



**Portland General Electric Company**  
*Legal Department*  
121 SW Salmon Street • Portland, Oregon 97204  
503-464-8926 • Facsimile 503- 464-2200

**Douglas C. Tingey**  
*Associate General Counsel*

October 9, 2017

***Via Electronic Filing***

Oregon Public Utility Commission  
Attention: Filing Center  
201 High Street, Suite 100  
PO Box 1088  
Salem OR 97308-1088

**Re: UE 319 – PORTLAND GENERAL ELECTRIC COMPANY Request for a General Rate Revision**

Dear Filing Center:

On behalf of Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon, the Citizens’ Utility Board of Oregon, the Industrial Customers of Northwest Utilities and Fred Meyer Stores and Quality Food Centers, Division of Kroger Co., PGE is filing electronic the following documents:

- **Second Partial Stipulation; and**
- **Joint Testimony in Support of Second Partial Stipulation**

Thank you for your assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "DCT", is written over the printed name of Douglas C. Tingey.

**DOUGLAS C. TINGEY**  
Associate General Counsel

DCT:bop

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 319**

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

Request for a General Rate Revision.

**PARTIAL STIPULATION**

This Partial Stipulation ("Second Partial Stipulation") is between the Industrial Customers of Northwest Utilities ("ICNU"), the Oregon Citizens' Utility Board ("CUB"), Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff"), and Fred Meyer Stores and Quality Food Centers, Division of The Kroger Co. ("Kroger") (collectively, the "Stipulating Parties").

PGE filed this general rate case on February 28, 2017, seeking a 5.6% overall rate increase, which included a \$29.3 million reduction to PGE's net variable power costs ("NVPC"). Since that time, the parties to this docket have conducted extensive discovery, filed voluminous testimony, and engaged in a number of settlement discussions. Those settlement discussions resulted in a stipulation that resolved all NVPC issues and was filed in this docket on September 8, 2017 ("NVPC Stipulation"). No party opposed the NVPC Stipulation. Settlement discussions also resulted in a partial stipulation that resolved all revenue requirement issues and all but one rate spread and rate design issue ("First Partial Stipulation"). The First Partial Stipulation was filed in this docket on September 18, 2017 and also was unopposed by any party. Among the terms of the First Partial Stipulation, parties agreed to eliminate the Customer Impact Offset

(“CIO”), except for lighting schedules, but to keep open the option of revisiting the CIO for purposes of resolving the remaining rate spread/rate design issue.<sup>1</sup>

That remaining issue was proposed by CUB in its Opening Testimony, and refined in its Cross-Answering Testimony.<sup>2</sup> CUB proposed that customers with loads greater than one average megawatt (“1 aMW”) pay a bill credit to customers under 1 aMW based on CUB’s belief that customers under 1 aMW were not receiving the full system benefits of energy efficiency purchased pursuant to Senate Bill 838, which is funded exclusively by customers under 1 aMW (“CUB EE Issue”). Other parties filed testimony in response to the CUB EE Issue.<sup>3</sup> After the parties agreed in principle to the issues addressed by the First Partial Stipulation, they held additional settlement discussions around the CUB EE Issue. As a result of those discussions, the Stipulating Parties have reached a compromise settlement of this last remaining issue in this docket pursuant to the following terms. Walmart Stores, Inc., and Calpine Energy Solutions, Inc. are also parties to this docket and have indicated that they do not oppose this Second Partial Stipulation. Small Business Utility Advocates, party to the docket, takes no position regarding this Second Partial Stipulation. The Stipulating Parties are aware of no other party to this docket that opposes this Second Partial Stipulation.

### **TERMS OF PARTIAL STIPULATION**

1. In recognition of the CUB EE Issue, PGE shall reinstate the CIO, with customers on Schedules 7 and 32 receiving \$777,315 on an equal cents/KWh basis. The cost of this CIO shall be allocated among the following rate schedules and in the following manner:

---

<sup>1</sup> First Partial Stipulation ¶ 30.h.

<sup>2</sup> See CUB/100 and CUB/200.

<sup>3</sup> See ICNU/400 and ICNU/500; Staff/1600, Staff/1700, and Staff/1900; PGE/2500; FM/200.

- a. \$618,652 shall be allocated to Schedules 89 and 489/589 on an equal volumetric price basis; and
  - b. \$154,663 shall be allocated to Schedules 90 and 490/590 on an equal volumetric price basis.
2. The Stipulating Parties request that, no earlier than six months following a final order resolving all issues in this docket, the Commission open an investigation into the funding of energy efficiency and the allocation of costs and benefits among rate classes. This investigation also shall include an evaluation of the sources and relative costs of energy efficiency “megaprojects” acquired by the Energy Trust of Oregon. The Stipulating Parties further request that this investigation be a contested case.
3. The Stipulating Parties agree that the Commission should close Docket No. UM 1713, Investigation into Large Customer Energy Efficiency.
4. To the extent the Commission’s final order in the investigation described in Paragraph 2, above, modifies the allocation of costs and benefits of energy efficiency among rate classes, PGE shall implement the Commission’s recommendation in its next rate case following such final order. If PGE has a rate case ongoing when the Commission issues a final order in the investigation described in Paragraph 2, neither PGE nor any other Stipulating Party will request to implement the Commission’s findings in that rate case.
5. If PGE files one or more rate cases during the pendency of the investigation described in Paragraph 2, above, it will implement a CIO consistent with the terms of Paragraph 1, above. This provision shall not prohibit PGE from proposing a CIO that is in addition to the CIO described in Paragraph 1 and is intended to limit the amount of a rate increase to one or more schedules; *provided that*, PGE shall not consider the costs and revenues of

the CIO described in Paragraph 1 when determining whether to propose an additional CIO.

6. While the investigation described in Paragraph 2 is ongoing, the Stipulating Parties agree that they will not make any proposal to reallocate the costs and/or benefits of energy efficiency in any other Commission proceeding. This provision does not preclude any Stipulating Party from generally discussing cost-effective energy efficiency in Integrated Resource Plan or other Commission dockets.
7. The Stipulating Parties agree that they will not propose any legislative changes to the manner in which energy efficiency is funded and its costs and benefits are allocated to customers for at least 12 months after the investigation described in Paragraph 2 is initiated. If a legislative change occurs during the pendency of this investigation that materially alters the way in which the costs of energy efficiency are allocated to and among customers, this Second Partial Stipulation shall automatically terminate and PGE shall make all filings necessary to immediately eliminate the CIO described in Paragraph 1, above.
8. The Stipulating Parties agree that the Commission should direct the Energy Trust of Oregon to immediately raise the 18.4% informal cap on public purpose charge funding for customers over 1 aMW in PGE's service territory to 20%.
9. The Stipulating Parties shall no longer be bound by the provisions of Paragraph 1 or Paragraph 8 once the Commission concludes the investigation described in Paragraph 2, unless PGE has a pending rate case, as described in Paragraph 5.
10. The Stipulating Parties recommend and request that the Commission approve the adjustments and provisions described herein as appropriate and reasonable resolutions of the identified issues in this Second Partial Stipulation.

11. The Stipulating Parties agree that this Second Partial Stipulation is in the public interest, and will contribute to rates that are fair, just and reasonable, consistent with the standard in ORS 756.040.
12. The Stipulating Parties agree that this Second Partial Stipulation represents a compromise in the positions of the Stipulating Parties. Without the written consent of all of the Stipulating Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.
13. The Stipulating Parties have negotiated this Second Partial Stipulation as an integrated document. The Stipulating Parties, after consultation, may seek to obtain Commission approval of this Second Partial Stipulation prior to evidentiary hearings. If the Commission rejects all or any material part of this Second Partial Stipulation, or adds any material condition to any final order that is not consistent with this Second Partial Stipulation, each Stipulating Party reserves its right: (i) to withdraw from the Second Partial Stipulation, upon written notice to the Commission and the other Stipulating Parties within five (5) business days of service of the final order that rejects this Second Partial Stipulation, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Second Partial Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Second Partial Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission's final order.

Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Second Partial Stipulation as a result of the Commission's resolution of issues that this Second Partial Stipulation does not resolve.

14. This Second Partial Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Second Partial Stipulation throughout this proceeding and in any appeal, and provide witnesses to support this Second Partial Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. By entering into this Second Partial Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Second Partial Stipulation. Except as provided in this Second Partial Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Second Partial Stipulation is appropriate for resolving issues in any other proceeding.
15. This Second Partial Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 9<sup>th</sup> day of October, 2017.

  
\_\_\_\_\_  
PORTLAND GENERAL ELECTRIC  
COMPANY

\_\_\_\_\_  
STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

\_\_\_\_\_  
OREGON CITIZENS' UTILITY BOARD

\_\_\_\_\_  
INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

\_\_\_\_\_  
THE KROGER CO.



DATED this 9th day of October, 2017.

---

PORTLAND GENERAL ELECTRIC  
COMPANY



---

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

---

OREGON CITIZENS' UTILITY BOARD

---

INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

---

THE KROGER CO.

DATED this \_\_\_\_\_ day of October, 2017.

---

PORTLAND GENERAL ELECTRIC  
COMPANY

---

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

A handwritten signature in black ink, appearing to read "E. J. ...", is written over a horizontal line.

---

OREGON CITIZENS' UTILITY BOARD

---

INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

---

THE KROGER CO.

DATED this 3rd day of October, 2017.

---


PORTLAND GENERAL ELECTRIC  
COMPANY

---

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

---

OREGON CITIZENS' UTILITY BOARD

A handwritten signature in black ink, appearing to be 'J. R.', is written over a horizontal line.

INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

---

THE KROGER CO.

DATED this 6 day of October, 2017.

---

PORTLAND GENERAL ELECTRIC  
COMPANY

---

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

---

OREGON CITIZENS' UTILITY BOARD

---

INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES



---

THE KROGER CO.

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

**UE 319**

**PORTLAND GENERAL ELECTRIC COMPANY**

**Joint Testimony in Support of Second Partial Stipulation**

*Max St. Brown  
Neal Townsend  
Bob Jenks  
Bradley Mullins  
Stefan Brown*

**October 9, 2017**

## **I. Introduction**

1 **Q. Please state your names and positions.**

2 A. My name is Max St. Brown. I am a Senior Utility Analyst in the Energy Division at the  
3 Public Utility Commission of Oregon (OPUC). My qualifications appear in OPUC Exhibit  
4 401.

5 My name is Bob Jenks. I am the Executive Director of the Oregon Citizens' Utility  
6 Board (CUB). My qualifications appear in CUB Exhibit 101.

7 My name is Bradley G. Mullins. I am an independent consultant representing the  
8 Industrial Customers of Northwest Utilities (ICNU). My qualifications appear in ICNU  
9 Exhibit 101.

10 My name is Neal Townsend. I am a Principal with Energy Strategies, LLC and am  
11 testifying on behalf of Fred Meyer Stores and Quality Food Centers (Fred Meyer), Divisions  
12 of the Kroger Co. My qualifications appear in Fred Meyer Exhibit 100.

13 My name is Stefan Brown. I am Manager of Regulatory Affairs in Portland General  
14 Electric Company's (PGE's) Rates and Regulatory Affairs Department. My qualifications  
15 appear in the Stipulating Parties Exhibit 200.

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

17 A. Our purpose is to describe the October 06, 2017 Second Partial Stipulation (the Stipulation)  
18 reached among the OPUC Staff (Staff), CUB, ICNU, Fred Meyer, and PGE (collectively,  
19 the Stipulating Parties or Parties) regarding the remaining issue in this docket, raised by  
20 CUB in its Opening Testimony and refined in its Cross Answering Testimony (CUB EE  
21 issue).

1 **Q. What is the CUB EE issue?**

2 **A.** The CUB EE issue concerns the costs and benefits of energy efficiency (EE) funding  
3 collected pursuant to Senate Bill 838<sup>1</sup> from customers with loads less than one average  
4 megawatt (1 aMW) and the assertion that customers with loads less than 1 aMW are paying  
5 more than their fair share for system benefits of EE without receiving commensurate  
6 benefits, when compared with EE funding paid by customers over 1 aMW and the benefits  
7 those customers receive. For ease of reference in this testimony, customers with loads more  
8 than 1 aMW are referred to as large customers and customers with loads less than 1 aMW  
9 are referred to as small customers. CUB's proposed to develop an allocation credit where  
10 large customers would pay small customers to compensate the small customers for the  
11 benefits that CUB alleges large customers receive from the SB 838 energy efficiency  
12 funding paid by the small customers.

13 **Q. What is the basis for the Stipulation?**

14 **A.** CUB raised this issue in its June 16, 2017 Opening Testimony and then responded to other  
15 Parties in Rebuttal and Cross Reply Testimonies. PGE addressed the issue in its Reply and  
16 Surrebuttal Testimonies. Fred Meyer submitted Cross-Reply Testimony addressing Staff's  
17 computation of a future EE adjustment or transfer payment. ICNU submitted Cross  
18 Answering and Cross Reply Testimonies on the issue. Staff submitted Rebuttal and Cross  
19 Answering Testimonies on the CUB EE issue. CUB, ICNU and PGE responded to data  
20 requests on this issue. The Parties subsequently held settlement discussions on July 6, 7, 11,  
21 24, August 3, and September 1, 2017. Following the September 1 meeting, settlement

---

<sup>1</sup> 2007 Oregon Laws Chapter 301;  
<https://olis.leg.state.or.us/liz/2007R1/Downloads/MeasureDocument/SB838/Enrolled>

1 discussions were held through phone calls and via email until the settlement was reached.

2 The Stipulation represents the settlement of the CUB EE issue in its entirety. A copy of the  
3 Stipulation is provided as Exhibit 301.

4 **Q. Please summarize the agreement contained in this Second Partial Stipulation.**

5 A. In summary, Parties agree to PGE's use of the Customer Impact Offset (CIO) such that  
6 Schedule 7 and 32 customers (small customers) shall receive a credit of \$777,315 on an  
7 equal cents per kWh basis and have agreed to the allocation of the cost as follows: \$618,652  
8 to Schedules 89, 489, and 589 on an equal volumetric price basis; and \$154,663 to Schedule  
9 90, 490 and 590 on an equal volumetric price basis. In addition, Parties are requesting that  
10 the Commission open an investigatory docket into the costs and benefits of EE funding  
11 among rate classes and that the Commission direct the Energy Trust to immediately raise the  
12 informal 18.4% cap on public purpose charge EE funding for customers over 1 aMW to  
13 20%. The Parties also agree to an implementation approach and timeline, including how to  
14 implement a Commission order (following the requested investigation) modifying the  
15 allocation of costs and benefits of EE among rate classes.

16 **Q. Does any party to the rate case oppose this Stipulation?**

17 A. No.

18 **Q. Will PGE have any additional updates to this proceeding?**

19 A. Yes. Prior to the end of this proceeding, PGE will provide the following updates:

- 20 • Load forecast to be finalized in October 2017; and
- 21 • Power cost forecast to be finalized on November 15, 2017.



1 **Q. Does this Stipulation indicate that Parties agree on the calculations or bases employed**  
2 **by other Parties to determine each adjustment?**

3 A. No. Although the Stipulating Parties may not necessarily agree on the calculations,  
4 assumptions, or bases used, we believe the amounts represent a reasonable financial and  
5 substantive settlement of the CUB EE issue. There is no revenue requirement effect of this  
6 Stipulation. The adjustments are in the public interest and are consistent with rates that are  
7 fair, just, and reasonable.

8 **Q. Does the Stipulation resolve all remaining issues in this proceeding?**

A. Yes. As previously stated, this Stipulation resolves all remaining issues in this proceeding.

1 **Q. Please describe Parties' testimony regarding the CUB EE issue.**

2 A. CUB. In its Opening Testimony, CUB claimed that EE is a system resource given its  
3 cumulative impact reducing utility electric loads and mitigating the need for increased  
4 supply side resources. Residential and small commercial customers, it argues, pay for more  
5 EE than large customers, given that small customers pay both SB 1149 public purpose  
6 charge funding for EE and the supplemental SB 838 funding, while large customers pay  
7 only SB 1149 funding. CUB states that, when viewed as a system resource, small customers  
8 are paying for a different resource mix than large customers, and large customers are  
9 receiving the full benefits of a resource mix they do not fully pay for. That is, small  
10 customers are paying more than their fair share of EE, and the Energy Trust may be  
11 challenged to acquire all cost effective EE because of funding limitations.<sup>2</sup> CUB's proposed  
12 solution to the inequities raised by who pays and who benefits from EE, is to credit the small  
13 customers with the system benefits of EE. CUB proposed a methodology to calculate the  
14 benefit, resulting in a \$7.3 million credit that CUB argued should be paid by large customers  
15 to small customers. CUB Exhibit 100 at 12. In its Rebuttal Testimony, CUB modifies its  
16 calculation noting that large customers receive a \$1.46 million benefit from SB 838 EE  
17 purchased by small customers. CUB also clarifies how the credit should be allocated to  
18 customers, and suggests that should its proposal for a credit be adopted, it may be  
19 appropriate to eliminate the informal cap the ETO applies for large customer EE funding, as  
20 it may be preventing the acquisition of all cost effective EE. CUB then addresses issues  
21 raised by other Parties.

---

<sup>2</sup> The funding limitations are discussed at length in CUB, ICNU and PGE's testimonies.

1        PGE. In responding to CUB on the EE issue, PGE expressed concern about the fairness  
2        issue, but asserted that the solution may conflict with the “no benefit,” “no pay” provision in  
3        SB 838 — that large customers neither pay SB 838 funding, nor receive a direct benefit  
4        from it. In PGE’s Surrebuttal Testimony, PGE notes that this issue merits further study and  
5        recommends that the Commission open an investigation. PGE Exhibit 2500 at 3.

6        Staff. In its Rebuttal Testimony, Staff finds that over a broad range of assumptions, the  
7        system benefits of EE measures are allocated to the schedules that pay for the EE. Staff  
8        Exhibit 1600. For this reason, Staff notes that there is not an equity issue that justifies  
9        shifting costs from large customers to small customers. If the cost savings associated with  
10       EE were much larger than current estimates, in the future it is possible that an equity issue  
11       would be raised. Staff Exhibit 1600 at 3-4. If further analysis showed that small customers  
12       do not receive the full system benefit of the SB 838 EE, then Staff supports CUB’s proposal  
13       that a credit from large customers to small customers may be warranted. Staff Exhibit 1700  
14       at 5. In its Cross Answering Testimony, Staff notes the cost savings related to benefits of  
15       EE other than reduced generation, such as benefits related to transmission and distribution,  
16       capacity, line losses, market price response, RPS compliance, integration and ancillary  
17       services, hedge value and environmental compliance and that Staff did not analyze whether  
18       consideration of these benefits impacts Staff’s conclusions regarding the appropriate  
19       allocation of EE costs and benefits. Staff Exhibit at 2. Staff suggests that the Commission  
20       open a new docket to investigate the CUB EE issue and that Staff will analyze this issue in  
21       that docket.

22       ICNU. In its Cross Answering Testimony, ICNU contends that if CUB’s proposal were to  
23       be adopted, then large customers would be required to pay more than the 3% public purpose  
24       charge, in violation of the limitation in SB 838. ICNU notes that addressing the CUB EE

1 issue involves primarily legal issues, but also identified several technical problems  
2 associated with CUB’s proposal. ICNU Exhibit 400 at 1. ICNU argued that CUB did not  
3 account for potential stranded costs in developing its proposal, and improperly singled out  
4 energy efficiency for special treatment apart from all other resources. Finally, ICNU  
5 challenges the basis for CUB’s claims and its methodology in calculating and allocating the  
6 credit. In Cross Reply Testimony, ICNU also performed additional analysis confirming  
7 Staff’s analysis and demonstrated that more than 100% of the system benefits of SB 838 EE  
8 is currently being allocated to small customer classes and that, therefore, no allocation credit  
9 was warranted. ICNU Exhibit 500.

10 Fred Meyer. In its Cross-Reply Testimony, Fred Meyer argued that if there is an SB 838 EE  
11 adjustment, or a related transfer payment, made amongst customer classes, it should  
12 recognize the fact that certain rate schedules serve customers that are both larger than 1  
13 aMW and smaller than 1 aMW. Any transfer payment mechanism should ensure that a  
14 customer that is smaller than 1 aMW that pays for SB 838 funding should not also be  
15 allocated additional costs meant to serve as transfer payments from customers larger than 1  
16 aMW to customers smaller than 1 aMW.

17 **Q. How does the agreement regarding the use of the CIO to provide a credit to Schedule 7**  
18 **and 32 customers from Schedule 89, 489, 589, 90, 490, and 590 customers, address the**  
19 **CUB EE issue?**

20 A. Using the CIO to provide a credit to small customers from large customers addresses CUB’s  
21 claim that large customers are receiving the benefit of EE which is funded entirely by small  
22 customers. While Parties do not agree on the merits of the CUB proposal, they agree that  
23 this is a reasonable settlement of the issue in this rate case provided this Stipulation is  
24 approved in its entirety.

1 **Q. Please describe the Stipulation regarding the request that the Commission, no earlier**  
2 **than six months following a final order in this docket, open an investigation into the**  
3 **funding of EE and the allocation of costs and benefits among rate classes.**

4 A. The Parties recommended the opening of an investigatory docket to address and resolve the  
5 issue of the allocation of the costs and benefits of energy efficiency given that: 1) there is  
6 inadequate time in this proceeding to fully examine the issue; 2) previous efforts were not  
7 successful; 3) the landscape has changed with the passage of SB 1547 in 2016; and 4)  
8 entities who are not parties to this proceeding or have not actively participated, including the  
9 ETO and PacifiCorp, may be impacted. The Parties request that this investigation be  
10 delayed until at least six months from a final order in this docket in order to allow the  
11 Commission to focus on other significant dockets it has open or plans to open soon. Parties  
12 also request that this investigation be a contested case proceeding to afford parties to the  
13 investigation all of the attendant rights and obligations.

14 **Q. Please describe the Stipulation regarding Parties recommendation to close Docket No.**  
15 **UM 1713.**

16 A. In a previous PGE rate case, Docket No. UE 283, CUB raised similar issues regarding the  
17 costs and benefits of EE among customer classes, proposing to incorporate EE into the  
18 marginal cost of service study. See CUB Exhibit 100. The rate case resolution of the issue  
19 was to request the opening of a docket and explore options to resolve it. A docket was  
20 opened, Docket No. UM 1713, but was subsequently held in abeyance for parties to work on  
21 a crafting a legislative proposal to address the issues raised. There was no legislative action  
22 during the 2016 legislative session or since to address the issues. In 2016, the legislature,  
23 however, passed Senate Bill 1547, which requires utility acquisition of all cost-effective EE.  
24 With the fact that new legislation has passed potentially affecting energy efficiency

1 acquisition since Docket No. UM 1713 was opened, and the Energy Trust’s report that it has  
2 exceeded the 18.4% informal cap, Parties agreed that it was preferable to begin a new docket  
3 rather than continue with Docket No. UM 1713.

4 **Q. Please describe the Stipulation regarding prospective implementation of a Commission**  
5 **order that modifies the allocation of costs and benefits of energy efficiency among rate**  
6 **classes.**

7 A. The Parties agree that, should the Commission, following its investigation requested in the  
8 Stipulation, issue an order modifying the allocation of costs and benefits of EE among  
9 customer (rate) classes, then PGE will implement the Commission’s order in its next general  
10 rate case following the order. If there is an ongoing PGE rate case when the Commission  
11 issues its order, no Party to this Stipulation will request to implement the Commission order  
12 in the then-pending general rate case. This agreement is based on providing reasonable  
13 notice and opportunity to respond to a PGE rate case proposal that implements the  
14 Commission order.

15 **Q. Please describe the Stipulation regarding its implementation should PGE file one or**  
16 **more rate cases during the pendency of a PUC investigation into EE as requested by**  
17 **the Parties in this Stipulation.**

18 A. The Parties agree that should PGE file one or more rate cases during the pendency of an  
19 OPUC investigation into EE as requested, PGE will implement the Customer Impact Offset  
20 (CIO) consistent with the Stipulation in this case. This agreement, however, does not  
21 prohibit PGE from using the CIO to mitigate other rate impacts that are unrelated to this EE  
22 issue. If it were to propose an additional CIO, PGE cannot consider the costs and revenues  
23 of the CIO used to address the CUB EE issue.

1 **Q. Please describe the Stipulation regarding the agreement that no Party will propose**  
2 **legislative changes to the manner in which EE is funded and the costs and benefits**  
3 **among customers, for at least 12 months following the requested Commission**  
4 **investigation.**

5 A. Parties agree to make a good faith effort to allow the Commission decision in the  
6 investigation to play out to a conclusion, rather than have one or more Party preemptively  
7 advocate for a legislative change to the way EE is funded and the allocation of costs and  
8 benefits among customers.

9 **Q. Please describe the Stipulation regarding Parties request that the Commission direct**  
10 **the Energy Trust to increase the informal EE cap on public purpose charge funding**  
11 **for customers over 1 aMW in PGE’s service territory from 18.4% to 20%.**

12 A. The ETO’s informal cap is a key element that led to the CUB EE proposal in UE 283 and  
13 again in this case, when CUB became concerned that the 18.4% cap may prevent the  
14 acquisition of all cost effective EE. Having the Commission direct the ETO to increase the  
15 cap to 20% creates some breathing room under the cap. As shown on page 5 of Stipulating  
16 Parties Exhibit 302, the ETO projects that, in the absence of the informal cap, its cumulative  
17 incentive offerings to large customers would increase to a maximum of 19.1% through 2020.  
18 Thus, increasing the informal cap to 20% while the Commission conducts its investigation  
19 should mean that all cost-effective EE in PGE’s service territory is acquired. The cap’s  
20 origins are based on an informal agreement between the Energy Trust, CUB, ICNU, PGE  
21 and PacifiCorp, following the passage of SB 838 in 2007, and is not strictly required by that  
22 law. Accordingly, given the relationship between the ETO and the Commission, the Parties  
23 believe the Commission has authority to direct the ETO to increase the cap.

1 **Q. Please explain why ICNU supports the Stipulation.**

2 A. ICNU supports the Stipulation for three primary reasons. First, it addresses the 18.4%  
3 informal cap on Energy Trust incentives to customers over 1 aMW by increasing this cap to  
4 20%. As noted above, this should allow the Energy Trust to capture all cost-effective  
5 energy efficiency from these customers at least until the Commission concludes the  
6 investigation contemplated by the Stipulation, and potentially for longer.

7 Second, the Stipulation resolves CUB's fairness arguments with respect to the allocation  
8 of costs and benefits of energy efficiency in a manner that is both financially and legally  
9 acceptable to ICNU. In addition to the fact that ICNU disagrees with CUB that customers  
10 under 1 aMW are being treated unfairly under the current system, ICNU continues to have  
11 concerns with the legality of CUB's proposals to reallocate the costs and benefits of energy  
12 efficiency between customer classes. The Stipulation addresses ICNU's legal concerns by  
13 using the CIO to resolve CUB's cost-allocation issue. PGE has historically used the CIO to  
14 mitigate higher-than-average rate increases to customer classes and has spread the cost of  
15 doing so to other customer classes. That principle applies in this case as well, where  
16 residential and small commercial customers are faced with higher rate impacts than the  
17 Company's large customer classes, to which the cost of the CIO is being applied under the  
18 Stipulation. Indeed, PGE proposed to implement a CIO in its initial application in a manner  
19 similar to what the Stipulation proposes. Thus, the Stipulation resolves CUB's equity  
20 concerns without requiring ICNU to give up legal arguments it may need to make in the  
21 future.

22 Finally, the Stipulation creates a dedicated forum to further address issues associated with  
23 the allocation of costs and benefits from energy efficiency by requesting that the  
24 Commission open a new investigation into these issues and prohibiting other parties from



1       proposing a different cost allocation in other dockets while the investigation is ongoing.  
2       Because this issue has been raised in several different proceedings in recent years, ICNU  
3       viewed this as important to effectuate a long-term resolution of CUB's issues.

4       **Q. Please explain why Fred Meyer supports the Stipulation.**

5       A. The term of the second partial stipulation expressly excludes Schedules 85/485/585, rate  
6       schedules that include a mix of customers both over 1aMW and under 1 aMW, from  
7       participating in the transfer payment to Schedules 7 and 32. Thus, the stipulation addresses  
8       Fred Meyer's concern that customers under 1 aMW served under these rate schedules would  
9       bear both the stipulated transfer payment and additional SB 838 energy efficiency funding.  
10      The second partial stipulation also appropriately ensures that the CIO is non-discriminatory  
11      between bundled service and direct access customers.

12      **Q. Does this conclude your testimony?**

13      A. Yes.

**List of Exhibits**

<b><u>PGE Exhibit</u></b>	<b><u>Description</u></b>
301	Second Partial Stipulation
302	Energy Trust of Oregon, PGE Large Customer Funding Compliance Actions PowerPoint (Sept. 13, 2017)

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 319**

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

Request for a General Rate Revision.

**PARTIAL STIPULATION**

This Partial Stipulation ("Second Partial Stipulation") is between the Industrial Customers of Northwest Utilities ("ICNU"), the Oregon Citizens' Utility Board ("CUB"), Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff"), and Fred Meyer Stores and Quality Food Centers, Division of The Kroger Co. ("Kroger") (collectively, the "Stipulating Parties").

PGE filed this general rate case on February 28, 2017, seeking a 5.6% overall rate increase, which included a \$29.3 million reduction to PGE's net variable power costs ("NVPC"). Since that time, the parties to this docket have conducted extensive discovery, filed voluminous testimony, and engaged in a number of settlement discussions. Those settlement discussions resulted in a stipulation that resolved all NVPC issues and was filed in this docket on September 8, 2017 ("NVPC Stipulation"). No party opposed the NVPC Stipulation. Settlement discussions also resulted in a partial stipulation that resolved all revenue requirement issues and all but one rate spread and rate design issue ("First Partial Stipulation"). The First Partial Stipulation was filed in this docket on September 18, 2017 and also was unopposed by any party. Among the terms of the First Partial Stipulation, parties agreed to eliminate the Customer Impact Offset

(“CIO”), except for lighting schedules, but to keep open the option of revisiting the CIO for purposes of resolving the remaining rate spread/rate design issue.<sup>1</sup>

That remaining issue was proposed by CUB in its Opening Testimony, and refined in its Cross-Answering Testimony.<sup>2</sup> CUB proposed that customers with loads greater than one average megawatt (“1 aMW”) pay a bill credit to customers under 1 aMW based on CUB’s belief that customers under 1 aMW were not receiving the full system benefits of energy efficiency purchased pursuant to Senate Bill 838, which is funded exclusively by customers under 1 aMW (“CUB EE Issue”). Other parties filed testimony in response to the CUB EE Issue.<sup>3</sup> After the parties agreed in principle to the issues addressed by the First Partial Stipulation, they held additional settlement discussions around the CUB EE Issue. As a result of those discussions, the Stipulating Parties have reached a compromise settlement of this last remaining issue in this docket pursuant to the following terms. Walmart Stores, Inc., and Calpine Energy Solutions, Inc. are also parties to this docket and have indicated that they do not oppose this Second Partial Stipulation. Small Business Utility Advocates, party to the docket, takes no position regarding this Second Partial Stipulation. The Stipulating Parties are aware of no other party to this docket that opposes this Second Partial Stipulation.

### **TERMS OF PARTIAL STIPULATION**

1. In recognition of the CUB EE Issue, PGE shall reinstate the CIO, with customers on Schedules 7 and 32 receiving \$777,315 on an equal cents/KWh basis. The cost of this CIO shall be allocated among the following rate schedules and in the following manner:

---

<sup>1</sup> First Partial Stipulation ¶ 30.h.

<sup>2</sup> See CUB/100 and CUB/200.

<sup>3</sup> See ICNU/400 and ICNU/500; Staff/1600, Staff/1700, and Staff/1900; PGE/2500; FM/200.

- a. \$618,652 shall be allocated to Schedules 89 and 489/589 on an equal volumetric price basis; and
  - b. \$154,663 shall be allocated to Schedules 90 and 490/590 on an equal volumetric price basis.
2. The Stipulating Parties request that, no earlier than six months following a final order resolving all issues in this docket, the Commission open an investigation into the funding of energy efficiency and the allocation of costs and benefits among rate classes. This investigation also shall include an evaluation of the sources and relative costs of energy efficiency “megaprojects” acquired by the Energy Trust of Oregon. The Stipulating Parties further request that this investigation be a contested case.
3. The Stipulating Parties agree that the Commission should close Docket No. UM 1713, Investigation into Large Customer Energy Efficiency.
4. To the extent the Commission’s final order in the investigation described in Paragraph 2, above, modifies the allocation of costs and benefits of energy efficiency among rate classes, PGE shall implement the Commission’s recommendation in its next rate case following such final order. If PGE has a rate case ongoing when the Commission issues a final order in the investigation described in Paragraph 2, neither PGE nor any other Stipulating Party will request to implement the Commission’s findings in that rate case.
5. If PGE files one or more rate cases during the pendency of the investigation described in Paragraph 2, above, it will implement a CIO consistent with the terms of Paragraph 1, above. This provision shall not prohibit PGE from proposing a CIO that is in addition to the CIO described in Paragraph 1 and is intended to limit the amount of a rate increase to one or more schedules; *provided that*, PGE shall not consider the costs and revenues of

the CIO described in Paragraph 1 when determining whether to propose an additional CIO.

6. While the investigation described in Paragraph 2 is ongoing, the Stipulating Parties agree that they will not make any proposal to reallocate the costs and/or benefits of energy efficiency in any other Commission proceeding. This provision does not preclude any Stipulating Party from generally discussing cost-effective energy efficiency in Integrated Resource Plan or other Commission dockets.
7. The Stipulating Parties agree that they will not propose any legislative changes to the manner in which energy efficiency is funded and its costs and benefits are allocated to customers for at least 12 months after the investigation described in Paragraph 2 is initiated. If a legislative change occurs during the pendency of this investigation that materially alters the way in which the costs of energy efficiency are allocated to and among customers, this Second Partial Stipulation shall automatically terminate and PGE shall make all filings necessary to immediately eliminate the CIO described in Paragraph 1, above.
8. The Stipulating Parties agree that the Commission should direct the Energy Trust of Oregon to immediately raise the 18.4% informal cap on public purpose charge funding for customers over 1 aMW in PGE's service territory to 20%.
9. The Stipulating Parties shall no longer be bound by the provisions of Paragraph 1 or Paragraph 8 once the Commission concludes the investigation described in Paragraph 2, unless PGE has a pending rate case, as described in Paragraph 5.
10. The Stipulating Parties recommend and request that the Commission approve the adjustments and provisions described herein as appropriate and reasonable resolutions of the identified issues in this Second Partial Stipulation.

11. The Stipulating Parties agree that this Second Partial Stipulation is in the public interest, and will contribute to rates that are fair, just and reasonable, consistent with the standard in ORS 756.040.
12. The Stipulating Parties agree that this Second Partial Stipulation represents a compromise in the positions of the Stipulating Parties. Without the written consent of all of the Stipulating Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.
13. The Stipulating Parties have negotiated this Second Partial Stipulation as an integrated document. The Stipulating Parties, after consultation, may seek to obtain Commission approval of this Second Partial Stipulation prior to evidentiary hearings. If the Commission rejects all or any material part of this Second Partial Stipulation, or adds any material condition to any final order that is not consistent with this Second Partial Stipulation, each Stipulating Party reserves its right: (i) to withdraw from the Second Partial Stipulation, upon written notice to the Commission and the other Stipulating Parties within five (5) business days of service of the final order that rejects this Second Partial Stipulation, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Second Partial Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Second Partial Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission's final order.

Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Second Partial Stipulation as a result of the Commission's resolution of issues that this Second Partial Stipulation does not resolve.

14. This Second Partial Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Second Partial Stipulation throughout this proceeding and in any appeal, and provide witnesses to support this Second Partial Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. By entering into this Second Partial Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Second Partial Stipulation. Except as provided in this Second Partial Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Second Partial Stipulation is appropriate for resolving issues in any other proceeding.
15. This Second Partial Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.



DATED this 9<sup>th</sup> day of October, 2017.

---

PORTLAND GENERAL ELECTRIC  
COMPANY

---

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

---

OREGON CITIZENS' UTILITY BOARD

---

INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

---

THE KROGER CO.

DATED this 9th day of October, 2017.

---

PORTLAND GENERAL ELECTRIC  
COMPANY



---

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

---

OREGON CITIZENS' UTILITY BOARD

---

INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

---

THE KROGER CO.

DATED this \_\_\_\_\_ day of October, 2017.

---

PORTLAND GENERAL ELECTRIC  
COMPANY

---

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON



---

OREGON CITIZENS' UTILITY BOARD

---

INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

---

THE KROGER CO.

DATED this 3<sup>rd</sup> day of October, 2017.

---

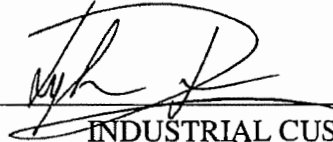
PORTLAND GENERAL ELECTRIC  
COMPANY

---

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

---

OREGON CITIZENS' UTILITY BOARD

A handwritten signature in black ink, appearing to be 'J. P.', written over a horizontal line.

---

INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

---

THE KROGER CO.

DATED this 6 day of October, 2017.

---

PORTLAND GENERAL ELECTRIC  
COMPANY

---

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

---

OREGON CITIZENS' UTILITY BOARD

---

INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES



---

THE KROGER CO.



# PGE Large Customer Funding Compliance Actions

Conservation Advisory Council  
September 13, 2017



## Background: SB 838

- Allowed additional charges to acquire more energy efficiency
- Large commercial and industrial electric energy users ( $> 1$  aMW) exempted
- Large electric customers to receive no “direct benefit” from additional funding
- Analyses show PGE large customer incentive spending slightly exceeded the threshold in 2016
- Pacific Power remains below the threshold



# History of Stakeholder Engagement

- Board Strategic Planning Workshop in 2013 reviewed analytic method in preparation for 2015-2019 Strategic Plan
- Stakeholder review of guidelines in 2014; no changes made
- Annual update to Conservation Advisory Council during Quarter 2
- 2017 updates
  - CAC briefed in June
  - Board briefed in July





## PGE Analysis

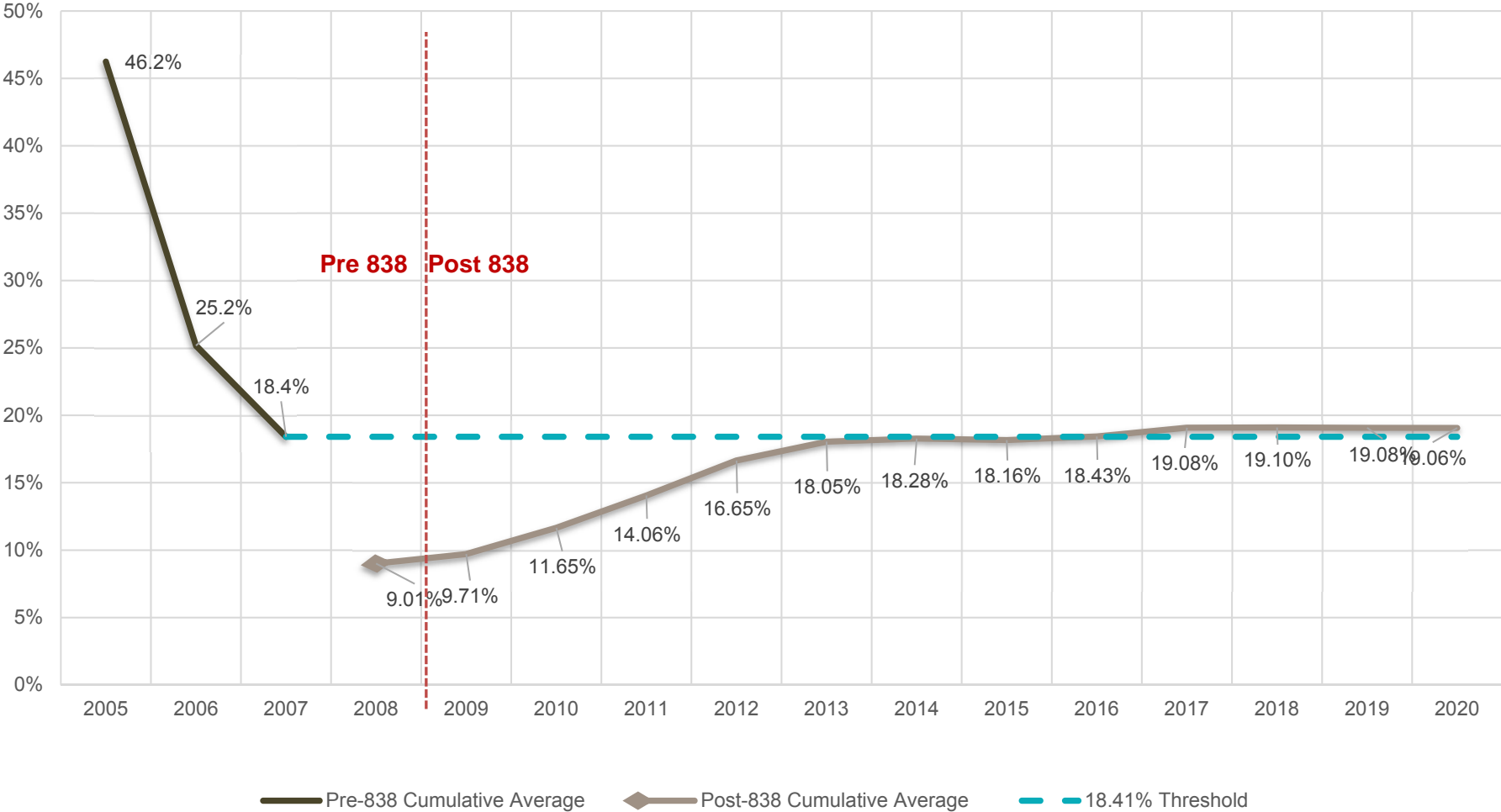
- In 2016 we paid \$5.8 million in incentives to large customers, exceeding the incentive spending threshold
- For the 2017 forecast, we're anticipating that we'll pay \$7.1 million to these customers
  - Without further action, 2019-2020 are expected to average about \$5.4 million in spending each of those years
- To bring large customer incentive spending below the threshold, we need to average \$4.2 million/year in 2018-2020



# Portland General Electric

## 2005-2016 actuals

### 2017-2020 forecast without corrective actions



# PGE Compliance Actions

- Reduce maximum incentives at a single large customer site to \$500,000 per year, from \$1,000,000.
  - Current signed commitments may proceed as planned
- Reduce maximum site incentives for companies self-directing to \$250,000, from \$1,000,000
- Shorten the “effective date” for incentive offers for new projects at large customer sites to 12 months from 24 months
- Cap the maximum incentives to be paid to a single large customer at \$1,500,000 per year
  - Applies to customers with multiple 838-exempt sites in PGE territory
  - Includes prior commitments
  - Sites outside of PGE territory will not be included
- Given the 2017 expected spending levels these actions need to be in place immediately to impact 2018 and then reviewed to determine ongoing actions
- This change does not change any incentives for energy efficiency improvements for customers or sites served by Pacific Power, NW Natural, Avista or Cascade Natural Gas



# Questions?

Steve Lacey,  
Director of Operations  
[Steve.Lacey@energytrust.org](mailto:Steve.Lacey@energytrust.org)  
503.445.7614

# Background



## Drivers

- Healthy economy
- New Commercial construction activity
- Increased industrial activity
- Success with large customer engagement



# Design Ideals for Program Actions

- |                   |   |
|-------------------|---|
| <b>Effective</b>  | Reduces spending on large customers   |
| <b>Protective</b> | Minimizes loss of savings   |
| <b>Skillful</b>   | Minimizes damage to customer relationships or their attitudes towards energy efficiency |
| <b>Simple</b>     | Does not create major new inefficiencies in program operations; is easy to explain      |
| <b>Realistic</b>  | Plans for multi-year time horizons to implement changes and achieve results             |
| <b>Nimble</b>     | Able to be changed if ineffective or once average funding spent is back under baseline  |