



**Portland General Electric Company**  
121 SW Salmon Street • Portland, Oregon 97204  
[PortlandGeneral.com](http://PortlandGeneral.com)

September 5, 2017

**Email**

[puc.filingcenter@state.or.us](mailto:puc.filingcenter@state.or.us)

Oregon Public Utilities Commission  
Attention: Filing Center  
201 High Street SE, Ste. 100  
PO Box 1088  
Salem, OR 97301-1088

**RE: UE 319 PGE 2018 General Rate Case**

Attention: Filing Center

Enclosed for filing in the above captioned docket is the Surrebuttal Testimony of Portland General Electric Company:

- **PGE Exhibit 2500**

These documents are being served upon parties of the UE 319 service list.

If you have any questions or require further information, please call Karla Wenzel at (503) 464-8929.  
Please direct all formal correspondence and requests to the following email address:  
[pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com).

Sincerely,

Stefan Brown  
Manager, Revenue Requirement

cc: UE 319 Service List

Encls:

## **I. Introduction**

1 **Q. Please state your names and positions with Portland General Electric (“PGE”).**

2 A. My name is James J. Piro. I am the President and Chief Executive Officer of PGE.

3 My name is Jim Lobdell. I am the Senior Vice President, Finance, Chief Financial  
4 Officer, and Treasurer of PGE.

5 Our qualifications were previously provided in PGE Exhibit 100.

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

7 A. The purpose of our testimony is to address the remaining issue in this rate case, the energy  
8 efficiency proposal sponsored by the Citizens Utility Board of Oregon (“CUB”).

9 **Q. Please summarize the positions of the parties in this docket.**

10 A. CUB asserts that because residential and small nonresidential customers pay both the Senate  
11 Bill (“SB”) 1149 public purpose charge (PPC) and the SB 838 energy efficiency  
12 supplemental funding (SB 838), they purchase a resource mix with a greater share of energy  
13 efficiency, which: 1) reduces load; 2) provides system energy and capacity benefits to the  
14 entire system and all customer classes; and 3) reduces the required energy and capacity that  
15 PGE must procure.

16 For their contributions to the system, CUB argues, residential and small nonresidential  
17 customers should be compensated. CUB then proposes methodologies to do so. Generally,  
18 these methodologies specify a transfer payment from large nonresidential customers to  
19 residential and small nonresidential customers. ICNU opposes CUB’s proposal, arguing that  
20 if CUB’s proposal were implemented, then it would result in industrial customers paying  
21 more than the PPC contribution to energy efficiency and that would violate the funding  
22 limitation in SB 838. ICNU identifies the issues as primarily legal and calls attention to

1 several “analytical problems” associated with CUB’s proposal. In its testimony (Staff  
2 Exhibit 1600, page 2), Staff concludes that “over a broad range of assumptions, customer  
3 classes that are served by EE [energy efficiency] capture all energy and capacity cost  
4 savings associated with the EE.” In addition, Staff reports that “customer classes served by  
5 EE capture additional cost allocation benefits beyond just energy savings . . . .” Thus, Staff  
6 argues, there is no need, based on the current status, to address CUB’s claim of unfair  
7 distribution of energy efficiency costs and benefits. If that were to change, Staff notes, an  
8 examination may be in order. With regard to PGE’s earlier testimony, the company  
9 expressed concern that addressing the issues raised by CUB, if it involved industrial  
10 customers paying more than the PPC, may be deemed in violation of the SB 838 provision  
11 directing that customers with loads over 1 MWa pay no more than the PPC toward energy  
12 efficiency<sup>1</sup>.

13 **Q. Does PGE maintain the same concerns as expressed in prior testimony?**

14 A. Yes. While we are sympathetic to CUB’s fairness concerns regarding the greater  
15 contributions of residential and small commercial customers to energy efficiency through  
16 paying both the PPC and SB 838, PGE is still concerned that proposals designed to shift cost  
17 responsibilities between customer classes in the context of a rate case have the potential to  
18 violate the provisions of SB 838 that customers over 1 MWa be exempt from paying the  
19 SB 838 funding in exchange for not receiving “direct” benefit.

20 **Q. Does PGE acknowledge that CUB raises legitimate fairness examination questions in**  
21 **light of the substantial system benefits that energy efficiency provides?**

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<sup>1</sup> ICNU Exhibit 400, Mullins/2 provides the legislative history of SB 838 noting that the PPC 3% limit was original to SB 1149. The 1999 Oregon law’s version of ORS 757.612(3) (f) authorizes the Commission to establish a different PPC provided that a customer with a load greater than one average megawatt is not required to pay a PPC in excess of the 3%.

1 A. Yes. We recognize that much has changed since SB 838 passed, including the substantial  
2 role that EE plays in procurement to meet energy and capacity needs in Integrated Resource  
3 Plans (IRP) and the more recent SB 1547 legislation providing guidance from the legislature  
4 that all available cost effective EE should be acquired. However, Staff's analysis found that  
5 there is no mismatch in residential and small commercial customers' EE contributions and  
6 benefits. Despite this finding, in the future there may be a need for increased EE funding to  
7 obtain all available cost effective EE, which could change Staff's findings, according to their  
8 testimony. Should that occur, the contribution and allocation of benefits by customer class  
9 could become inequitable and require attention. Consequently, PGE believes it merits  
10 further study.

11 **Q. What does PGE recommend?**

12 A. PGE recommends that the Commission open an investigation to examine Staff's analysis  
13 and results and how they could change over time as energy efficiency funding changes.

14 **Q. If the Commission were to open an investigation, what should be the scope of that**  
15 **investigation?**

16 A. PGE recommends that the general scope should be the reasonableness of the energy  
17 efficiency funding burdens, by customer class, relative to direct and system benefits from  
18 the EE funding. The investigation would include whether the customer classes contributing  
19 to EE funding receive benefits commensurate with their contributions. If the funding  
20 burdens and benefits are not equitable, then the Commission would be in a position to  
21 consider taking action, including nullifying the soft cap at the ETO for industrial EE  
22 incentive funding.

1 **Q. Given that the Commission opened UM 1713 following PGE's UE 283 general rate**  
 2 **case to address this issue without resolving it, why do you believe it will be successful**  
 3 **here?**

4 A. CUB's proposal and Staff's analysis provide a different lens to view the issue and suggest  
 5 different issues for examination. They suggest alternatives beyond a legislative solution as a  
 6 sole option.

7 **Q. Why is PGE recommending this investigation?**

8 A. From the time that CUB raised this issue in a previous rate case and this one, we have given  
 9 consideration to the history of SB 838, the reasons for why PGE and others proposed the SB  
 10 838 language, and how things have changed since the bill was adopted. When SB 838 was  
 11 being considered by the legislature in 2007, energy efficiency was being discussed in terms  
 12 of a benefit to the participating customer. Customers contributed to EE funding, which went  
 13 to the ETO and then the ETO awarded incentives to customers to implement EE measures.  
 14 When CUB supported SB 838 in 2007, we believe it was important to CUB that because  
 15 residential and small commercial customers were paying SB 838 and industrial customers  
 16 were not, that industrial customers not receive a direct benefit, in terms of actual incentives  
 17 paid, from SB 838 funding. Since then, the view has broadened to focus on the system  
 18 benefit that EE provides. EE reduces the amount of energy, capacity, ancillary services and  
 19 other resources required to meet customer loads, thereby reducing costs for all customers.  
 20 The EE system benefit is expressed through SB 1547's directive to acquire all available,  
 21 cost effective EE; the priorities for the region by the Northwest Power and Conservation  
 22 Council, and PGE's IRP that identifies EE as the first resource to meet customer needs.

1       Therefore, it may be time to determine whether the term “direct benefit” encompasses a  
2       different set of benefits.

3       **Q. So, to confirm PGE’s request, the company is asking the Commission to deny CUB’s**  
4       **requested credit as unnecessary and to open an investigation. Is that correct?**

5       A. Yes.

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

7       A. Yes.