

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1912**

In the Matter of)
)
Portland General Electric Company,) OPENING TESTIMONY
) OF THE OREGON
) CITIZENS' UTILITY BOARD
Resource Value of Solar.)
)
_____)

I. INTRODUCTION

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is William Gehrke. I am an economist employed by Oregon Citizens'
3 Utility Board (CUB). My business address is 610 SW Broadway, Ste. 400
4 Portland, Oregon 97205.

5 **Q. Please describe your educational background and work experience.**

6 A. I have received a Bachelor of Arts degree in Economics and a Master of Science in
7 Applied Economics from Florida State University. I began working for CUB in
8 2017. I have previously worked as an Economist for the Florida Department of
9 Revenue and as a Public Utility Analyst for the Florida Public Service
10 Commission.

11 **Q. What is the purpose of your testimony?**

12 A. The purpose of my testimony is to reply to Portland General Electric's (PGE)
13 Testimony filed for Phase II of the resource value of solar (RVOS) docket.

14 **Q. How is your testimony organized?**

1 **A.** The testimony is organized as follows:

2 II. Update Frequency of RVOS

3 III. Deficiency Period: Generation Capacity

4 IV. Administration

5 V. Conclusion

II. UPDATE FREQUENCY OF RVOS

6 **Q. What has the straw proposal said about the update frequency of the RVOS**
7 **value?**

8 A. The initial straw proposal suggests that RVOS be a 25 year analysis updated every
9 two years or upon petition.¹

10 **Q. What has Portland General Electric stated about the update frequency of**
11 **the RVOS value?**

12 A. Portland General Electric would like to have the ability to update RVOS on an
13 annual basis. PGE has stated an annual update to data element values would enable
14 PGE customers to have solar compensated at the correct price.²

15 **Q. What are your thoughts on the update frequency of RVOS value?**

16 A. CUB agrees with PGE there should be an annual update to the RVOS value. An
17 annual refresh of RVOS would enable solar power to be valued correctly. In
18 particular, annual updates would help keep up to date more speculative elements,
19 such as the Environmental Compliance and Grid Services elements. Additionally,
20 as solar matures, there is expected to be a dramatic growth in rooftop residential

¹ See Oregon Public Utility Commission Order 17-357, Page 16.

² See UM 1912 – Portland General Electric Resource Value of Solar Filing, Goodspeed/100, Page 7.

1 solar projects. Frequent updates to RVOS will enable values to be properly
2 measured and representative of the market.

III. DEFICIENCY PERIOD: GENERATION CAPACITY

3 **Q. How does the sufficiency period apply to the calculation of capacity value?**

4 A. During the period where the utility is sufficient for capacity resources, no value is
5 assigned to capacity. Once the utility is in a deficiency period, capacity resources
6 include the capacity value of incremental resources. PGE currently expects to be
7 deficient in capacity beginning in 2021. Under the present methodology, PGE's
8 RVOS from 2018-2020 are not assigned a capacity value.

9 **Q. Has the Company installed renewable energy projects to help with future
10 capacity?**

11 A. In PGE's 2016 Integrated Resource Plan, the Company requested the procurement
12 of 100 MWa of RPS-eligible resources. The Commission has acknowledged its
13 request. PGE stated it "proposes to conduct an RFP for approximately 100 MWa
14 of RPS eligible resources that help fulfill PGE's energy and capacity needs in 2021
15 and beyond."³ The Commission has acknowledged the new resources.⁴

16 **Q. What impact will the new resources have on the sufficiency period?**

17 A. The installation of 100 MWa of renewable resources will move out the deficiency
18 period. The future capacity deficit is due to the Boardman coal plant retirement.
19 The new resources could move the deficiency period to a later date.

20 **Q. What effect does a longer sufficiency period have on RVOS value?**

³ See LC 66, Portland General Electric's Revised Renewable Action Plan, Page 4.

⁴ Order 18- 044.

1 A. A longer sufficiency period will lower the avoided capacity value of the RVOS.
2 The utility is allowed to have a rate of return on capital investment, but not on
3 residential rooftop solar projects. If the utility keeps pushing the sufficiency period,
4 then the utility has the opportunity to install utility owned capital investment and
5 decrease the resource value of solar. The utility has every incentive to keep
6 extending the sufficiency period.

7 **Q. Does CUB advocate for sufficiency/deficiency periods in the RVOS?**

8 A. No. CUB advocates for removing sufficiency and deficiency periods in the resource
9 value of solar price. From the first year of operation, solar projects provide capacity
10 values, and capacity values should be assigned to RVOS.

III. ADMINISTRATION

11 **Q. Has the Commission provided a guideline for calculating a value for the**
12 **administration element?**

13 A. Yes. Order 17-357 reads: “The straw proposal asks the utilities to propose in Phase
14 II estimates of direct increased utility costs of administering solar PV programs,
15 with justification of their method and value.”

16 **Q. What is the company’s estimated value for the administration element?**

17 A. PGE has estimated the administration value to be \$5.58 per MWh. As directed by
18 the Commission, this element is estimated, based on the 2018 cost of the
19 Company’s Interconnection group and the Company’s Specialized Billing group. In
20 order to determine the real administration cost, the company grew the initial
21 estimate (\$5.58 per MWh) with inflation. Over the next twenty five years of the
22 solar power plant, PGE expects an average annual inflation rate of two percent.

1 **Q. What did PacifiCorp do to measure the administrative cost element?**

2 A. PacifiCorp used three elements to compute the administrative costs: (1) the
3 incremental unrecovered administrative and engineering costs associated with
4 customer applications; (2) the ongoing administration costs of customer service and
5 billing of net metering costs that exceed the costs to provide to traditional
6 customers; and (3) unrecovered incremental distribution investments required for
7 interconnection.⁵

8 PacifiCorp divides administrative cost into two costs: initial costs and ongoing
9 costs. The initial cost is the cost of customers to connect to the system. The
10 ongoing cost is the administrative expense of supporting the customer.

11 **Q. Why does CUB prefer PacifiCorp's approach to calculating the
12 administrative cost element?**

13 A. PacifiCorp's approach to administrative costs is more flexible and transparent.
14 CUB recognizes PacifiCorp is a multistate utility with a dedicated customer
15 generation department. PGE estimated its administrative cost by combining its
16 2018 forecast of the Customer Interconnection Group and Net Metering section of
17 the Specialized Billing Group.

18 Exhibit 102 details the budget for the 2018 budget for the Net Metering section of
19 the Specialized Billing Group. This group constitutes a majority of the projected
20 administrative expense for 2018. It appears the 2018 budget only covers labor
21 costs. PGE used the administrative costs for a year and grew it by inflation each

⁵ See UM 1912 PAC/100 MacNiel/28.

1 year. The RVOS methodology is meant to produce a 25-year marginal, levelized
2 value for a generic, small-scale solar resource installed in 2018. It appears that
3 PGE has included the one-time administrative costs of a solar resource over a
4 twenty-five year time period in its administrative cost estimate.

5 CUB asks the Commission to require PGE to detail one-time and ongoing
6 administrative costs. CUB asks PGE to provide more detail on how it obtained its
7 administrative costs. CUB also prefers PacifiCorp's approach, which included a
8 breakdown of specific costs associated with administering customer
9 interconnection.

IV. CONCLUSION

10 Q. Does this conclude your testimony?

11 A. Yes.

WITNESS QUALIFICATION STATEMENT

NAME: William Gehrke

EMPLOYER: Oregon Citizens' Utility Board

TITLE: Economist

ADDRESS: 610 SW Broadway, Suite 400
Portland, OR 97205

EDUCATION: Master of Science, Applied Economics
Florida State University, Tallahassee, FL

Bachelor of Science, Economics
Florida State University, Tallahassee, FL

EXPERIENCE: Worked as an Economist for the Florida Department of Revenue. Worked as Utility Analyst at the Florida Public Service Commission, providing advice on rate cases and load forecasting.

Dept Id	Dept ID	Description	Dept ID	B	Cost Elm	Cost Elm Description	Cost Elm	Acct WO
439	Specialized Billing	Odobasic			1103	Straight-Time Labor - Hourly	I	7E+09
439	Specialized Billing	Odobasic			1401	Overtime - Hourly	I	7E+09
439	Specialized Billing	Odobasic			1501	Temporary Labor Straight Time	I	7E+09
439	Specialized Billing	Odobasic			1502	Non-PGE Labor Straight Time	I	7E+09
439	Specialized Billing	Odobasic			1601	Temporary Labor Overtime	I	7E+09
439	Specialized Billing	Odobasic			5101	Pension Service Cost	O	7E+09
439	Specialized Billing	Odobasic			5102	Employee Support Offset	O	7E+09
439	Specialized Billing	Odobasic			5103	Incentives Overhead	O	7E+09
439	Specialized Billing	Odobasic			5104	Vacation Overhead	O	7E+09
439	Specialized Billing	Odobasic			5105	Employee Benefits Overhead	O	7E+09
439	Specialized Billing	Odobasic			5106	Payroll Taxes	O	7E+09

Acct WO Description	2018 Forecast	FERC	Labor/Non-Labor	CE SourceUtility/No
Net Metering - Rate Sch 203	165,419	903	PGE-LABOR	1103 Utility
Net Metering - Rate Sch 203	-	903	PGE-LABOR	1401 Utility
Net Metering - Rate Sch 203	-	903	PGE-LABOR	1501 Utility
Net Metering - Rate Sch 203	34,921	903	NON-LABOR	1502 Utility
Net Metering - Rate Sch 203	-	903	PGE-LABOR	1601 Utility
Net Metering - Rate Sch 203	12,469	903	NON-LABOR	5101 Utility
Net Metering - Rate Sch 203	705	903	NON-LABOR	5102 Utility
Net Metering - Rate Sch 203	9,976	903	NON-LABOR	5103 Utility
Net Metering - Rate Sch 203	29,032	903	PGE-LABOR	5104 Utility
Net Metering - Rate Sch 203	57,410	903	NON-LABOR	5105 Utility
Net Metering - Rate Sch 203	20,188	903	NON-LABOR	5106 Utility
	330,120	2018 budget for Specialized Billing for net metering		

