



Oregon

Kate Brown, Governor

Public Utility Commission

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September 5, 2017

Via Electronic Filing and US Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
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RE: Docket No. UE 319 – In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Request for a General Rate Revision.

Enclosed for filing is Staff Cross-Answering Testimony, Exhibit 1900 in UE 319.

/s/ Kay Barnes
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CASE: UE 319
WITNESS: MAX ST. BROWN

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 1900

Cross-Answering Testimony

September 5, 2017

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

2 A. My name is Max St. Brown. I am a Senior Utility Economist employed in the
3 Energy Rates, Finance and Audit Division of the Public Utility Commission of
4 Oregon (OPUC). My business address is 201 High Street SE, Suite 100,
5 Salem, Oregon 97301.

6 **Q. Have you previously provided testimony in this case?**

7 A. Yes, see Staff Exhibit 1300 and Staff Exhibit 1700.

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

9 A. I respond to CUB's Exhibit 200 and ICNU's Exhibit 400.

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

11 A. My testimony is organized as follows:

12 Issue 1. Response to CUB Issue "Energy Efficiency Subsidy" 2

ISSUE 1. RESPONSE TO CUB ISSUE “ENERGY EFFICIENCY SUBSIDY”**Q. Did CUB raise any issues that affect Staff’s Rebuttal testimony?**

A. Yes, CUB notes in its testimony “EE is a distributed energy resource, and therefore it has additional benefits, just as distributed solar does.”¹ Staff agrees, but as noted in Lance Kaufman’s testimony, “Staff has not explicitly modeled system savings associated with avoided Renewable Portfolio Standard (RPS) compliance costs, miscellaneous transmission and distribution savings, or other incremental benefits associated with EE.”²

Q. What is Staff’s position regarding the additional benefits of EE that were not explicitly modeled in its analysis in this case?

A. Staff agrees with CUB that cost savings related to benefits of EE other than reduced generation are pertinent to the appropriate cost allocation for EE. These potential cost savings are associated with benefits related to transmission and distribution capacity, line losses, market price response, RPS compliance, integration and ancillary services, hedge value, and environmental compliance.

Q. Is it possible that including cost savings related to these other benefits in Staff’s modeling would change Staff’s recommendation in this case?

A. It is possible, and Staff intends to analyze this issue more thoroughly because the size of the benefits from cost savings other than generation are not specifically quantified today. Staff agrees with CUB that the benefit of EE is

¹ CUB/200, Jenks/2, lines 9-10.

² Staff/1600, Kaufman/11, lines 5-8.

1 undervalued in both CUB and Staff's proposals, which only focus on generation
2 cost elements.

3 **Q. Is it possible that system costs savings related to other benefits of EE**
4 **could warrant a change in cost allocation of EE?**

5 A. It is possible. As described by Staff witness Lance Kaufman in Exhibit 1600,
6 customers that participate in SB 838 generally³ receive a benefit larger than
7 the system benefit of EE due to the reallocation of costs that are allocated on
8 the basis of energy use. Thus because customers that do not participate in
9 SB 838 receive higher rates due to costs being reallocated to them from
10 customers that reduced their load through EE, the additional benefits of
11 distributed energy resources noted by CUB may or may not outweigh the
12 higher rates paid by those non-participating customers. Staff intends to
13 analyze this issue more thoroughly in the future. However, Staff has no
14 proposal in this case related to cost allocation for EE.

15 **Q. Please describe CUB's concern related to residential customers that**
16 **do not participate in EE measures.**

17 A. CUB testifies that "the non-participating residential customers see some energy
18 benefits, but also see distribution costs that are assigned to the residential
19 class reassigned to them from the participant."⁴ This amounts to an argument
20 that while residential customers who participate in EE measures might see the
21 full benefit of EE, non-participating customers might not.

³ See lines 21-1 of Docket No. UE 319 Staff/1600 Kaufman/10-11, "The only scenario that results in residential customers not capturing the full benefit of EE is a scenario in which the cost of new capacity is very high, nearly three times the current expectations."

⁴ CUB/200, Jenks/16, lines 16-18.

1 **Q. Does Staff believe that any ratemaking adjustment is warranted due to**
2 **CUB’s concern that residential customers who do not participate in EE**
3 **measures might not see the full benefit of EE?**

4 A. No. This is a separate issue from CUB’s issue of whether customers smaller
5 than 1 aMW receive the full benefit of SB 838 EE. Staff does not find it
6 problematic if residential customers who participate in EE measures have more
7 favorable bills than residential customers who do not participate in EE
8 measures. The question at issue is whether as a group, customers smaller
9 than 1 aMW receive the full benefit of SB 838 EE – Staff Exhibit 1600
10 testimony demonstrated that under a wide set of assumptions, as a group,
11 customers smaller than 1 aMW receive the full benefit of SB 838 EE.

12 **Q. Does ICNU appear to agree with Staff’s position related to the**
13 **reallocation of costs that are allocated on the basis of energy use?**

14 A. Yes, ICNU makes an argument that is similar to that made by Staff. ICNU
15 witness Brad Mullins testifies: “As the loads of a rate class decline, smaller
16 amounts of system costs are allocated to that class through the marginal cost
17 of service study in a general rate case. Accordingly, small customer classes
18 already receive the full system benefits associated with SB 838 due to reduced
19 cost allocation, and no separate allocation methodology is required to directly
20 assign those system benefits to the small customer classes.”⁵

21 **Q. What does CUB propose if its “Energy Efficiency Subsidy” fairness**
22 **issue is solved?**

⁵ ICNU/400, Mullins/10, lines 8-12.

1 A. Mr. Jenks testifies that CUB is willing to reconsider the cap on large customer
2 programs funded by SB 1149 if a solution is found where small customers
3 receive the benefit from the resource mix they purchase.⁶ Removing the cap
4 would allow additional large customer EE programs. As an example of how
5 this could work, CUB indicates that all SB 1149 programs could be dedicated
6 to large customers, even though all customers are paying for SB 1149 EE.

7 **Q. Currently, what percentage of SB 1149 funds are dedicated to large**
8 **customers?**

9 A. “Energy Trust informally agreed to impose [an 18.4 percent cap] on customers
10 over 1 aMW.”⁷ Meaning, stakeholders agreed that to ensure that customers
11 over 1 aMW did not pay any amounts for EE in excess of what is required
12 under SB 1149, Energy Trust would not use more than 18.4 percent of all the
13 public purpose charge funds designated for EE to fund programs for these
14 customers.

15 **Q. Does the SB 838 cap present any obstacles to acquiring cost effective**
16 **EE?**

17 A. Perhaps. For example, in 2018, spending opportunities for cost effective EE
18 measures for customers larger than 1 aMW might exceed 18.4 percent of
19 funds.

20 **Q. What prerequisites does Staff recommend before reconsidering the**
21 **cap on large customer programs funded by SB 1149?**

⁶ CUB/200, Jenks/8-9.

⁷ ICNU/400, Mullins/3 lines 5-6.

1 A. One prerequisite is addressing whether the CUB's cost-allocation proposal is
2 lawful, especially in the context of SB 838's prohibition on customers larger
3 than 1 aMW paying for or receiving a direct benefit from EE paid for by SB 838
4 funds. Assuming CUB's proposal is found to be lawful, parties could
5 investigate alternative rate mechanisms that appropriately compensate
6 customers based on differing resource mixes across schedules.

7 **Q. Is Docket No. UE 319 the ideal venue to perform these analyses?**

8 A. Perhaps not, given the remaining time available in this docket as well as the
9 potential applicability to other utilities such as PacifiCorp.

10 **Q. So what is your recommendation on this issue?**

11 A. The Commission not rule on this issue in Docket No. UE 319, and instead open
12 a new docket to address legal issues related to CUB's proposals. Again, this
13 path would result in no rate spread adjustment at this time.

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

15 A. Yes.