” and it will be appreciably below that of the irrigation class. Note
5 further that it is only with the seasonal rate design that the large residential
6 summer-peaking consumers (i.e., those with billings at 1500 kWh’s and above)
7 will see percentage increases in excess of the agricultural average of the 27.96
8 percent—as seemingly sought for by CUB. With inverted, non-seasonally-
9 differentiated rates there will be the tendency for the non-summer-peaking
10 residential customers to subsidize the summer-peaking residential customers as
11 well as the irrigation customers.

12 **Q. PLEASE DESCRIBE THE MECHANISM BY WHICH THE WINTER-PEAKING**
13 **RESIDENTIAL CUSTOMERS WOULD SUBSIDIZE THE SUMMER-PEAKING**
14 **RESIDENTIAL CUSTOMERS IN THE ABSENCE OF SEASONALLY**
15 **DIFFERENTIATED RATES.**

16 A. The long-run marginal-cost-based cost-of-service approach to which all the
17 parties stipulated allocates costs disproportionately on the basis of loads during
18 the months with the highest costs, i.e., the summer months of July and August.¹⁴
19 That means that if the loads that are responsible for the high cost allocation (i.e.,
20 the summer loads) do not pay their own way (due to prices that do not recognize
21 those higher costs) then the loads during the rest of the year will end up picking
22 up the tab for the summer loads.

¹⁴ See Idaho Power/802 Tatum/30.

1 Q. STARTING ON PAGE 4 (LINE 16), MR. FEIGNER MAKES THE CLAIM
2 THAT “RESIDENTIAL CUSTOMERS DO NOT DRIVE THE PEAK.” IN THAT
3 SAME SECTION HE NOTES THAT RESIDENTIAL SUMMER ENERGY
4 USAGE IS COMPARABLE IN MAGNITUDE TO THE VERY SUBSTANTIAL
5 USAGE OF IRRIGATION CUSTOMERS. BUT SINCE THE RESIDENTIAL
6 USAGE STARTS FROM A LARGER BASE, “THEIR SUMMER PEAK IS
7 BEST DESCRIBED” AS SUBSTANTIALLY SMALLER THAN THAT OF THE
8 IRRIGATORS’.¹⁵ HE THEN SUGGESTS THAT, WITH THEIR
9 COMPARATIVELY SMALL SUPRA-BASE SUMMER PEAK, RESIDENTIAL
10 CUSTOMERS SHOULD NOT BE TARGETED WITH A SUMMER RATE
11 THAT IS HIGHER THAN THE RATES FOR THE REST OF THE YEAR.
12 WHAT IS YOUR RESPONSE?

13 A. However you want to “describe” or define a schedule’s contribution to the
14 system’s peak, the fact remains that the residential class has a significantly
15 higher electrical load in July and August than in the surrounding months, and
16 that if those loads were smaller, the Company’s costs would be
17 commensurately lower. *But even if the residential class’s loads were at their*
18 *very lowest levels in those two months, as long as those months carried the*
19 *highest costs for the year, then charging the year’s highest prices in those*
20 *months would be fully justified.* It should be borne in mind that the goal is to
21 base utility prices on costs, not local loads. The latter are only one of a

¹⁵ Mr. Feighner’s actual figures are redacted, but the indicated conclusion is common-sensical, knowing that the “base,” off-season loads of irrigators is very small.

1 number of factors that determine a utility's costs during a given time and
2 season. And with regard to loads, it should also be pointed out that the
3 average *unit*-cost of residential energy usage in July and August will be
4 greater than agricultural unit-costs because the former's usage is more
5 concentrated during the higher-cost, heavy-load-hour periods. The greater on-
6 peak demand of the residential schedule also creates a greater system
7 capacity burden than does the irrigation load. (Recall that long-run marginal
8 costs are assessed for both energy and capacity, where the latter has to do
9 with adding new plant so as to be able to accommodate peak period loads.)

10 **Q. ON PAGE 2 (LINES 9 - 11) MR. JENKS ASSERTS THAT "THE [SUMMER**
11 **SEASON] RATE INCREASE IS NOT IN FACT RELATED TO ACTUAL COSTS**
12 **INCURRED BY IDAHO POWER COMPANY DURING THE MONTHS WHEN**
13 **BILLS WOULD BE AFFECTED." MR. FEIGNER ALSO OBSERVES (ON**
14 **PAGE 8, LINES 6-8) THAT JUNE'S MARGINAL ENERGY COST ARE LOWER**
15 **THAN SOME OF THE NON-SUMMER MONTHS'. WHAT ARE YOUR**
16 **COMMENTS?**

17 A. Perhaps I do not know what Mr. Jenks means by "actual costs," but the high
18 summer-seasonal costs shown in exhibits Idaho Power/802 Tatum/6 (for
19 energy) and Tatum/8 (for demand) play a dominant role in establishing the
20 share of production costs borne by residential ratepayers. A failure to reflect
21 in rates the summer seasonal source of cost-causation upon those who are
22 responsible for it will cause other ratepayers to, unfairly from Staff's
23 perspective, bear that cost burden. But yes, there is not perfect congruence

1 between the highest-cost months and the highest-priced months,¹⁶ but that
2 should not mean that *no* high-cost months should be connected to prices that
3 the higher costs warrant.

4 **Q. ON PAGE 2 (LINES 5 AND 6) MR. JENKS STATES, THE “COMPANY IS**
5 **UNABLE TO ISOLATE AND BILL FOR THE SUMMER SEASON.” MR.**
6 **FEIGNER ELABORATES ON THAT POSITION IN THE SECTION STARTING**
7 **ON PAGE 12 OF HIS TESTIMONY, TITLED “BILLING CYCLE TIMING.”**
8 **WHAT IS YOUR COMMENT?**

9 A. To precisely match billing periods with monthly-defined beginning- and end-of-
10 season time frames would require universal end-of-month meter-readings. But
11 the need to read meters manually makes it cost-efficient to read meters over the
12 entire month (i.e., to minimize the size of the meter-reading staff). Accordingly,
13 the season-beginning and season-ending billing cycles for individual customers
14 in a seasonal rates context will incorporate numbers of days on both sides of the
15 seasonal rating demarcation days. Utilities get around this situation by pro-rating
16 the bills in accordance with the relative shares of days in the two billing seasons.
17 The imprecision introduced thereby typically benefits the customers slightly by
18 billing a portion of what is usually the heavier usage at the lower, off-season
19 rate.¹⁷ I would conclude that the inability under conventional meter-reading and

¹⁶ Page 19 of my direct testimony suggests the possibility of swapping September for June in the higher-priced period so as to better match prices and costs.

¹⁷ Example: A customer’s meter is read in mid-June, for the thirty days extending half-way back into May. Assume a 6 cents/kWh rate in May and an 8 cents/kWh rate in June. Assume this customer has central air-conditioning and with the generally hotter June period he uses, on average, 20 more kWh’s per day in that month than in May, which averages 30 kWh’s per day. The 20 kWh’s per day would add up to 600 kWh’s of air-conditioning load in a full thirty day billing cycle; 30 kWh’s per day would add up to 900

1 billing protocols to precisely “isolate and bill for the summer season” is not at all
2 compelling as an argument against seasonal rate designs.¹⁸

3 **Q. ON PAGE 13 (STARTING ON LINE 4), MR. FEIGNER DEVELOPS A**
4 **SCENARIO WHERE FOUR HOT DAYS OCCURRED AT THE END OF MAY,**
5 **LEADING TO HEAVY USE OF AIR-CONDITIONING BY RESIDENTIAL**
6 **CUSTOMERS, WHO ARE LIKELY UNDER THE “IMPRESSION” THAT THE**
7 **LOWER, NON-SUMMER PRICE WOULD STILL BE IN EFFECT. HE**
8 **CONCLUDES THIS DISCUSSION WITH: “CUB’S CONCERN IS THAT IF**
9 **THERE IS HOT WEATHER IN MAY, EACH OREGON CUSTOMER WITH AIR**
10 **CONDITIONING WILL BE BILLED AT A DIFFERENT RATE FOR THEIR AIR**
11 **CONDITIONING, DEPENDING UPON THEIR BILLING CYCLE. THIS**
12 **SITUATION WILL CAUSE CONFUSION AMONG CUSTOMERS.” MR. JENKS**
13 **RAISES A SIMILAR CONCERN¹⁹ WITH “CUSTOMERS MAY BELIEVE THAT**
14 **IS IT [sic] OKAY TO RUN THEIR AIR CONDITIONER A LOT LATE IN MAY**
15 **OR EARLY IN SEPTEMBER BECAUSE THESE PERIODS ARE NOT PART OF**
16 **THE HIGHER PRICED BLOCK, BUT...LATE MAY USAGE CAN**
17 **POTENTIALLY BE BILLED ALMOST ENTIRELY AT THE JUNE RATE.” DO**
18 **YOU SEE THIS MATTER AS A SERIOUS PROBLEM?**

kWh's of non-space-conditioning load. The thirty day total usage in this instance is 1200 kWh's, or 900 plus half of 600. With precise, end-of-month meter reading, the customer would pay \$27 for his May usage (\$0.06 x 30 kWh's x 15 days) and \$60 for his June usage (\$0.08 x 50 kWh's x 15 days), for a total of \$87. But with pro-rationing, half the kWh's would be billed at the lower rate and half at the higher rate, for a total bill of \$84 (\$0.06 x 600 kWh's, or \$36 plus \$0.08 x 600 kWh's, or \$48). The pro-rationing has saved the customer \$3 in this instance.

¹⁸ I would also agree with CUB that correcting such an imprecision is also insufficient justification, by itself, for undertaking the expense of installing smart meters.

¹⁹ See page 5, lines 13-16 of CUB/100.

1 A. No. As regards confusion over different bill amounts for the same level of usage,
2 let's face it...it will be an extremely unusual circumstance where the few
3 customers who bother to compare their bills will have amounts of usage that are
4 similar enough to make meaningful bottom-line comparisons. Without usage
5 comparability, it will be extremely difficult to relate billing differences to different
6 positions in the billing cycle.²⁰ But whether or not comparisons are made, there
7 will not be what could be characterized as a miscarriage of justice due to a
8 significant amount of billing disparity. Let's consider in isolation Mr. Feighner's
9 and Mr. Jenks's circumstance of excessive billing due to high May usage not
10 being fully billed at the lower non-summer tail-block rate and see what might be
11 at stake. For a residential customer who used, say, an extra 20 kWh's for the four
12 hot days discussed by Mr. Feighner, the greater summer tail-block rate would
13 impose a charge of \$1.05 over the non-summer tail-block rate²¹...*if there was no*
14 *prorationing involved*. Prorating will inevitably shrink the indicated disparity. In
15 this case, the earlier in May that a person's hot days occurs, the greater the
16 tendency for the air-conditioning electricity involved to be charged at the lower,
17 non-summer rate, resulting in a disparity that is a small fraction of the \$1.05
18 figure. With monthly bills in excess of \$70, a billing "error" of the magnitudes just
19 indicated due to the disconnect between meter reading intervals and the summer
20 season demarcation points is less than impressive as an argument against

²⁰ If it is neighbors making the comparisons, they will be on the same billing cycle in any event, and will therefore get the same bill for the same total amount of electricity.

²¹ 4 days x 20 kWh's/day x \$0.083123 (the summer tail-block rate) = \$6.65.
4 days x 20 kWh's/day x \$0.069951 (the non-summer tail-block rate) = \$5.60.
\$6.65 - \$5.60 = \$1.05.

1 seasonal rate design—particularly, to repeat, when the more general pattern is
2 for billing “errors” from prorationing to favor the individual ratepayers.

3 **Q. ON PAGE 2 (LINES 6 AND 7) MR. JENKS BRINGS UP THE MATTER OF THE**
4 **COMPANY’S REQUEST TO INCREASE THE POTENTIAL METER-READING**
5 **INTERVAL FROM 30 DAYS TO 36 DAYS. MR. FEIGNER ELABORATES ON**
6 **THE IMPLICATIONS OF THAT REQUEST IN THE SECTION STARTING ON**
7 **PAGE 14 OF HIS TESTIMONY, TITLED “BILLING CYCLE LENGTH.” DOES**
8 **THIS ISSUE RAISE A SERIOUS CONCERN REGARDING THE**
9 **INTRODUCTION OF SEASONAL RATES?**

10 A. The potential for concern due to a lengthened billing cycle exists whenever there
11 is an inverted rate schedule (which, per se, CUB does not oppose; opposing just
12 having it seasonally differentiated). In any event, remedying the potential
13 problem is a trivial matter, which can be demonstrated by deploying some
14 elementary algebra. Recall that the stipulated rate design proposal has the
15 higher price stepping in at the 1000 kWh per month level. Obviously the addition
16 of as many as six days to a billing cycle will increase a customer’s proportion of
17 usage in excess of that 1000 kWh level. But an adopted prorating protocol would
18 readily correct the problem (subject to the minor imprecision described earlier in
19 the other pro-rating context). Mr. Feighner mentions daily prorating as a
20 corrective. (See page 15, lines 12-14.) The footnote below illustrates a
21 straightforward full-period prorationing approach.²²

²² Numerical example: Assume the customer consumes an average of 50 kWh’s per day, or 1500 kWh’s in a 30 day billing cycle. With such a cycle he would under the stipulation pay the lower rate for 1000 kWh’s and the higher price for 500 kWh’s. In other words, two-thirds of his consumption would be billed

1

2 **Q. ON PAGE 2 (LINES 11-13) MR. JENKS ALSO ASSERTS, “THERE IS A LACK**
 3 **OF EVIDENCE TO SHOW THAT IMPOSING THE PROPOSED PRICE**
 4 **SIGNALS ON WINTER-PEAKING RESIDENTIAL CUSTOMERS WILL BE**
 5 **EFFECTIVE IN REDUCING PEAK ENERGY CONSUMPTION.” MR.**
 6 **FEIGNER ELABORATES MORE ON THAT POINT ON PAGE 6 OF HIS**
 7 **TESTIMONY, WHICH INCLUDES A GRAPH INDICATING LITTLE CHANGE²³**
 8 **IN THE IDAHO JURISDICTION’S RESIDENTIAL PEAK SINCE SEASONAL**
 9 **RATES WERE INTRODUCED THERE. PLEASE COMMENT.**

10 A. I assume that Mr. Jenks is referring to the targeted summer sub-peak, not the
 11 greater residential winter peak. I have three points to make regarding this.
 12 First, in my thirty-plus years in the utility regulation business, I have never
 13 seen evidence to the effect that electricity was other than a typical good—i.e.,
 14 one whose demand varies inversely with its price. Yes, the magnitude of its
 15 price elasticity²⁴ may be low, but it is not uncommon for price elasticity
 16 adjustments to be factored into utility sales projections when contemplating a

at the lower rate and 1/3 at the higher rate. Now let the billing cycle go to 36 days, with the extra six days adding 300 extra kWh’s, for a total of 1800 kWh’s. It would obviously be unfair to bill the entire additional 300 kWh’s at the higher price. Such is avoided by the following prorationing protocol: First multiply the total number of billing period kWh’s by the ratio of the standard billing cycle (30 days) to the actual billing cycle (36 days in this example) -- or $1800\text{kWh's} \times (30/36) = 1500\text{ kWhs}$. Use this calculated figure to determine the share of kWh's are to be billed at the lower and higher rates. In this example, the lower rate share is 2/3 (i.e., $1000/1500$) and the higher rate share is 1/3 ($500/1500$). The outcome of this prorationing approach would be that 1200 kWh’s would be billed at the lower rate and 600 kWh’s would be billed at the higher rate. Appropriately, only 100 of the 300 kWh’s added by the six days longer billing cycle would be priced at the higher, tail-block rate.

²³ The only decline in summer usage was for the final year on the graph. That decline might be attributable to that summer’s being cooler than the others.

²⁴ Price elasticity is defined as the percentage change in quantity demanded divided by a percentage change in price. Example: If a 15% price increase results in a 1.5% reduction in sales, the indicated price elasticity is 0.10 or 10%.

1 general rate increase. But besides price elasticity, there is also income
2 elasticity at work, along with demographic factors. Air conditioning is a
3 “normal” good, meaning as incomes go up, so does air conditioning
4 consumption, and as new homes are added to the housing stock, the
5 percentage of homes with refrigerated air conditioning also increases. In sum,
6 an observation of flat summer electricity consumption despite rising electricity
7 prices is not dispositive. With other factors operating, the question is how
8 much greater would the level of consumption have been had there not been
9 the price signal. Second, on page 8 (lines 5-7) of his testimony, Mr. Jenks
10 says, “Usage will already come down because of the 26.3% increase in
11 [average residential] rates approved in this docket. Because bills are going up so
12 significantly, customers are receiving strong price signals that encourage
13 conservation...” Is CUB suggesting that while the increase proposed in this
14 docket will undoubtedly “encourage conservation,” prior rate increases have
15 not? Third, as I have said before, the social equity case for the higher, cost-
16 based summer prices is sufficient even if customers were entirely
17 unresponsive to those prices.

18 **Q. ON PAGE 3 (LINES 5 TO 11) MR. JENKS SEEMS TO SUGGEST THAT AIR**
19 **CONDITIONING IS NO MORE OF A LUXURY THAN IS SPACE HEATING,**
20 **AND OUGHT NOT BE CHARGED AT A HIGHER PRICE. PLEASE**
21 **COMMENT?**

22 A. First, even under the proposed summer rate schedule, many customers will
23 end up paying less per unit of cooling than per unit of heating. That is

1 because with the 1000 kWh cut-over and the much greater winter-time level of
2 use, winter heating customers are more likely to have their monthly
3 consumption in the above-1000 kWh tail-block than will the many air-
4 conditioning customers who manage to keep most of their incremental usage
5 below the 1000 kWh tail block level. But more to Mr. Jenks' point, I would
6 make the following observations: First, the focus of the pertinent aspect of my
7 testimony was *refrigerated* air-conditioning, which, in semi-arid regions such
8 as eastern Oregon, *is* a luxury in the sense that a much cheaper alternative,
9 evaporative cooling, is readily available, and is the historical norm in the older,
10 less expensive housing.²⁵ Second, it is generally beyond the ken of utility
11 regulators to decide what customers or what kind of customer use is more
12 worthy than others of receiving preferential, below-cost pricing treatment.²⁶
13 Just as the fact that residential service is generally more costly than industrial
14 service results in average residential prices exceeding average industrial
15 prices, so should the fact that summer loads are more costly to serve than
16 non-summer loads result in summertime prices that exceed the prices for the
17 rest of the year (as they do already for Idaho Power/Oregon for all the major
18 schedules except the residential schedule).

²⁵ I might add parenthetically that I've lived in extreme cold climates (Fairbanks, Alaska) and in a moderately hot climate (Fallon, Nevada), and have been exposed to what might be regarded as an extremely hot climate (I've a married daughter who has lived in Tucson, Arizona for the past 14 years), and it is my observation that while a certain number of people in hot climates somehow survive without *any* form of space cooling, no one would survive in the cold without heating. Also, when I lived in Fallon during the late 1950's, the vast majority of cooling was evaporative, not the much more expensive refrigerated variety.

²⁶ The exception to this rule is the recognition of the need to mitigate what would be unacceptably high rate increases for particular schedules.

1 **Q. ON PAGE 6 (LINES 5 TO 15) MR. JENKS EXPRESSES CONCERN THAT**
2 **APPARENT STAFF AND COMPANY PREDILECTIONS ARE FOR**
3 **“SEASONAL RATES [TO BE] THE FIRST STEP TOWARDS DYNAMIC**
4 **PRICING,” AND ON THAT BASIS SHOULD NOW BE RESISTED. DO YOU**
5 **HAVE A COMMENT?**

6 A. Is Mr. Jenks suggesting that if the OPUC allows rates to distinguish among
7 the seasons of the year that it will be helpless in resisting, for example, rates
8 that distinguish among peak-load periods or hours of the day—regardless of
9 the implementation costs and other consequences of introducing such? Let
10 me just say that seasonal, time-of-day, critical peak, and other pricing “reform”
11 initiatives should be evaluated on their own merits and adopted or rejected
12 accordingly.

13 **Q. ON PAGE 5 (LINES 18 TO 21) MR. JENKS SAYS “THAT MANY CUSTOMERS**
14 **WILL ONLY BECOME AWARE OF THE EXISTENCE AND TRUE EFFECT OF**
15 **SEASONAL TAILBLOCK RATEMAKING WHEN THEY RECEIVE THEIR**
16 **FIRST BILL AFTER THE IMPLEMENTATION OF THIS POLICY [I.E., IN JUNE]**
17 **– A BILL THAT WILL LIKELY SHOCK THEM ENOUGH TO KNOCK THEIR**
18 **SOCKS OFF.” ALONG THIS SAME VEIN, MR. JENKS MAKES THE**
19 **FOLLOWING STATEMENT ON PAGE 8 OF HIS TESTIMONY (LINES 3-5):**
20 **Staff and the Company have stated a preference that rates increase by 35%**
21 **for customers with air conditioning. CUB does not believe that it is**
22 **necessary to try to further increase bills as a way to shock customers into**
23 **reducing their usage, as customers are going to be shocked enough.**
24 **DO YOU HAVE COMMENTS?**
25

1 A. Yes, five points: 1) In going from May to June and even through November,
2 most residential customers will stay on the *same* incremental rate—because
3 their total monthly consumption in May and June will be below the 1000 kWh
4 level where the higher tail-block rates take effect. (*See Exhibit Staff/103 for*
5 *monthly bill frequency data.*) Accordingly, the bills experienced by the
6 majority of residential customers will be no more, and probably less, shocking
7 than the bills received during the rest of the year. 2) In going from May to
8 June, average residential consumption declines²⁷—meaning that even if the
9 incremental prices goes up, the June bill may be about the same or even
10 lower than the previous month’s bill (because there will be fewer kWh’s in the
11 tail-block). So, at least for the month of June, customers should not be
12 particularly stressed by the higher marginal rate. 3) When median residential
13 usage does go up, i.e., in July and August, it is fundamentally due to air
14 conditioning use, and such corresponds precisely to the pricing message that
15 is desirable to be delivered, i.e., that air conditioning is expensive. That
16 message will be delivered both by the total bill (which CUB argues is more
17 important than the incremental rate²⁸) and by the tail-block rate itself. 4) The
18 majority of Idaho’s customers do indeed have refrigerated air conditioning.
19 But only the minority whose electricity consumption exceeds something *over*
20 1500 kWh’s will experience the 35 percent increase over the prior year’s bill

²⁷ June’s average usage is less than half the consumption of the peak winter months of January and February. See Exhibit Staff/302.

²⁸ See page 7 of CUB/100.

1 that Mr. Jenks refers to.²⁹ Fully half of the summertime customers, including
2 many with air conditioning, have usage that doesn't reach the tail-block.³⁰ 5)
3 A customer's bill is a function of both the price(s) and the quantity of use. And
4 "bill shock" can be as much of a consequence of a large dollar increase in the
5 bill as the consequence of a large percentage increase. Consider: Under the
6 Stipulation rate design proposal, a customer who uses 1500 kWh's in the
7 summer will receive a bill increase (over current rates) of about \$26. In the
8 winter, if usage reaches 2000 kWh's then the bill increase will be \$27. But far
9 more customers will experience the \$27 winter increase (38 percent in
10 January) than will experience the \$26 summer increase (26 percent in
11 August).³¹ I would submit that fewer people will be shocked in the summer
12 than in the winter regardless of the rate structure, but elevating the summer
13 tail-block rate (as under the Staff proposal) will have the effect of shrinking the
14 winter prices, thereby *reducing* the amount of bill shock during the season
15 (winter) when such shocks are the most frequent. Does CUB mean to argue
16 that "billing shock" in the winter is to be favored over a comparable level of
17 billing shock in the summer, when utility costs are greater?

18 **Q. ON PAGE 9 (LINES 9-14) MR. JENKS REMINDS US THAT "MOST**
19 **CUSTOMERS DON'T LIKE RATE HIKES...[THAT] UNDER STAFF'S**
20 **PROPOSAL [ARE] GUARANTEED...EVERY JUNE." PLEASE COMMENT?**

²⁹ From page 8 of Exhibit Staff/302 it seen that only about a quarter (i.e., 26 percent) of the customers during the summer billing peak month of August would have consumption in excess of 1500 kWh's.

³⁰ See the table on the left side of Exhibit Staff/103.

³¹ See Exhibit Staff/302.

1 A. Even though people generally *understand* the nature of supply and demand,
2 we aren't expected to *like* it when gasoline prices go up just before big
3 summer holiday weekends or when prices of fresh produce go up when locally
4 grown fruits and vegetables are no longer in season. On the other hand,
5 people *like* two-for-one sales and deep discounting in general. Similarly, I
6 would aver that "most customers would *like* rate cuts...that under staff's
7 proposal will be guaranteed to occur every September."³² But as Mr. Jenks
8 says (and I would agree), most people don't pay careful attention to individual
9 rates as opposed to the total amount on their bill. So, raising rates when
10 consumption has gone down (i.e., in June) and elevating rates prior to when
11 consumption will start going back up (i.e., in September) is a minimally
12 intrusive way to achieve cost-based rate reform. Shrinking what would
13 otherwise be larger winter bills also has the beneficial effect of enhancing
14 billing stability for customers not enrolled in equal-pay programs.

15 **Q. STARTING ON PAGE 8, MR. JENKS MAKES THE OBSERVATION THAT**
16 **"MANY CUSTOMERS PREFER SIMPLICITY." IN THAT SAME SECTION**
17 **HE REFERS TO "MANY CUSTOMERS WHO DO NOT UNDERSTAND THE**
18 **NOTICE THAT EXPLAINS THE SEASONAL RATES." PLEASE RESPOND?**

19 A. Since I discussed this issue at some length in my original testimony for this
20 docket, I'll just touch on it briefly here. As noted above, Mr. Jenks recognizes
21 that customers tend to use less electricity when their bills go up—whether the

³² I would concede that for rate changes of comparable degrees in absolute terms, the intensity of "dislike" for a rate hike will typically exceed the intensity of "like" for a rate decrease.

1 cause of the billing increase is an across-the-board increase in rates or
2 “merely” an increase in the rate that pertains to the customer’s marginal
3 consumption.³³ (Mr. Jenks is correct in suggesting that most customers will
4 not bother to find out or will be otherwise unable to distinguish between those
5 two causes.) So insofar as the rate design objective is energy conservation,
6 what does it matter from Mr. Jenks’ point of view whether or not the typical
7 customer understands the nuances of rate design or the language of the
8 notice of the seasonal rate increase? Nevertheless, rate design structure
9 matters to this Staff witness because placing the increase in the tail-block in
10 the summer does a better job than increasing the customer charge or the
11 initial block rate, if the objective is to target the usage that is most
12 conspicuously driving summertime costs, i.e., refrigerated air-conditioning.³⁴

13 **Q. ALL ELSE BEING EQUAL, IT IS A TRUISM THAT, WHATEVER THE**
14 **SUBJECT, SIMPLICITY IS BETTER THAN COMPLEXITY. BUT OBVIOUSLY**
15 **SELDOM IN LIFE IS “ALL ELSE EQUAL.” HAS THIS COMMISSION IN**
16 **THE PAST ADOPTED A RESIDENTIAL RATE DESIGN THAT IS EVEN**
17 **MORE COMPLEX THAN WHAT STAFF IS NOW PROPOSING?**

³³ Anyone who makes no connection between the size of his electric bill and his level of consumption undoubtedly either is not paying the bill himself or otherwise has no stake in the loss of income or wealth when the level of consumption is not controlled.

³⁴ I would note that the higher the point where the tail-block begins, the less the likelihood that non-air-conditioning consumption is being priced at the higher rate; but also the more elevated the point where the tail-block begins, the less the likelihood that air-conditioning consumption is being priced at the higher rate.

1 A. Indeed it has. Back in 1985 the following residential tariff was in effect for
2 PGE.³⁵

3	<u>Winter Months</u>	<u>Summer Months</u>	<u>Basic Rate</u>
4	First 300 kwh	First 300 kwh	5.170¢
5	Next 400 kwh	Next 400 kwh	6.174¢
6	Next 1600 kwh	Next 600 kwh	6.372¢
7	Over 2300 kwh	Over 1300 kwh	6.578¢

8 Note that the rates are the same—which, on the surface, may be misleading.
9 Rather than simply being informed that the price after a fixed number of kWh’s
10 is higher in the summer than in the winter, the customer must get the
11 message that the highest price cuts in after 1300 kWh’s rather than after
12 2300 kWh’s.

13 While the seasonal rate structure for the PP&L tariff cited in footnote ‘4’ above
14 was in the simple form of a price change that took place at the beginning of
15 each of the two recognized season, customers then may have been
16 “confused” by the fact that “summer” started on April 26th (e.g., not May 1,
17 much less June 1), and “winter” began on October 26th. Clearly, Idaho
18 Power’s definition of “summer” as June through August, and “non-summer” as
19 the rest of the year is more intuitive to the every-day utility customer.

20 **Q. YOU HAVE DOCUMENTED SEASONAL RATES SANCTIONED BY THIS**
21 **COMMISSION FOR AT LEAST THE TIME PERIOD OF THE LATE-1970’S**
22 **INTO THE MID-1980’S. WHAT WAS THE COMMISSIONER’S**

³⁵ See Seventh Revision of Sheet No. 7-1, SCHEDULE 7 RESIDENTIAL SERVICE, Issued March 26, 1985.

1 **JUSTIFICATION FOR SEASONAL RATES THAT WAS PROVIDED AT**
2 **THAT TIME?**

3 A. The following language (as augmented by Staff to reflect current conditions) is
4 found in ORDER NO. 85-010 (entered January 8, 1985):

5 The Commissioner reaffirms the commitment to a rate structure which will
6 promote the state policy of conservation. Such a rate structure, however,
7 must be responsive to current economic realities. A rate structure should be
8 designed to reflect conservation policy but it also should reflect the fact that
9 the region [sometimes] has a surplus [and sometimes has a comparative
10 shortage] of electricity....

11 A seasonally differentiated two-block rate structure best meets the
12 characteristics set forth above. The size of the first block should reflect
13 unavoidable consumption. Previous studies by Staff indicate this block should
14 be zero to 300 kwh. The rate in the second block should reflect long-run
15 incremental cost. This rate is intended to inform the consumer of the cost of
16 supplying electricity in the long run.

17
18 **Q. THE MAIN QUANTITATIVE DISTINCTION BETWEEN THE 1985**
19 **SEASONAL JUSTIFICATION AND WHAT YOU HAVE ADVOCATED IS THE**
20 **USE OF 1000 KWH'S AS THE PRICE INVERSION POINT VERSUS 300**
21 **KWH'S. FOOTNOTE '6' ABOVE TALKED ABOUT THE TRADEOFF**
22 **BETWEEN MAKING SURE TO HAVE A HIGH PRICE IN EFFECT FOR AIR-**
23 **CONDITIONING LOADS AND AVOIDING CHARGING THE HIGHER PRICE**
24 **FOR NON-AIR-CONDITIONING LOADS. IS THEIR ANOTHER**
25 **ADVANTAGE OF THE GREATER INVERSION POINT?**

26 A. There is. Algebraically, and for a fixed revenue target for the residential
27 schedule, the fewer the number of kWh's that are assessed the higher, tail-
28 block price, the higher that price can be without leading to excess class

1 revenues or without requiring the customer charge and/or the initial block's
2 rate to be lower than desired. This feature is important in the current case
3 because the summer costs are so much higher than the yearly average.

4 **Q. ON PAGE 10 (LINES 18-21), MR. JENKS SAYS THE FOLLOWING:**

5 **The idea that rates should reflect embedded costs during the periods of the**
6 **year where marginal costs may be below embedded costs, and should**
7 **reflect marginal costs when those costs are higher than embedded costs,**
8 **amounts to always charging customers for the highest-cost available**
9 **option.**

10

11

PLEASE COMMENT.

12

A. That "idea" is not what is being proposed. By "embedded costs" I assume Mr.
13 Jenks means "average costs." If marginal costs exceed average costs, and if
14 prices are always set at the greater of the two, then it is a truism that expected
15 average revenues will exceed average costs, and the utility's revenues will
16 exceed the established revenue requirement. That problem is easily avoided
17 by setting prices for a portion of sales *below* average costs in order to offset
18 other prices that are above average costs. The advantage of pricing
19 electricity at rates closer to marginal costs when such exceed average costs is
20 that prices can then be set *below* average costs during periods when marginal
21 costs are generally below average costs. The outcome of this kind of "price
22 discrimination" is improved economic efficiency, which is supportive of
23 increased ratepayer welfare.

24

Q. ON PAGE 11, STARTING WITH LINE 3, MR. JENKS MAKES A

25

STATEMENT ABOUT TAIL-BLOCK RATES, MARGINAL COSTS, AND

1 **SUMMER-SEASON’S POWER SUPPLY COSTS, WITH THE LATTER TWO**
2 **NOT BEING THE SAME. DO YOU HAVE A COMMENT?**

3 A. No claim has been made that the proposed summer tail-block precisely
4 represents marginal costs. The claim is merely that summer costs exceed
5 non-summer costs,³⁶ and that an effective way to have air-conditioning loads
6 bear their higher, on-peak costs³⁷ is via an inverted tail-block rate structure
7 where the summertime tail-block exceeds the non-summer tail block.

8 **Q. ON PAGE 12 (LINES 7-10), MR. JENKS SAYS THE FOLLOWING:**

9 **It is important, however, for the tiered rates to be linked with good energy**
10 **efficiency programs and good energy audits. CUB’s examination of Idaho**
11 **Power Company’s energy efficiency programs suggests that the residential**
12 **energy efficiency programs available to customers may not be robust**
13 **enough to support tiered rates in Oregon.**

14 **PLEASE COMMENT.**

15 A. Very high bills will induce some customers to cut back on their usage—some
16 more than others.³⁸ They will also induce some to make energy savings
17 investments *on their own* if such are viewed as cost-effective. If available,
18 utility- or third party-sponsored energy or capacity saving investments will be
19 made. For the latter option to be unavailable or insufficiently developed is no
20 reason to interfere with or impede the operability of the other options,
21

³⁶ For a refresher on this point, refer to Idaho Power/802 Tatum/30, which shows marginal generation costs by month and by schedule. Note particularly that July and August have by far the highest energy-related marginal costs and that the months of October plus January through April bear no marginal generation demand costs.

³⁷ Note that basic household uses of electricity such as lighting, water heating, cooking, and television watching are less concentrated in the mid-to-late-afternoon summertime electricity peak period.

³⁸ The exception is where there is a flat monthly rate, with no incremental charge for incremental use.

1 including rate design reforms. *It is important to keep in mind that the main*
2 *purpose of having cost-based rates is not necessarily to get customers to*
3 *change their investment behavior or even, necessarily, their consumption*
4 *behavior, but it is rather it is to have the cost-causers pay their way so that*
5 *others are not harmed by virtue of having to subsidize the former's*
6 *consumption.*

7 **Q. ON PAGE 2 (LINES 6 AND 7) MR. JENKS STATES, "IT WILL BE DIFFICULT**
8 **FOR SENIOR AND LOW-INCOME CUSTOMERS TO MANAGE THESE**
9 **HIGHER RATES – NOTWITHSTANDING THE CURRENT ECONOMIC DOWN**
10 **TURN – WITHOUT THE DEVELOPMENT OF BETTER ENERGY EFFICIENCY**
11 **PROGRAMS." PLEASE COMMENT.**

12 A. Two points are being made here. One is support for non-price energy
13 conservation programs/incentives that, as stated above, lie outside the domain of
14 relevancy of my testimony in support of the rate spread and rate design
15 stipulation. As for the difficulty of 'seniors and low-income folks to manage these
16 higher rates,' I'm assuming from the context of this passage that Mr. Jenks is
17 referring to the difficulty of those people in meeting the 26 percent average
18 increase for the residential class (to which, again, CUB stipulated its agreement).
19 Of course the *average* figure has nothing to do with the seasonal rate issue as
20 such. As I discussed earlier, different sub-groups within the residential customer
21 class will be affected differently by the proposed seasonal rate structure. AAnd
22 as was delved into at some length in my direct testimony,³⁹ low-income

³⁹ See page 10, line 18 through page 11, line 2.

1 customers are less likely than the average customers to have refrigerated air-
2 conditioning; and insofar as the air-conditioning customers are charged higher,
3 summer tail-block rates, then rates for the lower-income customers and everyone
4 else can be lower.

5 **Q. ON PAGE 13 (LINES 18-20), MR. JENKS SAYS THE FOLLOWING:**

6 **If Staff's view is adopted, the focus will remain on price signals rather than**
7 **efficiency programs. The Oregon households who can least afford the price**
8 **signals will then be the most harmed, because they can least afford to**
9 **respond to the price signals [i.e., by making energy-conserving**
10 **investments on their own].**

11 **PLEASE COMMENT.**

12 **A.** The proposed rate inversion point of 1000 kWh's is sufficiently high so that
13 any moderately-sized household that is not profligate in its non-essential
14 electricity use⁴⁰ will be able to keep its consumption below that level while
15 enjoying some electric cooling during the very hottest days of the summer
16 months. Keeping the tail-block rate high to target those who choose not to
17 reduce their consumption to the 1000 kWh level enables all the other rates
18 (particularly the year-round initial block rate and the non-summer tail-block
19 rate) to be lower than would otherwise be possible. The outcome is to
20 precisely benefit those on limited incomes who reside in older, energy
21 inefficient homes heated with electricity, and who don't have the capacity to
22 make the energy-efficiency investments that would reduce their wintertime
23

⁴⁰

I would categorize television and video games as non-essential use.

1 bills (in many instances because they are renters rather than owners of their
2 domiciles).⁴¹

3 But let's step back and re-focus on the nature of the economic efficiency
4 objectives that can readily be achieved with the elevated summer tail-block
5 rate. First, the objective is not so much to induce some kind of sophisticated
6 consumer behavior such as shifting consumption from peak to off-peak
7 periods, but merely to get folks who want to reduce their electric bills to turn
8 up their thermostats in the summertime, i.e., to get used to being a little bit
9 warmer. Second, it is *not* to induce them to make some kind of expensive
10 energy-saving investment, but rather to *not* make an expensive energy-
11 *consuming* investment in refrigerated, central air-conditioning, i.e., if they
12 haven't already abandoned their evaporative coolers. I submit that lower-
13 income folks are just as capable as the more prosperous, if not more so,⁴² in
14 achieving those two economic efficiency objectives of the elevated summer
15 tail-block rate.

⁴¹ My direct testimony in this docket made the case that less prosperous families were more likely to heat with electricity because they were more likely to live in older homes that were built prior to natural gas being introduced into the area. The following load forecasts recently released to Staff by PGE reinforce the proposition that less affluent families are more likely to heat with electricity:

Sales Projections (Million kWh)

<u>Dwelling Group</u>	<u>Non-heat Customers</u>	<u>Heating Customers</u>
Single Family	3,516	1,745
Multi-Family	337	1,504
Mobile Home	40	436

Note that most of the consumption accounted for by single-family dwellings is accounted for by homes that don't heat with electricity, whereas most of the consumption accounted for by multi-family dwellings (i.e., apartments, condominiums, and townhomes) and mobile homes is accounted for by dwellings that *do* heat with electricity. Needless to say, less affluent families are more likely to live in mobile homes and multi-family dwellings than are the more prosperous families.

⁴² The wealthy are more inclined to regard cool, refrigerated air as an entitlement.

1 **Q. ON PAGES 14-15, IN A DISCUSSION PERTAINING LARGELY TO**
2 **CALIFORNIA RESIDENTIAL CUSTOMERS' RESPONSIVENESSTO ITS**
3 **CRITICAL PEAK PRICING PROGRAMS, MR. JENKS NOTED THAT "VERY**
4 **LITTLE SAVINGS CAME FROM LOW INCOME HOUSEHOLDS" AS**
5 **COMPARED TO THOSE WITH HIGHER INCOMES AND BETTER**
6 **EDUCATIONS. I TAKE THIS TO BE ANOTHER ARGUMENT AGAINST THE**
7 **SEASONAL RATE DESIGN PROPOSAL. DO YOU HAVE A COMMENT?**

8 A. The fact that some customers are less responsive to cost-based prices than
9 others is no argument for abandoning or not adopting cost-based prices. But
10 more to Mr. Jenks's point: As Staff has said repeatedly in this docket, it is the
11 better-educated, more prosperous segment of society that is the most likely to
12 utilize refrigerated air-conditioning. By focusing the elevated tail-block rate
13 upon that high-utility-cost energy function is to accomplish the notion of social
14 equity that values less affluent customers not having to subsidize the
15 consumption of wealthier customers by virtue of the less affluent paying
16 higher-than-justified rates for their consumption during lower-cost periods.

17 **Q. AT THE VERY END OF HIS TESTIMONY (PAGE 28), MR. JENKS REFERS**
18 **TO THE SB 1149 MANDATE THAT UTILITIES PROVIDE RESIDENTIAL**
19 **CUSTOMERS WITH THE "TRADITIONAL COST-OF-SERVICE OR**
20 **EMBEDDED[-COST] RATES," AND THAT MARKET-BASED RATES**
21 **WOULD BE MERELY ON OPTION. HIS CLAIM IS THAT "MOVING**
22 **TOWARDS AN EXPLICIT GOAL OF ALIGNING RATES WITH MARGINAL**

1 **COSTS IS A MOVE AWAY FROM TH[AT] POLICY.” DO YOU HAVE A**
2 **RESPONSE?**

3 A. Let's first make sure we understand the meaning of cost-of-service or
4 embedded-cost rates. It is that the rates or prices, *combined with the sales*
5 *forecasts associated with each of the rates*, will generate the share of
6 embedded (or actual/accounting) costs that are allocated via cost-of-service
7 studies to the particular customer classes or rate schedules. Real-time prices
8 don't qualify because of the impossibility of forecasting the future prices and
9 the difficulty of forecasting sales in that kind of dynamic environment. The
10 outcome of real-time, marginal cost pricing might be revenues that depart in a
11 major way from the embedded costs. The seasonal rates that are being
12 proposed in this rate case lie squarely within the domain of cost-of-service,
13 embedded-costs rates. The only difference between seasonal rates and year-
14 round rates in this regard is that instead of the respective sales projections
15 being applied to the entire year, they are applied, in this case, to two season
16 of the year. Regardless of whether the projections are annual or bi-
17 annual/seasonal, they normally consist of a compilation of monthly, or even
18 hourly, sales projections. And as was expressed earlier in this testimony,
19 having prices that come closer to time-variant costs without the need for
20 introducing something more elaborate (such as TOU or real-time pricing), will
21 have the tendency to delay that introduction.

22 **Q. WE'VE HEARD A LOT ABOUT THE BURDENSOMENESS OF AN**
23 **AVERAGE INCREASE OF 26.3 PERCENT TO RESIDENTIAL CUSTOMERS**

1 **IN THIS CASE. HOW DO THE PROPOSED RATES COMPARE WITH**
2 **PGE’S AND PACIFICORP’S RESIDENTIAL RATES HERE IN OREGON?**

3 A. The Idaho Power summertime (i.e., three-month) tail-block rate proposed in
4 the Stipulation is 8.31¢ per kWh. The proposed non-summertime tail-block
5 price is 7¢ per kWh.⁴³ PacifiCorp’s and PGE’s *year-round* base tail-block
6 rates are, respectively, 8.69¢ and 10¢.⁴⁴ Furthermore, PGE’s higher rate
7 starts at 250 kWh’s per month rather than the 1000 kWh’s for the Idaho Power
8 case.

9 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

10 A. Yes it does.

⁴³ See Staff/104 Corrected.

⁴⁴ See, for PacifiCorp, Schedule 4 and Schedule 200; for PGE, Schedule 7.

CASE: UE 213
WITNESS: George R. Compton

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 301

**Exhibits in Support of
Surrebuttal Testimony**

January 26, 2010

**Monthly Billing Comparisons
Residential Rate Design Settlement Stipulation versus Smaller Customer Charge**

Energy Used (kWh's)	Seasonal Rate Design: Settlement Stipulation				Seasonal Rate Design: Smaller Customer Charge				Δ \$ from Settlement (k)	
	Non-Summer		Summer		Non-Summer		Summer			
	Proposed Tariff (b)	Percent Increase (c)	Proposed Tariff (d)	Percent Difference (e)	Proposed Tariff (f)	Percent Increase (g)	Proposed Tariff (i)	Percent Increase (j)		
Current Revenue (a)										
50	\$7.51	11.04	\$11.04	47.1%	\$9.64	28.4%	\$9.64	28.4%	-\$1.40	28.4%
100	\$9.76	14.08	\$14.08	44.3%	\$12.78	30.9%	\$12.78	30.9%	-\$1.30	30.9%
200	\$14.27	20.17	\$20.17	41.3%	\$19.06	33.6%	\$19.06	33.6%	-\$1.10	33.6%
400	\$24.24	32.33	\$32.33	33.4%	\$31.62	30.5%	\$31.62	30.5%	-\$0.71	30.5%
650	\$37.87	47.54	\$47.54	25.5%	\$47.33	25.0%	\$47.33	25.0%	-\$0.21	25.0%
1,000	\$56.96	68.83	\$68.83	20.8%	\$69.31	21.7%	\$69.31	21.7%	\$0.48	21.7%
1,500	\$84.22	103.81	\$103.81	31.1%	\$104.29	23.8%	\$104.29	23.8%	\$0.48	23.8%
2,500	\$138.76	173.76	\$173.76	39.5%	\$174.24	25.6%	\$174.24	25.6%	\$0.48	25.6%
4,000	\$220.56	278.69	\$278.69	44.3%	\$279.16	26.6%	\$279.16	26.6%	\$0.48	26.6%
6,000	\$329.62	418.59	\$418.59	47.0%	\$419.07	27.1%	\$419.07	27.1%	\$0.48	27.1%

Billing Component	Seasonal -- Smaller Customer Charge				Annual Revenue		
	Current Tariff		Non-Summer			Summer	
	2009 Quantity	Price	2009 Quantity	Price		2009 Quantity	Price
Customer Charge	160,983.1	\$ 5.25	Annualized	\$ 6.50	Annualized	\$ 6.50	\$ 1,046,390
Minimum Charge	1253.5	\$ 3.00	Annualized	\$ 3.00	Annualized	\$ 3.00	\$ 3,761
≤ 1,000 kWh's	121,960,188		92,729,929	\$ 0.062812	\$ 5,824,547	\$ 0.062812	\$ 7,660,557
> 1,000 kWh's	76,598,734		64,755,567	\$ 0.069951	\$ 4,529,717	\$ 0.083123	\$ 5,514,156
Energy/Revenue Total	198,558,922	\$ 848,922	157,485,496		41,073,426		\$ 14,224,864

Billing Component	Seasonal -- Per Settlement Stipulation				Annual Revenue
	Non-Summer		Summer		
	2009 Quantity	Price	2009 Quantity	Price	
Customer Charge	Annualized	\$ 8.00	Annualized	\$ 8.00	\$ 1,287,865
Minimum Charge	Annualized	\$ 3.00	Annualized	\$ 3.00	\$ 3,761
≤ 1,000 kWh's	92,729,929	\$ 0.060832	\$ 5,640,947	\$ 0.060832	\$ 7,419,082
> 1,000 kWh's	64,755,567	\$ 0.069951	\$ 4,529,717	\$ 0.083123	\$ 5,514,156
Energy/Revenue Total	157,485,496		41,073,426		\$ 14,224,864

NOTE: In order to allow a straightforward evaluation of the effects of the smaller customer charge, the summer and non-summer upper tail blocks were left unchanged.

CASE: UE 213
WITNESS: George R. Compton

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 302

**Exhibits in Support of
Surrebuttal Testimony**

January 26, 2010

Rates: 001 084R for January 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	1,273	3,801,135	128,235	1,273
300.00	1,097	3,523,728	509,028	2,370
600.00	915	2,142,617	645,417	3,285
800.00	1,009	1,943,435	906,235	4,294
1000.00	971	1,745,794	1,066,594	5,265
1200.00	1,337	2,267,094	1,797,294	6,602
1500.00	1,776	3,008,092	3,103,092	8,378
2000.00	2,648	3,758,011	6,564,011	11,026
3000.00	1,472	1,657,493	5,055,493	12,498
4000.00	617	658,708	2,725,708	13,115
5000.00	388	474,540	2,349,540	13,503
10000.00	13	20,251	150,251	13,516
999999999999.99	13,516	25,000,898	25,000,898	13,516
Company Totals:				

Rates: 001 084R for February 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	1,293	3,800,187	127,587	1,293
300.00	1,167	3,512,047	539,647	2,460
600.00	1,004	2,114,219	702,419	3,464
800.00	1,026	1,911,109	922,909	4,490
1000.00	957	1,715,378	1,054,778	5,447
1200.00	1,276	2,230,243	1,717,843	6,723
1500.00	1,685	2,970,616	2,934,616	8,408
2000.00	2,578	3,771,819	6,378,819	10,986
3000.00	1,523	1,708,922	5,251,922	12,509
4000.00	628	669,890	2,783,890	13,137
5000.00	382	518,641	2,348,641	13,519
10000.00	16	28,188	188,188	13,535
999999999999.99	13,535	24,951,259	24,951,259	
Company Totals:				

Staff/302
Compton/2

Rates: 001 O84R for March 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	1,478	3,774,312	150,012	1,478
300.00	1,491	3,417,166	687,466	2,969
600.00	1,253	1,996,881	881,281	4,222
800.00	1,181	1,749,096	1,062,696	5,403
1000.00	1,123	1,517,851	1,234,251	6,526
1200.00	1,468	1,887,613	1,979,713	7,994
1500.00	1,966	2,265,402	3,414,902	9,960
2000.00	2,459	2,196,317	5,974,317	12,419
3000.00	811	652,634	2,756,634	13,230
4000.00	212	206,364	937,364	13,442
5000.00	113	163,310	708,310	13,555
10000.00	4	4,040	44,040	13,559
Company Totals:	13,559	19,830,986	19,830,986	

Rates: 001 084R for April 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	1,633	3,746,478	172,878	1,633
300.00	1,689	3,339,073	778,873	3,322
600.00	1,363	1,910,571	956,371	4,685
800.00	1,337	1,634,713	1,199,713	6,022
1000.00	1,232	1,383,285	1,357,085	7,254
1200.00	1,575	1,644,995	2,120,195	8,829
1500.00	2,050	1,817,364	3,559,364	10,879
2000.00	1,979	1,478,316	4,749,316	12,858
3000.00	511	358,654	1,715,654	13,369
4000.00	119	111,969	530,969	13,488
5000.00	54	72,565	327,565	13,542
10000.00	3	2,480	32,480	13,545
999999999999.99	13,545	17,500,463	17,500,463	
Company Totals:				

Rates: 001 084R for May 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	300.00	3,708,863	240,263	1,960
300.00	600.00	3,136,631	1,058,831	4,278
600.00	800.00	1,676,936	1,246,536	6,051
800.00	1000.00	1,326,540	1,517,340	7,736
1000.00	1200.00	1,004,693	1,665,493	9,251
1200.00	1500.00	1,013,064	2,226,264	10,914
1500.00	2000.00	855,501	2,757,501	12,517
2000.00	3000.00	469,666	1,912,666	13,333
3000.00	4000.00	109,741	492,741	13,476
4000.00	5000.00	25,534	134,534	13,507
5000.00	10000.00	22,160	97,160	13,522
10000.00	999999999999.99	-	-	13,522
Company Totals:		13,349,329	13,349,329	13,349,329

Rates: 001 084R for June 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	300.00	3,697,038	289,638	2,220
300.00	600.00	3,018,580	1,252,180	4,955
600.00	800.00	1,521,069	1,434,069	7,002
800.00	1000.00	1,123,066	1,689,866	8,884
1000.00	1200.00	786,419	1,609,219	10,352
1200.00	1500.00	723,184	2,035,384	11,872
1500.00	2000.00	520,467	1,921,467	12,999
2000.00	3000.00	273,114	1,110,114	13,471
3000.00	4000.00	61,511	234,511	13,541
4000.00	5000.00	27,076	80,076	13,559
5000.00	10000.00	17,845	112,845	13,578
10000.00	99999999999.99	-	-	13,578
Company Totals:		11,769,369	11,769,369	13,578

Rates: 001 084R for July 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	300.00	3,734,855	231,455	1,927
300.00	600.00	3,222,708	904,308	3,902
600.00	800.00	1,786,669	1,103,669	5,474
800.00	1000.00	1,471,181	1,388,981	7,018
1000.00	1200.00	1,177,091	1,538,491	8,417
1200.00	1500.00	1,281,857	2,368,457	10,179
1500.00	2000.00	1,200,836	3,209,836	12,040
2000.00	3000.00	812,368	2,895,368	13,256
3000.00	4000.00	181,710	900,710	13,523
4000.00	5000.00	49,308	227,308	13,575
5000.00	10000.00	42,870	182,870	13,604
10000.00	99999999999.99	728	10,728	13,605
Company Totals:		14,962,181	14,962,181	

Rates: 001 O84R for August 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	1,879	3,724,654	226,054	1,879
300.00	1,836	3,242,564	845,564	3,715
600.00	1,543	1,814,961	1,084,161	5,258
800.00	1,557	1,503,420	1,403,820	6,815
1000.00	1,382	1,207,167	1,520,367	8,197
1200.00	1,751	1,328,644	2,351,944	9,948
1500.00	1,913	1,272,487	3,301,987	11,861
2000.00	1,307	854,137	3,095,137	13,168
3000.00	277	193,108	928,108	13,445
4000.00	64	61,985	285,985	13,509
5000.00	32	38,129	198,129	13,541
10000.00	-	-	-	13,541
Company Totals:	13,541	15,241,256	15,241,256	

Rates: 001 084R for September 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	300.00	3,717,000	255,000	2,035
300.00	600.00	3,157,315	993,715	4,199
600.00	800.00	1,696,400	1,258,000	5,995
800.00	1000.00	1,337,604	1,579,604	7,753
1000.00	1200.00	1,012,131	1,670,531	9,272
1200.00	1500.00	1,021,989	2,210,589	10,925
1500.00	2000.00	876,277	2,689,277	12,494
2000.00	3000.00	508,667	2,079,667	13,378
3000.00	4000.00	110,436	473,436	13,518
4000.00	5000.00	38,287	136,287	13,549
5000.00	10000.00	36,582	156,582	13,574
10000.00	99999999999.99	6,480	16,480	13,575
Company Totals:				
		13,519,168	13,519,168	

Staff/302
Compton/9

Rates: 001 084R for October 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	300.00	3,699,281	294,281	2,263
300.00	600.00	3,032,721	1,216,521	4,911
600.00	800.00	1,543,416	1,418,216	6,930
800.00	1000.00	1,147,271	1,669,671	8,789
1000.00	1200.00	803,716	1,742,116	10,375
1200.00	1500.00	727,527	2,019,627	11,884
1500.00	2000.00	519,758	1,961,258	13,037
2000.00	3000.00	243,108	1,155,108	13,533
3000.00	4000.00	48,418	176,418	13,585
4000.00	5000.00	17,801	79,801	13,603
5000.00	10000.00	18,524	58,524	13,612
10000.00	99999999999.99	7,520	17,520	13,613
Company Totals:		11,809,061	11,809,061	

Rates: 001 O84R for November 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	1,850	3,724,900	208,900	1,850
300.00	1,987	3,238,288	914,488	3,837
600.00	1,557	1,790,914	1,089,914	5,394
800.00	1,614	1,475,152	1,453,952	7,008
1000.00	1,329	1,178,891	1,461,291	8,337
1200.00	1,838	1,281,916	2,469,016	10,175
1500.00	1,925	1,161,890	3,314,390	12,100
2000.00	1,207	687,368	2,838,368	13,307
3000.00	201	131,375	672,375	13,508
4000.00	37	43,359	166,359	13,545
5000.00	24	35,295	150,295	13,569
10000.00	1	2,529	12,529	13,570
Company Totals:	13,570	14,751,877	14,751,877	

Rates: 001_084R for December 2008

KWH Blocks	Bills in Block	KWH in Block	KWH Billed in Block	Cumulative Bills at Block
.00	1,491	3,764,680	151,480	1,491
300.00	1,364	3,426,002	631,202	2,855
600.00	1,118	2,028,928	787,328	3,973
800.00	1,245	1,789,449	1,122,049	5,218
1000.00	1,054	1,554,665	1,156,065	6,272
1200.00	1,472	1,953,035	1,982,135	7,744
1500.00	2,000	2,378,495	3,482,995	9,744
2000.00	2,567	2,323,103	6,233,103	12,311
3000.00	888	685,939	3,013,939	13,199
4000.00	223	206,775	985,775	13,422
5000.00	109	131,627	656,627	13,531
10000.00	4	5,022	45,022	13,535
999999999999.99	13,535	20,247,720	20,247,720	
Company Totals:				

CASE: UE 213
WITNESS: Lisa Gorsuch

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 400

Reply Testimony

January 26, 2010

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Lisa Gorsuch. I am a Utility Analyst for the Public Utility
4 Commission of Oregon (PUC or Commission). My business address is 550
5 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
7 **EXPERIENCE.**

8 A. My Witness Qualification Statement is found in Exhibit Staff/401.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. I will provide Staff's response to Mr. Ratcliffe's, Mr. Bickford's, Mr. Schneider's,
11 and Mr. Patterson's direct testimony on behalf of Oregon Industrial Customers
12 of Idaho Power (OICIP) in Exhibit 400 regarding power quality issues and
13 mechanisms in place to address unresolved power quality issues with Idaho
14 Power Company (Idaho Power).

15 **Q. DOES STAFF BELIEVE A GENERAL RATE CASE IS THE BEST FORUM**
16 **TO ADDRESS THE POWER QUALITY ISSUES RAISED BY OICIP?**

17 A. No. Staff believes that customer-specific power quality issues that cannot be
18 resolved between the customer and Idaho Power should be brought before the
19 Commission in the form of a complaint. Such complaints should be filed either
20 with Consumer Services, which is the informal process, or with Administrative
21 Hearings, which is the formal process, to be investigated by Commission Staff.
22 While system-wide reliability issues may be addressed in a general rate
23 proceeding, the issues OICIP raises appear to be customer-specific.

1 **Q. DOES STAFF AGREE THAT MONTHLY OR QUARTERLY MEETINGS TO**
2 **REVIEW POWER QUALITY WITH INDUSTRIAL CUSTOMERS SHOULD**
3 **BE CONDUCTED BY THE COMMISSION?**

4 A. No. Safety and Reliability Staff respond to individual safety and reliability
5 concerns that are reported and therefore do not believe monthly or quarterly
6 meetings are necessary.

7 **Q. HAS STAFF PARTICIPATED IN MEETINGS THAT INCLUDED OICIP AND**
8 **IDAHO POWER IN RESPONSE TO POWER QUALITY CONCERNS?**

9 A. Yes. Safety and Reliability Staff recently traveled to Ontario on December 1,
10 2009 to attend meetings separately with OICIP and Idaho Power in response to
11 power quality concerns raised by OICIP.

12 **Q. DOES STAFF AGREE THAT IDAHO POWER'S SYSTEM IS NOT**
13 **MAINTAINED, DESIGNED OR CONSTRUCTED IN A MANNER THAT**
14 **MINIMIZES THE EFFECTS TO THE HEINZ ONTARIO PLANT FROM**
15 **DISTURBANCES ON THE IDAHO POWER SYSTEM?**

16 A. No. Commission Staff would need to complete an investigation before a
17 determination could be rendered.

18 **Q. DOES STAFF SUPPORT OICIP AND IDAHO POWER WORKING**
19 **TOGETHER TO RESOLVE THE POWER QUALITY CONCERNS OF**
20 **INDUSTRIAL CUSTOMERS?**

21 A. Yes. Staff recommends that industrial customers work closely with a utility's
22 power quality experts to resolve power quality issues. However, if a resolution
23 cannot be reached, Staff recommends that a complaint be registered, per

1 Oregon Administrative Rule 860-013-0015, with the Commission to initiate an
2 investigation by Commission Staff.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 A. Yes.

CASE: UE 213
WITNESS: Lisa Gorsuch

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 401

**Witness Qualification
Statement**

January 26, 2010

WITNESS QUALIFICATION STATEMENT

NAME: Lisa M. Gorsuch

EMPLOYER: Public Utility Commission of Oregon

TITLE: Utility Analyst/Rates & Tariffs

ADDRESS: 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2115.

EDUCATION: College-level coursework in financial accounting, business law, business management, and economics.

The Center For Public Utilities at New Mexico University.

National Association of Regulatory Utility Commissioners' Annual Regulatory Studies Program at Michigan State University.

EXPERIENCE: Utility Analyst with the Public Utility Commission of Oregon since April 2008. Primarily responsible for review of electric and natural gas company tariff filings and other electric and natural gas company rates and costs. Provide expertise to Consumer Services Division on consumer-related issues.

Compliance Specialist with the Public Utility Commission of Oregon from June 2004 until April 2008. Responsibilities included acting as a liaison between the public, regulated utilities and various Commission staff. Review of proposed tariffs, administrative rules, and policies for evaluation of the potential impact on consumers and the regulated utilities. Identified trends, services, and policies where no statute, rule or precedent applied and recommended the appropriate action.

OTHER EXPERIENCE: Enforcement Agent with the Oregon Department of Revenue as a member of a multijurisdictional task force including Oregon Department of Justice and Oregon State Police from June 1999 until May 2004. Responsibilities included investigating cases of tax evasion involving smuggling of illegal cigarette and other tobacco products. Review of administrative rules, and compliance and enforcement standards for multiple tax programs. Serving as liaison between task force and Oregon State Legislators to determine appropriate tax rate for two different tax programs.

Staff/401
Gorsuch/1