Davison Van Cleve PC
Attorneys at Law
TEL (503) 241-7242 ● FAX (503) 241-8160 ● jog@dvclaw.com
Suite 400
333 SW Taylor
Portland, OR 97204

September 21, 2015

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem OR 97301

Re: PORTLAND GENERAL ELECTRIC and
PACIFICORP d/b/a PACIFIC POWER
Request for a Generic Power Cost Adjustment Mechanism Investigation
Docket No. UM 1662

Dear Filing Center:

Enclosed for filing in the above-referenced docket, please find the Cross-Examination Exhibits of the Industrial Customers of Northwest Utilities.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1662

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY and PACIFICORP d/b/a PACIFIC POWER Request for Generic Power Cost Adjustment Mechanism Investigation.	)	CROSS-EXAMINATION EXHIBITS OF THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

Pursuant to the Administrative Law Judge's July 7, 2015 Ruling, the Industrial Customers of Northwest Utilities ("ICNU") submits its cross-examination exhibits. ICNU understands that PacifiCorp and Portland General Electric Company will stipulate to the admission of ICNU's cross-examination exhibits.

Cross Examination Exhibits	Description
ICNU/300	Testimony of Jason Eisdorfer for the Citizens' Utility Board before the Senate Environment and Natural Resources Committee (March 15, 2007)
ICNU/301	Testimony of Lee Beyer for the Oregon Public Utility Commission before the House Committee on Energy and the Environment, and attached letter to Representatives Dingfelder and Bruun (April 16, 2007)

DAVISON VAN CLEVE, P.C.
333 S.W. Taylor, Suite 400
Portland, OR 97204
Telephone: (503) 241-7242

Dated this 21st day of September, 2015.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Tyler C. Pepple

S. Bradley Van Cleve
Tyler C. Pepple
333 S.W. Taylor, Suite 400
Portland, Oregon 97204
(503) 241-7242 phone
(503) 241-8160 facsimile
bvc@dvclaw.com
tcp@dvclaw.com
Of Attorneys for the Industrial Customers of Northwest Utilities

MEASURE: SB 838
EXHIBIT: P
Sen. Environment & Natural Resources
DATE: 03/15/07 PAGES: 2
SUBMITTED BY: Jason Eisdorfer

Before the Senate Environment and Natural Resources Committee

SB 373

Jason Eisdorfer, Citizens' Utility Board

March 15, 2007

Cost Cap.
This provision is not a rate cap. If the Public Utility Commission authorized a 7% rate increase for costs associated with health care costs, a new customer information system, or a new fossil-fuel base load plant not associated with renewable energy, then this cost cap is not implicated at all. This cost cap says that if the cumulative difference between the levelized costs of renewable energy resources and comparable market-priced non-renewable energy resources reaches 4% of the utility's revenue requirement, then the utility need not meet the annual renewable targets. At such time as the cumulative difference falls below the 4% level, then the utility must meet the targets again.

This 4% is neither a guarantee of a 4% cost increase, nor is it meaningless. Renewable resources over time may be at market or, especially after the advent of carbon regulation, could cost less than the comparable fossil-fuel resource. If renewable resources are consistently higher than other comparable resources, we think that it is highly unlikely that the cost cap will be triggered in early years of the RES. However, if renewable resources are consistently more expensive, over the long term, as the costs of renewable energy acquisitions add up, the 4% cost cap ensures that customers will not pay too much to implement the standard

The costs that fall under this cost cap will undergo two prudence reviews: first, the rate-based resource will undergo the standard PUC prudence review, and second, through the compliance report, the PUC will determine the prudence of the utility's choice of resources (be they owned or contracted resources, or purchases of unbundled renewable energy certificates, or payment of alternative compliance payments) to meet the renewable standard.

Cost Recovery
There is a new provision that directs the PUC to identify a mechanism whereby the utility can apply for and get timely recovery of prudently incurred investment in renewable resources without the need for a rate case. This makes policy sense, because the RES will promote a strategy of adding renewable resources on an on-going basis, and this might otherwise require annual rate cases, which are resource intensive proceedings. In addition, as a renewable resource comes on line, the utility's variable costs, or costs of fuel, go down and those savings will be passed on to the customer through annual rate adjustment that are currently in place. It is not warranted to allow cost reductions to flow

through to customers from this RES and not allow for reasonably contemporaneous recovery of the fixed costs of the resource. Furthermore, the opportunity to recover fixed costs between rate cases currently exists at the PUC; this provision is to formalize the process in a more consistent way between utilities.

This cost recovery provision is NOT:
a) recovery of costs that are not used and useful in violation of Measure 9 (ORS 757.355). That existing statutory provision says that a utility may not recover the cost of an investment until the investment is actually turned on and is benefiting customers. The term "construction" in the proposed SB 373 bill language refers only to utility-built, or utility-constructed, resources as opposed to purchased resources. The term does not mean to imply that the utility can recover the costs of construction before the plant goes on line and is actually serving customers. All the parties agree to this interpretation;

b) preapproval of a resource. The cost recovery is of prudently incurred costs only, so whatever mechanism the PUC adopts as a result of this statute, the PUC must assume a prudence review of an operating resource in the process.

Alternative Compliance Payment
In addition to the cost cap there is an alternative compliance payment provision. While the cost cap protects customers from spending too much to meet the requirements of the RES, the ACP protects customers from getting too little value under the cost cap. So if the market for renewables spikes, the ACP, set annually by the PUC, allows the utility to meet the RES standard by making payments at a more reasonable rate to put into a fund for future renewable resource or energy efficiency investment. This makes sure that customers get a good value for their money.

MEASURE: SB 838
EXHIBIT: F
Energy and the Environment
DATE: 4-16-07 PAGES: 5
SUBMITTED BY: Lee Beyer

Oregon
Theodore R. Kulongoski, Governor

Salem, OR 97308-2148
Consumer Services
1-800-522-2404
Local: 503-378-6600
Administrative Services
503-373-7394

Testimony of Chairman Lee Beyer
Oregon Public Utility Commission
On

SB 838

April 16, 2007

The Public Utility Commission supports passage of SB 838, the Renewable Portfolio Standards

The Commission regulates three private utilities which serve 75% of all Oregonians and which will be most impacted by SB 838's standards.

In view of this, the Commission worked closely with the utilities, the Governor's Office and other interested parties to insure that the bill, when adopted, would be implementable – we believe that goal has been achieved.

Response to some concerns that have been raised:

1. *Will the renewable energy targets cause the utilities to add unneeded generation?*

No. The energy demands of PGE, Pacific and Idaho Power are such that they would be adding this amount of generation – and probably more – between now and 2025. What this bill does in direct that the majority of new generation be renewable.

2. *Will the RPS interfere with or replace the PUC's traditional Integrated Resource Planning process?*

No. We believe the required renewable resource plans and action plans can be coordinated with or become part of that routine process.

3. *Will the RPS lead to higher cost?*

All new energy generation will cost more than what is in rates today. That is why the Commission particularly likes the bill features that allow utilities to obtain cost-effective energy conservation/efficiencies where possible. In terms of new generation, the question is will renewables be most expensive than fossil fuels? Given the likely implementation of a national carbon tax or European style cap and trade program, we believe renewables will be competitive.

4. *What is the protection against rapidly escalating rates?*

The bill contains a revenue cap of 4%. While this doesn't mean rates won't go up, it does address the point of whether they would go up more than they would without the RPS standards.

5. *Will the automatic adjustment clause provision in the bill prevent ratepayer advocates from challenging the utilities proposals for cost recovery?*

No. The Commission has provided a lengthy answer to the Chair's questions in this area, but the short answer is there is nothing new in this provision. Current law allows the utilities to apply for automatic adjustments (ORS 757.210) and, in fact, the use of automatic adjustment mechanism was a central feature of the SB 408 tax bill in the 2005 Session. The key feature is use of the term recovery of "prudently incurred costs". That phrase requires a full and open public review with provisions for discovery or information requests by consumer advocates including public hearings.

April 16, 2007

Rep. Jackie Dingfelder
900 Court St., H-477
Salem, OR 97301

Rep. Scott Bruun
900 Court St, NE H-377
Salem, OR 97301

RE: SB 838 - April 11, 2007 Request

Dear Representatives Dingfelder and Bruun,

Following is the Commission's response to the questions you posed in your April 11, 2007 letter.

1. **Does Senate Bill 838 prevent the Commission from reviewing the prudence of the costs a utility seeks to recover, either through an automatic adjustment clause or otherwise?**

   Answer
   No. Section 13 of Senate Bill 838 is clear that the cost recovery it authorizes applies only to prudently incurred costs. The Commission, therefore, must examine the prudence of the costs a utility seeks to recover for complying with the renewable portfolio standard. For those costs eligible for recovery through an automatic adjustment clause or similar mechanism under Section 13(3), the Commission will review prudence through the process described in response to Question 2, below.

   Furthermore, the Commission, with input from interested parties, will review whether a utility's plans for meeting the renewable portfolio standard are reasonable when the utility files the implementation plans required under Section 11 of the bill and the integrated resource plans already required by the Commission.

2. **Please explain how an automatic adjustment clause would be established by the Commission under Senate Bill 838 and what type of process would be used when a utility seeks to use the automatic adjustment clause.**

   Answer
   Cost recovery through an automatic adjustment clause involves two distinct steps: 1) establishing the clause, and then 2) authorizing rate changes under its terms.

Step 1 - Establishing the automatic adjustment clause The first step is a matter of deciding what types of costs can be recovered through the automatic adjustment clause and how the mechanism will work. It requires a filing by the utility under the provisions of ORS 757.210, which means that parties are entitled to discovery (which is the ability to require a utility to provide information) and hearings on the issues considered by the Commission. Once the Commission establishes the automatic adjustment clause, the mechanism is subject to review at least once every two years.

Step 2 - Authorizing rate changes under the automatic adjustment clause Once the automatic adjustment clause is established, the utility may request cost recovery under its terms. The main issues at this second stage will be whether the costs actually qualify for recovery (e.g., whether the costs are associated with building or acquiring renewable energy sources or associated transmission) and were prudently incurred. Parties are entitled to discovery and hearings on these matters.

An automatic adjustment clause is automatic in the sense that issues decided when the mechanism is established (Step 1) are not revisited when rate changes occur under its terms (Step 2). The Commission can decline to hold hearings on those issues if they are raised during the second stage (per ORS 757.210(1)(a)). But in this case, most of the substantive cost recovery issues (like prudence) cannot be addressed until the second stage when the facts surrounding the utility's resource decisions become available. Parties will be entitled to discovery and hearings on those facts, and recovery will be far from "automatic."

3. Will ratepayer advocates be entitled to a hearing and discovery to determine whether rates are fair, just, and reasonable when a utility seeks to recover costs related to the bill in its rates?

Answer
Ratepayer advocates and other parties will be entitled to discovery and hearings on whether the costs qualify under the terms of Section 13 and were prudently incurred.

The utility will have to file a general rate case under ORS 757.210 to seek recovery of costs that do not qualify for recovery under an automatic adjustment clause. In a general rate case, all of the utility's costs are subject to review, and it is in the context of the Commission's decision in such a case that the utility's overall rates are said to be fair, just, and reasonable.

4. Does the Commission have the authority to establish the procedures for review of the automatic adjustment clause?

Answer
Yes. The Commission must provide the procedural rights to discovery and hearings that are established in ORS 757.210 and discussed above. In establishing an automatic adjustment clause, the Commission may also adopt procedures that will be used in reviewing a utility filing to change rates under the terms of the clause (for example, the schedule for the review and the information that the utility must provide in its filing).

5. If costs other than those related to SB 838 have changed since a utility's last general rate case, what ability do ratepayer advocates have to request and receive review of a utility's costs?

Answer
Ratepayer advocates and other parties can request that the Commission investigate a utility's rates under ORS 756.515 and open a proceeding (with discovery and hearings) on whether those rates are fair, just, and reasonable. The parties can also challenge existing rates by filing a complaint under ORS 756.500. Again, discovery and hearing right would be available, but the complainant would have the burden of proving that the rates are not fair, just, and reasonable.

Please let me know if you need any clarification or additional information.

Lee Beyer
Chairman