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Via Electronic Mail - puc.filingcenter@state.or.us

September 5, 2017

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, Oregon 97301-3398
Attn: Filing Center

Re: Case No. UE-319

Dear Sir or Madam:

Please find attached the CROSS-REPLY TESTIMONY OF NEAL TOWNSEND on behalf of THE KROGER CO. AND QUALITY FOOD CENTERS, DIVISION OF THE FRED MEYER STORES, INC. for filing in the above referenced matter.

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 319

In the Matter of)
)
PORTLAND GENERAL ELECTRIC)
COMPANY)
)
Request for a General Rate Revision.)

CROSS-REPLY TESTIMONY OF

NEAL TOWNSEND

ON BEHALF OF

FRED MEYER STORES

SEPTEMBER 5, 2017

CROSS-REPLY TESTIMONY OF NEAL TOWNSEND

Introduction

Q. Please state your name and business address.

A. My name is Neal Townsend. My business address is 215 South State Street, Suite 200, Salt Lake City, Utah 84111.

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

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

Q. Are you the same Neal Townsend that submitted Direct Testimony on behalf of Fred Meyer Stores on June 16, 2017?

A. Yes, I am.

Overview and Conclusions

Q. What is the purpose of your cross-reply testimony in this proceeding?

A. My testimony addresses the rebuttal testimony of Staff witness Max St. Brown regarding his proposal to compute an SB 838 Energy Efficiency (EE) adjustment, should future circumstances warrant such an adjustment.

1 **Q. What are your primary conclusions and recommendations?**

2 A. If there is an SB 838 EE adjustment, or a related transfer payment, made
3 amongst customer classes, it should recognize the fact that certain rate schedules
4 serve customers that are both larger than 1 aMW and smaller than 1 aMW. A
5 customer that is smaller than 1 aMW that pays SB 838 funds should not also be
6 allocated additional costs meant to serve as transfer payments from customers
7 larger than 1 aMW to customers smaller than 1 aMW.

8

9 **Response to Staff**

10 **Q. Please describes Staff's proposal regarding a potential EE adjustment.**

11 A. Staff responds to CUB's proposal to implement a transfer payment of \$7.3
12 million to customers less than 1 aMW (presumably from larger than 1 aMW
13 customers) to properly reflect the costs and benefits of SB 838 EE measures.
14 Staff does not find that CUB's proposed EE adjustments are warranted at this
15 time. As noted by Mr. St. Brown, Staff's analysis indicates that currently under a
16 wide range of cost allocation scenarios, the system benefits of SB 838 energy
17 efficiency measures are properly reflected in the costs allocated to customers
18 smaller than 1 aMW. However, if circumstances change in the future such that an
19 adjustment is warranted, Staff witness Max St. Brown supports the spirit of
20 CUB's model for a proposed adjustment, with a modification to compute the
21 adjustment based on an embedded cost differential basis. Such a proposal could

1 result in a future transfer payment from customers larger than 1 aMW to
2 customers smaller than 1 aMW.¹

3

4 **Q. Does Mr. St. Brown recognize any shortcomings with this approach?**

5 A. Yes. Mr. St. Brown recognizes that the schedule-based embedded cost
6 differential approach does not specifically account for customers larger than 1
7 aMW. Mr. St. Brown points out that this creates potential complications for
8 Schedule 85 where only some of the customers have loads exceeding 1 aMW.
9 Staff is open to alternative approaches that address this Schedule 85 issue.²

10

11 **Q. Schedule 85 has two Direct Access counterpart schedules. Can you please**
12 **explain how those are related to Schedule 85?**

13 A. Schedule 85 has a Direct Access Schedule 485 counterpart which is a
14 Multi-Year Opt-Out schedule and Schedule 585 counterpart for annual Direct
15 Access. Schedule 485 and Schedule 585 Distribution and Consumer Services
16 charges and Customer Impact Offsets are tied to Schedule 85 rates. To the extent
17 an EE adjustment is made through these charges, the potential complications
18 raised by Mr. St. Brown would impact Schedule 485 and Schedule 585 similarly.

19

20 **Q. What is your assessment of Staff's proposal?**

21 A. I have concerns with the shortcomings that Mr. St. Brown acknowledges
22 are inherent in a schedule-based approach. A schedule-based approach, such as

¹ Staff/1700 St. Brown/1.

² *Id.* St. Brown/2.

1 the one proposed by Mr. St. Brown, would cause a customer with usage less than
2 1 aMW in Schedule 85 to pay SB 838 EE funds **and** be allocated additional costs
3 meant to serve as transfer payments from customers larger than 1 aMW to
4 customers smaller than 1 aMW. Under this proposal, not only would this specific
5 group of Schedule 85 customers sized under 1 aMW not receive a potential EE
6 adjustment meant to compensate them for the benefits derived from their funding
7 of SB 838, but they would actually be required to pay for the EE adjustment. This
8 subset of customers would effectively be required to pay for the EE adjustment
9 that they should actually be receiving.

10

11 **Q. What is your recommendation to remedy this Schedule 85 complication?**

12 A. If ultimately a schedule-based EE adjustment is adopted, Schedule 85
13 customers with usage less than 1 aMW should not be required to contribute
14 towards an EE adjustment or transfer payment to other customers under 1 aMW.
15 If a schedule-based approach is adopted for EE adjustments, and EE adjustment
16 costs are allocated to Schedule 85, then those customers smaller than 1 aMW in
17 Schedule 85 should be exempted from paying the EE adjustment, and potentially
18 should receive a credit equal to their share of the transfer payment. To the extent
19 that Schedule 485 or Schedule 585 are similarly impacted, customers less than 1
20 aMW on Schedule 485 or Schedule 585 should also be exempted from paying the
21 EE adjustment, and potentially should receive a credit equal to their share of the
22 transfer payment.

23

1 **Q.** **Does this conclude your cross-reply testimony?**

2 A. Yes, it does.

**BEFORE THE PUBLIC UTILITY COMMISSION
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UE 319

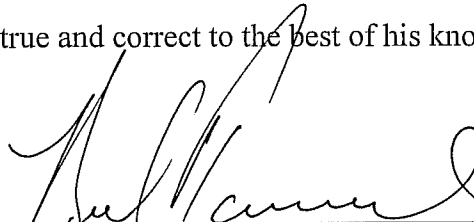
In the Matter of)
)
PORTLAND GENERAL ELECTRIC COMPANY)
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Request for a General Rate Revision.)
_____)

AFFIDAVIT OF NEAL TOWNSEND

STATE OF UTAH)
)
COUNTY OF SALT LAKE)

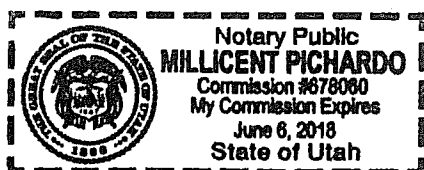
Neal Townsend, being first duly sworn, deposes and states that:

1. He is a Principal with Energy Strategies. L.L.C., in Salt Lake City, Utah;
2. He is the witness who sponsors the accompanying testimony entitled "Cross-Reply Testimony of Neal Townsend;"
3. Said testimony was prepared by him and under his direction and supervision;
4. If inquiries were made as to the facts and schedules in said testimony he would respond as therein set forth; and
5. The aforesaid testimony and schedules are true and correct to the best of his knowledge, information and belief.



Neal Townsend

Subscribed and sworn to or affirmed before me this 5th day of September, 2017 by Neal Townsend.





Notary Public

CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served via electronic mail, unless otherwise noted, this 5th day of September, 2017.


Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.

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PGE UE 319

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