PACIFIC POWER
A DIVISION OF PACIFICORP

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September 21, 2015

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-1166

Attn: Filing Center

Re: Docket UM 1662—Joint Cross-Examination Statement of Portland General Electric and PacifiCorp

PacifiCorp d/b/a Pacific Power (PacifiCorp) submits for filing the Joint Cross-Examination Statement of Portland General Electric Company and PacifiCorp.

Please direct any informal inquiries to Jay Tinker at (503) 464-7002 or Erin Apperson at (503) 813-6642.

Sincerely,

R Bryce Dalley/ eaa

R. Bryce Dalley
Vice President, Regulation

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1662

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY and PACIFICORP d/b/a PACIFIC POWER, Request for a Generic Power Cost Adjustment Mechanism Investigation	**JOINT CROSS-EXAMINATION STATEMENT OF PORTLAND GENERAL ELECTRIC AND PACIFIC POWER**

In accordance with Administrative Law Judge (ALJ) Patrick Power's Memorandum of July 7, 2015, Portland General Electric Company (PGE) and PacifiCorp d/b/a Pacific Power (Pacific Power), collectively referred to as the Joint Utilities, respectfully submit this Joint Cross-Examination Statement to the Public Utility Commission of Oregon (Commission).

The Joint Utilities do not intend to cross-examine any witnesses. The Joint Utilities reserve the right to conduct follow-up questioning or examination of any witnesses who are cross-examined by other parties or questioned by the ALJ or the Commissioners.

In exchange for waiving cross-examination, the Citizens' Utility Board of Oregon has stipulated to the admission of the attached PGE-PAC/300, which is Jason Eisdorfer's written testimony submitted to the Senate Environmental and Natural Resources Committee on March 15, 2007.

Likewise, in exchange for waiving cross-examination, the Industrial Customers of Northwest Utilities has stipulated to the admission of the attached PGE-PAC/301, which is a two-page excerpt from the testimony of Mr. Gregory N. Duvall filed by PacifiCorp in docket UE 246.

Respectfully submitted this 21st day of September, 2015.

Katherine A. McDowell
McDowell Rackner & Gibson PC

Matthew McVee
PacifiCorp d/b/a/ Pacific Power

Douglas C. Tingey
Portland General Electric Company

Attorneys for Portland General Electric Company
and Pacific Power

MEASURE: SB 838
EXHIBIT: D
Sen. Environment & Natural Resources
DATE: 03/15/07 PAGES: 2
SUBMITTED BY: Jason Eisdorfer

Before the Senate Environment and Natural Resources Committee

SB 373

Jason Eisdorfer, Citizens' Utility Board

March 15, 2007

Cost Cap.
This provision is not a rate cap. If the Public Utility Commission authorized a 7% rate increase for costs associated with health care costs, a new customer information system, or a new fossil-fuel base load plant not associated with renewable energy, then this cost cap is not implicated at all. This cost cap says that if the cumulative difference between the levelized costs of renewable energy resources and comparable market-priced non-renewable energy resources reaches 4% of the utility's revenue requirement, then the utility need not meet the annual renewable targets. At such time as the cumulative difference falls below the 4% level, then the utility must meet the targets again.

This 4% is neither a guarantee of a 4% cost increase, nor is it meaningless. Renewable resources over time may be at market or, especially after the advent of carbon regulation, could cost less than the comparable fossil-fuel resource. If renewable resources are consistently higher than other comparable resources, we think that it is highly unlikely that the cost cap will be triggered in early years of the RES. However, if renewable resources are consistently more expensive, over the long term, as the costs of renewable energy acquisitions add up, the 4% cost cap ensures that customers will not pay too much to implement the standard

The costs that fall under this cost cap will undergo two prudence reviews: first, the rate-based resource will undergo the standard PUC prudence review, and second, through the compliance report, the PUC will determine the prudence of the utility's choice of resources (be they owned or contracted resources, or purchases of unbundled renewable energy certificates, or p ayment of alternative compliance payments) to meet the renewable standard.

Cost Recovery
There is a new provision that directs the PUC to identify a mechanism whereby the utility can apply for and get timely recovery of prudently incurred investment in renewable resources without the need for a rate case. This makes policy sense, because the RES will promote a strategy of adding renewable resources on an on-going basis, and this might otherwise require annual rate cases, which are resource intensive proceedings. In addition, as a renewable resource comes on line, the utility's variable costs, or costs of fuel, go down and those savings will be passed on to the customer through annual rate adjustment that are currently in place. It is not warranted to allow cost reductions to flow

through to customers from this RES and not allow for reasonably contemporaneous recovery of the fixed costs of the resource. Furthermore, the opportunity to recover fixed costs between rate cases currently exists at the PUC; this provision is to formalize the process in a more consistent way between utilities.

This cost recovery provision is NOT:
a) recovery of costs that are not used and useful in violation of Measure 9 (ORS 757.355). That existing statutory provision says that a utility may not recover the cost of an investment until the investment is actually turned on and is benefiting customers. The term "construction" in the proposed SB 373 bill language refers only to utility-built, or utility-constructed, resources as opposed to purchased resources. The term does not mean to imply that the utility can recover the costs of construction before the plant goes on line and is actually serving customers. All the parties agree to this interpretation;

b) preapproval of a resource. The cost recovery is of prudently incurred costs only, so whatever mechanism the PUC adopts as a result of this statute, the PUC must assume a prudence review of an operating resource in the process.

Alternative Compliance Payment
In addition to the cost cap there is an alternative compliance payment provision. While the cost cap protects customers from spending too much to meet the requirements of the RES, the ACP protects customers from getting too little value under the cost cap. So if the market for renewables spikes, the ACP, set annually by the PUC, allows the utility to meet the RES standard by making payments at a more reasonable rate to put into a fund for future renewable resource or energy efficiency investment. This makes sure that customers get a good value for their money.

Docket No. UE-246
Exhibit PAC/2200
Witness: Gregory N. Duvall

BEFORE THE PUBLIC UTILITY COMMISSION

OF THE STATE OF OREGON

PACIFICORP

Surrebuttal Testimony of Gregory N. Duvall

September 2012

The Company has demonstrated that, as a result of the deadbands in the parties' proposed PCAMs, it would have received no portion of its unrecovered (and undisputed) Oregon NPC of $134 million over the last five years. The Company disagrees that incentives in the form of sharing bands are needed and that a sharing mechanism would operate as an effective incentive to control NPC. For these reasons and others, the proposals from Staff, CUB, and ICNU to apply Portland General Electric Company's ("PGE") old PCAM design to the Company are unreasonable. Adoption of a PCAM for the Company without deadbands is consistent with the PCAMs now in place in four of the Company's other jurisdictions, the vast majority of PCAMs now in place throughout the country, and the purchased gas adjustment mechanisms ("PGAs") now in place for Oregon's natural gas utilities.

Furthermore, SB 838 materially increased the Company's NPC business risk in Oregon and expressly assigned compliance cost responsibility to customers. It is impossible to isolate and quantify the exact NPC impacts associated with the renewable generation mandated by SB 838. However, measuring the potential cost impact of wind volatility based on variances in wind output and market prices actually experienced over the last five years demonstrates that the risks from SB 838 fully offset the deadbands previously set by the Commission to account for normal NPC business risk in a pre-SB 838 environment. No party explained in their direct or rebuttal testimony why a deadband designed to account for normal NPC business risk in 2007 should continue to apply in 2012, after SB 838 materially changed both the degree and assignment of NPC business risk.

Staff, CUB and ICNU's Proposed Deadband, Which Would Render the PCAM Effectively Inoperative, is Inconsistent with General Regulatory Principles.

Q. Did Staff, CUB, or ICNU dispute the figures you provided in Table 4 of your reply testimony, showing that a PCAM with their proposed deadbands would have provided the Company zero percent recovery of its unrecovered NPC over the last five years?

A. No. The parties did not dispute this fact in their rebuttal testimony, nor did they propose to change the size or operation of the deadband to allow the PCAM to actually operate. For reference, I have provided Table 4 from my reply testimony again below.

Reply Testimony Table 4

PacifiCorp NPC Under Recovery, Oregon Allocated ($000's)

	2007	2008	2009	2010	2011	Total
Under Recovery	27,983	30,216	7,777	34,277	33,808	$134,061

PCAM Recovery Under Various Scenarios ($000's)

	2007	2008	2009	2010	2011	Total
Staff/CUB	0	0	0	0	0	$0
ICNU	0	0	0	0	0	$0
Kroger	19,588	21,151	5,444	23,994	23,666	$93,843
Current PGE Method	574	14,594	0	18,250	17,827	$51,245

Remaining PCAM Under Recovery ($000's)

	2007	2008	2009	2010	2011	Total
Staff/CUB	27,983	30,216	7,777	34,277	33,808	$134,061
ICNU	27,983	30,216	7,777	34,277	33,808	$134,061
Kroger	8,395	9,065	2,333	10,283	10,142	$40,218
Current PGE Method	27,409	15,622	7,777	16,028	15,981	$82,816

PCAM % Recovery

	2007	2008	2009	2010	2011	Average
Staff/CUB	0%	0%	0%	0%	0%	0%
ICNU	0%	0%	0%	0%	0%	0%
Kroger	70%	70%	70%	70%	70%	70%
Current PGE Method	2%	48%	0%	53%	53%	31%