

CASE: UM 1662
WITNESS: JOHN CRIDER

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 200

CROSS-ANSWERING TESTIMONY

June 22, 2015

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

2 A. My name is John Crider. My business address is 3930 Fairview Industrial Dr.
3 SE, Salem, Oregon 97302.

4 **Q. Please describe your educational background and work experience.**

5 A. My Witness Qualification Statement is found in Exhibit Staff/101.

6 **Q. Are you the same John Crider that previously provided testimony in**
7 **this docket?**

8 A. Yes. I prepared Staff's Opening Testimony in this docket.

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

10 A. In this testimony I provide Staff's response to other parties' Opening
11 Testimony.

12 **Q. Did you prepare an exhibit for this docket?**

13 A. No.

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

15 A. My testimony is organized as follows:

16	Issue 1, Response to ICNU testimony	2
17	Issue 2, Response to CUB testimony	4

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

Issue 1, Response to ICNU Testimony

Q. PLEASE SUMMARIZE ICNU’S POSITION ON THE JOINT UTILITIES’ PROPOSED “RENEWABLE RESOURCE TRACKING MECHANISM” (RRTM).

A. ICNU recommends that the Commission reject the Joint Utilities’ proposal.¹

Q. ON WHAT BASIS DOES ICNU SUPPORT THIS POSITION?

A. ICNU argues three major points: 1) there is no need for a specific renewable recovery mechanism in addition to the existing power cost recovery methodology; 2) very similar proposals have already been considered and subsequently not adopted by the Commission, and this proposal offers no new or compelling additional information; and 3) there are serious technical issues with the proposed methodology.²

Q. DOES STAFF SUPPORT ICNU’S POSITION?

A. Yes. Staff argued similar points in Opening Testimony. Staff finds no compelling reason to separate the recovery of variable costs associated with renewable generation from the recovery of other power costs. The recovery mechanism for these costs has been carefully crafted by the Commission to address stakeholder concerns, to share risks between the utilities and ratepayers, and to provide just and reasonable rates by balancing costs and risks. Any recovery methodology that purposefully bypasses these sharing mechanisms may jeopardize the integrity of power cost recovery by unduly shifting risk, and cost, to customers.

¹ ICNU/100, Mullins/1.

² ICNU/100, Mullins/2.

1 **Q. DOES STAFF ALSO AGREE THAT THERE ARE TECHNICAL ISSUES**
2 **WITH THE RRTM PROPOSAL?**

3 A. Yes. Staff shares the same primary concerns regarding the technical
4 calculation put forth by the Joint Utilities in the RRTM. As noted in Staff's
5 Opening Testimony, the proposed calculation does not track actual costs at all
6 but instead estimates the value of energy at a particular time based on market
7 rates.³ The proxy used to estimate this value of energy is not an actual
8 Company cost, but a published index of average market prices. Because an
9 index is used to value energy instead of using actual Company costs, the
10 resulting calculation is very likely to deviate from actual costs incurred by the
11 Company.⁴

³ Staff/100, Crider 7-9.

⁴ Staff/100, Crider/17.

1 **Issue 2, Response to CUB's Testimony**

2 **Q. PLEASE SUMMARIZE CUB'S POSITION ON THE JOINT UTILITIES'**

3 **PROPOSED RRTM.**

4 A. CUB "fundamentally disagrees" with the premise that the Joint Utilities should
5 recover variations in power costs on a dollar-for-dollar basis without the sharing
6 mechanisms in place in the current power cost recovery methodology.⁵

7 Further, CUB states that it believes the proposed RRTM is poorly designed, is
8 poor public policy and is not consistent with SB 838. CUB opposes the
9 proposal.⁶

10 **Q. On what basis does CUB make these assertions?**

11 A. CUB bases its position on four arguments. CUB claims that: 1) SB 838's
12 statement that all prudently incurred costs related to RPS compliance "are
13 recoverable in the rates of an electric company" is not a requirement for dollar-
14 for-dollar recovery, but instead an agreement that RPS-related variable costs
15 can and should be treated like all other variable costs and recovered through
16 existing mechanisms;⁷ 2) recovery on a dollar-for-dollar basis, as proposed by
17 the Joint Utilities, would result in a significant shift in normal business risk from
18 shareholders to ratepayers;⁸ 3) the Commission has consistently rejected

⁵ CUB/100, Jenks-Hanhan/2.

⁶ CUB/100, Jenks-Hanhan/2.

⁷ CUB/100, Jenks, Hanhan/3.

⁸ CUB/100, Jenks-Hanhan/6-8.

1 similar proposals in UE 246, UE 283 and UE 165;⁹ and 4) The proposed
2 calculation methodology itself is flawed and poorly designed.¹⁰

3 **Q. DOES STAFF AGREE WITH CUB?**

4 A. Yes. Staff agrees with CUB's conclusion that the Commission should reject the
5 RRTM proposal. Similar to CUB, Staff argues that the existing power cost
6 recovery mechanism is the proper method for recovery of RPS-related costs.¹¹
7 Staff also addresses the issue of cost and risk shift introduced by the RRTM
8 proposal and concludes that this inherent shift in risk could have the effect of
9 creating unjust rates.¹² Finally, Staff provides extensive analysis exploring
10 flaws in the calculation method as it pertains to treatment of forecast error and
11 market valuation.¹³

12 **Q. PLEASE SUMMARIZE STAFF'S RECOMMENDATION**

13 A. Staff recommends that the Commission reject the Joint Utilities' proposal for
14 special treatment and recovery of variable costs related to RPS compliance.
15 Staff offers this recommendation on the basis that 1) SB 838 does not require
16 the Commission to authorize dollar-for-dollar recovery; 2) the RRTM unduly
17 shifts normal business cost and risk from the company's shareholders to
18 customers; and 3) the proposed calculation is fundamentally flawed in that it
19 calculates energy values, not energy costs.

⁹ CUB/100, Jenks/Hanhan/6-8.

¹⁰ CUB/100, Jenks/Hanhan/10-16.

¹¹ Staff/100, Crider/2-4.

¹² Staff/100, Crider/9-12.

¹³ Staff/100, Crider/14-9 and 11-15.

1 In the event the Commission decides to approve special treatment of RPS-
2 related variable costs, Staff recommends five alterations to address flaws in the
3 Joint Utilities proposal, as set forth in Staff's Opening Testimony. To
4 summarize, these five alterations are: 1) Market risk should be removed from
5 the computation proposed by the Joint Utilities. The result is the calculation
6 proposed by Staff in Opening Testimony:

7 Cost = (Energy forecast * Market price forecasted) –

8 (Energy actual * Market price forecasted)

9 = (Energy forecast – Energy actual) * Market price forecasted¹⁴;

10 2) Forecast risk should be removed from the computation as described in
11 Staff's Opening testimony¹⁵;

12 3) Actual company trading costs should be used in place of the proposed
13 PowerDex© index pricing;

14 4) An earnings test identical to the PCAM earnings test should be applied to
15 the proposed recovery amount; and

16 5) Any amount for recovery under this proposal should be recovered through
17 a new tariff and not through the existing Renewable Adjustment Clause
18 (RAC).

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes.

¹⁴ Staff/100, Crider/19.

¹⁵ Staff/100, Crider/12-15.