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**And Overnight Mail**

June 11, 2014

Public Utility Commission of Oregon  
550 Capitol Street NE, Suite 215  
Salem, Oregon 97310  
Attn: Filing Center

**Re: Case No. UE-283**

Dear Sir or Madam:

Please find enclosed the original and five (5) copies of the **OPENING TESTIMONY OF KEVIN C. HIGGINS** filed on behalf of the **FRED MEYER STORES, INC., A SUBSIDIARY OF THE KROGER CO. AND QUALITY FOOD CENTERS, A DIVISION OF THE KROGER CO.** for filing in the above referenced matter. I also include the confirmation e-mail verifying e-filing of the above.

Copies have been served on all parties of record. Please place this document of file.

Very truly yours,



Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

**BOEHM, KURTZ & LOWRY**

KJBkew

Enclosure

cc: Certificate of Service

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON**

**UE 283**

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY,

Request for a General Rate Revision.

**OPENING TESTIMONY OF**

**KEVIN C. HIGGINS**

**ON BEHALF OF**

**FRED MEYER STORES**

**JUNE 11, 2014**

1                                   **OPENING TESTIMONY OF KEVIN C. HIGGINS**

2

3    **Introduction**

4    **Q.    Please state your name and business address.**

5    A.           Kevin C. Higgins, 215 South State Street, Suite 200, Salt Lake City, Utah,  
6               84111.

7    **Q.    By whom are you employed and in what capacity?**

8    A.           I am a Principal with Energy Strategies, LLC. Energy Strategies is a  
9               private consulting firm specializing in economic and policy analysis applicable to  
10              energy production, transportation, and consumption.

11   **Q.    On whose behalf are you testifying in this proceeding?**

12   A.           My testimony is being sponsored by Fred Meyer Stores and Quality Food  
13              Centers (“Fred Meyer”), divisions of The Kroger Co. Kroger receives most of its  
14              service from Portland General Electric (“PGE”) under Schedules 485 and 585.

15   **Q.    Please describe your professional experience and qualifications.**

16   A.           My academic background is in economics, and I have completed all  
17              coursework and field examinations toward a Ph.D. in Economics at the University  
18              of Utah. In addition, I have served on the adjunct faculties of both the University  
19              of Utah and Westminster College, where I taught undergraduate and graduate  
20              courses in economics. I joined Energy Strategies in 1995, where I assist private  
21              and public sector clients in the areas of energy-related economic and policy  
22              analysis, including evaluation of electric and gas utility rate matters.

1           Prior to joining Energy Strategies, I held policy positions in state and local  
2 government. From 1983 to 1990, I was economist, then assistant director, for the  
3 Utah Energy Office, where I helped develop and implement state energy policy.  
4 From 1991 to 1994, I was chief of staff to the chairman of the Salt Lake County  
5 Commission, where I was responsible for development and implementation of a  
6 broad spectrum of public policy at the local government level.

7 **Q. Have you ever testified before this Commission?**

8 A.           Yes. I have testified in nineteen prior proceedings in Oregon, including  
9 four PGE general rate cases, UE 262 (2013), UE 215 (2010), UE 197 (2008) and  
10 UE 180 (2006), the PGE Opt-Out case, UE 236 (2012), and the PGE restructuring  
11 proceeding, UE 115 (2001).

12           I have also testified in six PacifiCorp general rate cases, UE 263 (2013),  
13 UE 246 (2012), UE 210 (2009), UE 179 (2006), UE 170 (2005), and UE 147  
14 (2003) and six PacifiCorp Transition Adjustment Mechanism (“TAM”)  
15 proceedings, UE 264 (2014 TAM), UE 245 (2013 TAM), UE 227 (2012 TAM),  
16 UE 216 (2011 TAM), UE 207 (2010 TAM), and UE 199 (2009 TAM), as well as  
17 the PacifiCorp Five-Year Opt-Out case, UE 267 (2013).

18 **Q. Have you testified before utility regulatory commissions in other states?**

19 A.           Yes. I have testified in approximately 170 proceedings on the subjects of  
20 utility rates and regulatory policy before state utility regulators in Alaska,  
21 Arizona, Arkansas, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky,  
22 Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York,  
23 North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas, Utah,

1 Virginia, Washington, West Virginia, and Wyoming. I have also prepared  
2 affidavits that have been filed with the Federal Energy Regulatory Commission.

3

4 **Overview and Conclusions**

5 **Q. What is the purpose of your opening testimony in this proceeding?**

6 A. My testimony addresses PGE's proposed distribution charges for  
7 customers taking service under Schedule 85 and its Direct Access counterpart  
8 schedules.

9 **Q. What is your primary conclusion and recommendation to the Commission on**  
10 **this subject?**

11 A. PGE is proposing a larger increase in distribution charges to Schedule 85  
12 customers that take service at primary voltage relative to secondary voltage. It  
13 appears that the sole difference between the distribution charges for secondary  
14 and primary service is the amount of estimated peak demand losses. Yet primary  
15 customers require fewer Company-owned distribution facilities such as  
16 transformers and service lines than secondary customers, a factor which does not  
17 appear to be reflected in the rate differentials between these two groups of  
18 customers.

19 I recommend that primary voltage customers in the Schedule 85 rate group  
20 should not be given a larger increase in distribution charges than secondary  
21 voltage customers at this time. Instead, the absolute differences in demand  
22 charges between secondary and primary service should be maintained until a  
23 further evaluation of the differences in the cost to serve these two groups of

1 customers can be conducted in a subsequent rate case. The analysis should take  
2 into account the portion of Company distribution facility investment, including  
3 transformers and service lines, that primary voltage customers do not utilize and  
4 which should not be included in primary customer rates.

5  
6 **Schedule 85 – Distribution Charges for Primary and Secondary Service**

7 **Q. By way of background, please describe the type of service provided by**  
8 **Schedule 85-S and 85-P.**

9 A. Schedule 85 applies to Standard Service provided to Large Non-  
10 Residential Customers – customers whose billing demands generally are greater  
11 than 200 kW, but have not exceeded 4,000 kW more than once in the past thirteen  
12 months. Schedule 85-S is used for customers taking service at secondary voltage,  
13 whereas Schedule 85-P is used for customers taking service at primary voltage.  
14 In addition, Schedule 85 has counterpart Direct Access rate schedules, Schedule  
15 485 (Multi-Year Opt-Out) and Schedule 585 (annual Direct Access). The  
16 Distribution Charges for Schedules 85-S, 485-S, and 585-S are identical, and the  
17 Distribution Charges for Schedules 85-P, 485-P, and 585-P are identical. For ease  
18 of exposition, I will refer to Schedule 85 and its Direct Access counterpart  
19 schedules collectively as the Schedule 85 rate group.

20 **Q. What distribution charge increases has PGE proposed for the Schedule 85**  
21 **rate group?**

22 A. For secondary service, PGE is proposing to increase the Facility Capacity  
23 charge by \$0.13/kW, which is an increase of 4.4% on the first 200 kW of demand

1 and 6.3% on all demand greater than 200 kW. In addition the On-Peak Demand  
2 Charge is proposed to increase \$0.29/kW or 14.9%.

3 For primary service, PGE is proposing to increase the Facility Capacity  
4 charge by \$0.16/kW, which is an increase of 5.6% on the first 200 kW of demand  
5 and 8.1% on all demand greater than 200 kW. In addition the On-Peak Demand  
6 Charge is proposed to increase \$0.31/kW or 16.4%.

7 **Q. What appears to be driving the larger increase in the charges for primary**  
8 **service?**

9 A. Based on my review of PGE's testimony and work papers, it appears that  
10 the sole difference between the distribution rates for secondary and primary  
11 service is estimated peak demand losses. PGE witness Marc Cody, on page 20 of  
12 his direct testimony, explains, "The difference between secondary and primary  
13 voltage Facility Capacity Charges reflect the difference in estimated peak demand  
14 losses for the respective delivery voltages," and, "I calculate the demand charge  
15 difference based on the difference in peak demand losses of the respective  
16 delivery voltages."

17 The incremental peak demand losses associated with secondary service are  
18 being reduced from approximately 3.5% in PGE's last rate case,<sup>1</sup> to  
19 approximately 2.1%,<sup>2</sup> which causes the charges for secondary and primary service  
20 to move closer together, causing a larger proposed increase in the distribution  
21 charges for primary service.

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<sup>1</sup> See UE 262, PGE Work Papers\_1500\_non CONF, Ratespread 14GRC, Price-volt tab, for the application of the 3.5% Sec/Prim Peak demand loss differential to rate design in the last rate case.

<sup>2</sup> See PGE Work Papers\_1400\_nonCONF, Ratespread 15GRC, Price-volt tab, for the application of the 2.1% Sec/Prim Peak demand loss differential to rate design in the current case.

1 **Q. Do you believe the larger proposed increase in distribution charges for**  
2 **primary service is reasonable?**

3 A. No, because I do not believe it is reasonable for the sole differential  
4 between secondary and primary distribution charges to be based on peak demand  
5 losses. Primary customers require fewer Company-owned distribution facilities  
6 such as transformers and service lines than secondary customers. Indeed, for  
7 Schedule 485 and 585 customers, the PGE tariff expressly states that:

8 If the Customer is served at either primary or subtransmission voltage, the  
9 Customer will provide, install, and maintain on the Customer's premises all  
10 necessary transformers to which the Company's service is directly or indirectly  
11 connected. The Customer also will provide, install, and maintain the necessary  
12 switches, cutouts, protection equipment, and in addition, the necessary wiring on  
13 both sides of the transformers. All transformers, equipment, and wiring will be of  
14 types and characteristics approved by the Company, and the arrangement and  
15 operation of such equipment will be subject to the approval of the Company.

16 Yet, based on my review of the Company's work papers, this difference in  
17 required facilities does not appear to be reflected in the differential between  
18 primary and secondary rates.

19 **Q. What is your recommendation on this issue?**

20 A. I recommend that primary voltage customers in the Schedule 85 rate group  
21 should not be given a larger increase in distribution charges than secondary  
22 voltage customers at this time. Instead, the absolute differences in demand  
23 charges between secondary and primary service should be maintained until a  
24 further evaluation of the differences in the cost to serve these two groups of  
25 customers can be conducted in a subsequent rate case. The analysis should take  
26 into account the portion of Company distribution facility investment, including



1 transformers and service lines, that primary voltage customers do not utilize and  
2 which should not be included in primary customer rates.

3 **Q. Does this conclude your opening testimony?**

4 **A. Yes, it does.**

## CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served via electronic mail, unless otherwise noted, this 11<sup>th</sup> day of June, 2014.



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