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November 15, 2023

VIA EMAIL - puc.filingcenter@puc.oregon.gov

Public Utility Commission of Oregon
ATTN: Filing Center
201 High Street SE, Suite 100
P.O. Box 1088
Salem, OR 97308-1088

Re: UE 416 – Errata to the Supplemental Joint Testimony

Dear Filing Center:

Enclosed for filing please find an errata to the Supplemental Joint Testimony in Support of Partial Stipulation filed on November 9, 2023.

The errata filings removes the designation "Level 3- Restricted" from the footer of the testimony (Exhibit 600).

The errata also replaces the excel spreadsheet submitted as Exhibit 601. The exhibit was mistakenly submitted in "landscape" format rather than "portrait" and explanatory notes were cut off.

Sincerely,

/s/ Stephanie Andrus

Stephanie Andrus
Sr. Assistant Attorney General
Business Activities Section

SSA:pjr/932425195
Enclosure

CASE: UE 416
WITNESS: SCALA-
MACFARLANE- JENKS

PUBLIC UTILITY COMMISSION
OF
OREGON

STIPULATING PARTIES 600

Supplemental Joint Testimony in Support of a Partial Stipulation

November 9, 2023

Q. Please state your names, occupations, and business address.

A. My name is Michelle Scala. I am the Energy Justice Program Manager employed in the Strategy Integration Division of the Public Utility Commission of Oregon (OPUC). My business address is 201 High Street SE, Suite 100, Salem, Oregon 97301.

My name is Robert Macfarlane. I am the Manager of Pricing and Tariffs at Portland General Electric Company (PGE), 121 SW Salmon St, Portland, OR 97204.

My name is Bob Jenks. I am the Executive Director of the Oregon Citizens' Utility Board (CUB). My business address is 610 SW Broadway, Ste. 400 Portland, Oregon 97205.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to respond to AWEC's objection to the fifth partial stipulation filed on October 23, 2023, and the testimony of Lance Kaufman in support of the objection.

Q. Did you prepare any exhibits for this testimony?

A. Yes. We prepared the following exhibit:

- Exhibit 601.

Q. How is your testimony organized?

A. Our testimony is organized as follows:

SUMMARY OF STIPULATING PARTIES' POSITIONS

Q. Please summarize the Stipulating Parties positions on AWEC's objection to the fifth partial settlement.

A. The proposed 20 million kWh cap per site recommended in the fifth partial settlement fairly balances the various Schedule 118 cost recovery proposals. The Stipulating Parties disagree with many of the statements made by AWEC in Dr. Kaufman's testimony objecting to the fifth partial stipulation. In particular, the Stipulating Parties disagree that Schedule 89 and Schedule 90 customers are unfairly burdened by the Schedule 118 cost recovery and find that Dr. Kaufman's testimony concerning rate impacts misstates the collective outcomes of the fifth and sixth stipulations. The Stipulating Parties also demonstrate that Dr. Kaufman's alternate proposal shifts cost *only* away from the lone customer on Schedule 90 and places a greater burden on all other customers – including Schedule 89 customers for which AWEC feigns concern.[1]

The Stipulating Parties disagree with Dr. Kaufman's statements that increasing Schedule 118 collection from large industrial customers could have negative economic impacts and that Schedule 89 and Schedule 90 customers are not contributing to low-income issues. The Stipulating

[1] Typically, the term "customer" equates to service points in PGE pricing analyses and workbooks. In AWEC's testimony and in this response testimony, it is recognized that a single business entity currently holds all of the service points on Schedule 90 and that entity is also referred to as a customer. Per PGE's 2024 forecast, a service point held by a second business entity is expected to qualify for Schedule 90, complicating the any "per-customer" analysis that actually refers to business entities.

Parties believe that these statements suggest an inappropriate and exaggerated association between an IQBD cost recovery cap and Oregon's business economy. Further, the Stipulating Parties find that Dr. Kaufman misstates and conflates the role of cost causation when determining rate spread generally, with the statutory authority and public interest policies the Income Qualified Bill Discount (IQBD) and Schedule 118 seek to effect.

ISSUE 1. STIPULATING PARTIES' RESPONSE TO AWEC'S OBJECTION

Q. What are the terms of the fifth partial stipulation?

A. The fifth partial stipulation concerns PGE's Schedule 118, under which all PGE retail customers pay for PGE's Income Qualified Bill Discount (IQBD) program offered through PGE Schedule 18. Under Schedule 118, PGE forecasts program costs for the following year, adding any under- or over-recovery forecasted at the end of the current year, and develops a flat charge for residential bills and a per-kWh charge for non-residential bills. The current tariff incorporates a $1,000 monthly cap on the total amount charged per Site,[2] which limits the charge to the largest non-residential customers. In the fifth partial stipulation, the Stipulating Parties agreed to modify the per-site limit from a dollar-based limit to a kWh limit of 20 million kWh per site. The current $1,000 cap is analogous to a cap of 877,193 kWh.

Q. Please summarize why AWEC objects to the proposal in the fifth partial stipulation.

A. AWEC believes that the proposal unfairly burdens large industrial customers in PGE's service territory by making Schedule 89 and Schedule 90 pay more on both a dollar basis and a percentage basis than the residential customers that are actually eligible for the program.[3]

[2] A Site is defined as "buildings and related structures that are interconnected by facilities owned by a single retail electricity Customer and that are served through a single electric meter; or a single contiguous area of land containing buildings or other structures that are separated by not more than 1,000 feet." Rule B in PGE's Tariff.
[3] AWEC/900, Kaufman/2.

Q. Do the Stipulating Parties agree with AWEC that this unfairly burdens Schedule 89 and Schedule 90 customers?

A. No. The Stipulating Parties believe that the proposed 20 million kWh cap on Schedule 118 achieves a fair and reasonable distribution of costs associated with the IQBD Program across the Company's customers.

Q. Please explain.

A. There are three main counter-arguments relative to AWEC's assertion that the Schedule 118 terms unfairly burden Schedule 89 and Schedule 90 customers. Specifically, those arguments concern 1) proportionality; 2) customer impacts; and 3) cost causation.

1. **Proportionality:** Under the proposed 20 million kWh cap, PGE customers across all service schedules will contribute an average 2.1 percent of their total monthly bill to the IQBD.[4] Customers on Schedules 89 and 90, specifically, will contribute an average of 3.3 percent and 1.2 percent, respectively. This can be compared to an average 1.7 percent contribution from residential Schedule 7 and commercial Schedule 32 customers. On a total dollar per schedule basis, residential customers contribute the majority of funding at approximately 40 percent of total IQBD target revenues or $21.2 million. This is followed by Schedule 83 at 15 percent or $7.7 million, and schedule 85 at 11 percent or $5.5 million. All other schedules contribute less than eight percent of IQBD target revenues.

[4] For this analysis, 2024 IQBD program costs are estimated at $52 million, a slight decrease from the estimate provided to AWEC in UE 416 DRs 333 and 334. Forecasted base rate revenues reflect current prices applied to PGE's most recent 2024 load forecast (September 2023).

When examining proportionality in these context, Schedule 89 and 90 can either be viewed as either paying within approximately 150 basis points in either direction of total IQBD costs as other individual schedules, or contributing the least in dollar amounts between standard service schedules.

2. **Customer impacts:** Dr. Kaufman asserts that "Schedule 89 customers will see the highest percentage rate increase of any customer class to support this program[,]"[5] using a summed $3.2 million in annual impacts to a Schedule **90** customer operating across five sites, to illustrate the magnitude. So that the record is clear, Stipulating Parties note that for Schedule **89** customers, the annual dollar magnitude is actually roughly $150,000 per site, and approximately 3.3 percent of the average bill. Conversely, the $3.2 million annual contribution from the Schedule 90 customer with five sites is approximately 1.2 percent. That said, the Stipulating Parties would also call attention to a juxtaposition of Dr. Kaufman's misleading illustration of the single Schedule 90 customer's Schedule 118 burden with Dr. Kaufman's testimony minimizing[6] dollars per customer contributions in Schedule 7 and Schedule 32. Dr. Kaufman's testimony on Schedule 7 and Schedule 32 individual customers is used as a way to illustrate "immaterial" differences in the effects of the AWEC proposal from that proposed by the Stipulating Parties. However, the structure of

[5] AWEC/900 Kaufman/2.
[6] AWEC/900 Kaufman/6.

these arguments is deceptive and belies the reality that to assess fairness and disproportionate burdens, dollar amounts on a per-customer basis are less relevant than percent of bill impacts on customers.

In the context of how AWEC has framed its unfair burden argument for the Commission to consider the distribution of Schedule 118 costs from a dollars-per-customer measure, the Stipulating Parties caution that this obfuscates reasonable and relevant standards for proportionality. In the context of percent of bill customer impacts, under the 20 million kWh per-site cap, the average Schedule 7 customer would still pay a greater proportion of their monthly bill to Schedule 118 than the Schedule 90 customer.

3. **Cost-causation:** AWEC asserts that the proposed cap would cause the single Schedule 90 customer to "pay millions of dollars in low-income assistance every year through energy rates" and is unfair because this customer cannot benefit from the IQBD program, and thus Schedule 118 is in violation of the "cost-causer, cost-payer principle".[7] The Stipulating Parties respond to this claim first by clarifying that cost causation is expressly irrelevant in determining the cost recovery of this program. As will be discussed in greater detail later in this testimony, the authorizing law for PGE's IQBD provides for energy burden mitigation programs and requires costs for such programs be collected from *all* retail electricity consumers. These new provisions were intentionally and lawfully codified as part of

[7] AWEC/900 Kaufman/3.

Oregon Revised Statutes as of January 1, 2022. Dr. Kaufman's citation of Bonbright's 1988 Principles of Public Utility Rates to illustrate AWEC's "fairness" argument may have some relevance if there is no express legislative directive but that is not the case here where ORS 757.695 directly contradicts AWEC's argument. In other words, it is factually inaccurate for AWEC to imply the legislature intended that the IQBD program should follow the cost-causer, cost-payer principle and it is misguided for AWEC to cultivate arguments that conclude this principle somehow supersedes state law. Staff and Stakeholders have also repeatedly advocated using cost causation merely as a starting point for rate spread and rate design rather than a universally applied rule.[8,9]

Second, AWEC's argument that it is unfair for Schedule 89 and 90 customers to pay for the IQBD program when they are not eligible for benefits is wholly irrelevant. Most customers served under Schedule 7 are ineligible for the IQBD benefits due to income requirements. Nonetheless, the legislature has decided that all retail ratepayers should contribute to the cost of the IQBD program, even though most retail ratepayers cannot qualify for the benefits. By this logic of cost causation, only low-income customers would pay for this program which would entirely nullify the program.

Q. AWEC claims that requiring Schedule 89 and 90 customers to pay into the IQBD program also violates the cost causation principle because

[8] Staff/600, Scala/16.
[9] Staff/3100, Scala/10.

customers under those schedules are more likely to pay higher wages and thus less likely to employ IQBD-eligible individuals.[10] Do the Stipulating Parties think this is valid criticism?

A. No, for multiple reasons. On many occasions, Staff and stakeholders have testified against using cost causation as the only basis for rate setting. In Staff's opening and Reply Testimony, Staff discusses reasons why cost causation should not be the only basis of setting rates.[11,12]

Second, Staff and stakeholders simply find this line of thinking to simply be irrelevant. Whether a business pays a high wage should not determine their contribution to low-income assistance. Wages are set by the market. If companies served under Schedule 89 and 90 are paying high wages, it is because the type of labor necessary to produce their goods and services is scarce. The scarceness of labor in a particular industry should not determine a company's contribution to low-income assistance programs.

Q. AWEC states that the Commission should consider rate shock and cites that the increase to Schedule 118 is a 6,500 percent increase to Schedule 118 collection and is therefore unreasonable.[13] Do you believe that this is a fair representation?

A. No. AWEC's claim is framed around the large percentage change to Schedule 118 rates. AWEC omits relevant information regarding the relative

[10] AWEC/900, Kaufman/4.
[11] Staff/600, Scala/16.
[12] Staff/3100, Scala/10.
[13] AWEC/900, Kaufman/5.

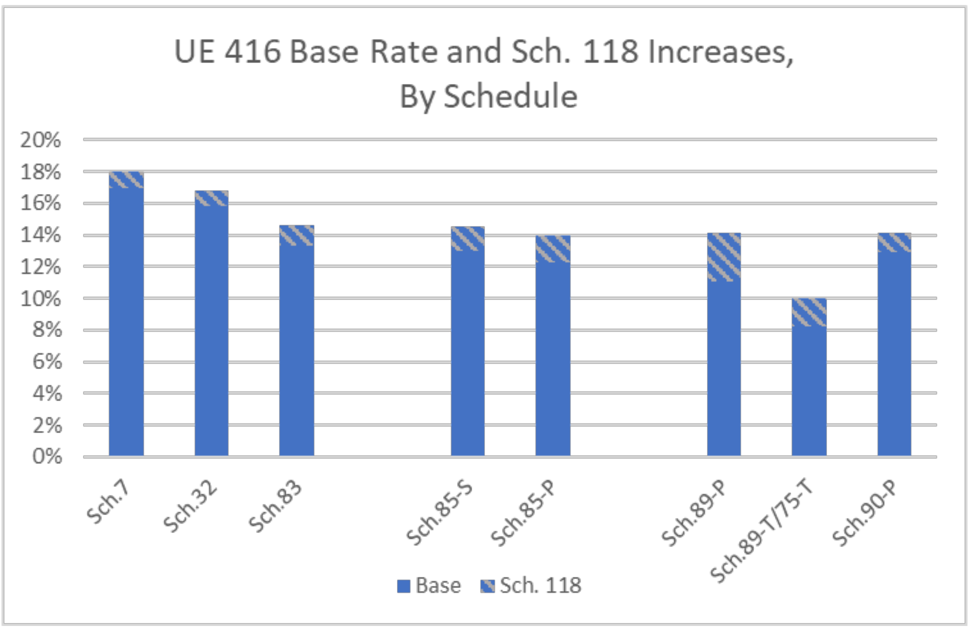
size of the increase to Schedule 89 or Schedule 90s overall rate changes and bill impacts. The Stipulated Parties provide the Commission with this critical context below:

1. **Overall rate changes:** The average rate changes experienced per rate schedule are lower than the bill portions attributable to Schedule 118 discussed above. This is because customers are already paying a small portion of their bill to Schedule 118. Under a 20 million kWh cap for Schedule 118 collections, a Schedule 89 customer would see total rates increase by 3 percent for primary service and 1.8 percent for subtransmission service, and a Schedule 90 customer would see rates increase by 1.2 percent if one assumes program costs that Dr. Kaufman uses in his testimony. When considering the possibility of a “rate shock” associated with these amounts, Stipulating Parties argue that the significance of these changes should be juxtaposed against the overall UE 416 impacts. To this effect, Stipulating Parties note that after the Sixth Partial stipulation, of which AWEC is a signatory, the overall revenue increase is 15 percent across all customer classes. Schedule 89 and Schedule 90 customers, specifically, only received between an 8.2 percent and 12.9 percent increase, respectively.[14] As such, Schedule 89 and Schedule 90 customers’ UE 416 overall rate impacts are both: 1) comprised primarily of non-Schedule 118 increases; and, 2) a smaller overall percentage increase than all other major customer schedules’ UE

[14] Stipulating Parties/403.

416 increases. Figure 1 contains the overall rate increase from the GRC/AUT (base rates) as of the sixth partial stipulation and the proposed Schedule 118 changes recommended by the Stipulating Parties in the fifth partial stipulation. It can be clearly seen that even with the Schedule 118 proposal, Schedule 89 and Schedule 90 customers have still received *substantially* lower rate increases than all other major customer classes.

Figure 1



Therefore, the Parties find that the Schedule 118 rate increases for Schedule 89 and Schedule 90 customers fail to demonstrate a degree of unreasonableness or rate shock relative to collective and tariff specific UE 416 rate changes.

2. **Bill impacts:** AWEC's strategic characterization of Schedule 118 rate increases as a percentage change is nothing more than a red herring. The

6,500 percent increase is inherently relative to both the previous Schedule 118 rate and the impact to customer bills. Regarding the initial rate, as noted in AWEC's objection,[15] the Commission originally approved the IQBD to include a $1,000 dollar cap on non-residential volumetric based recovery through Schedule 118. However, the inclusion of a cap in cost recovery was neither a feature of the authorizing legislation, HB 2475, nor an express determination from the Commission that customers should not pay more than $1,000 to bill discount programs as a policy. Parties assert that the original and existing $1,000 was included as an initial feature that would allow for expedient adoption of the IQBD, without objection.

Specifically, in the ADV 1365 Staff Report recommending approval for the IQBD, Staff explained:

> HB 2475 implementation is currently focused on interim action to provide customers near-term relief under the new authority, which will be followed by a longer-term investigation to fully explore and establish the Commission's policies for differential rate and program design and administration…Staff wishes to highlight the interim and non-precedent setting nature of the IQBD program terms and recommends a periodic and thoughtful evaluation of the effect of the discounts on energy burden and affordability for customers.[16]

Stipulating Parties acknowledge that AWEC's objecting testimony includes a recommendation to modify the current dollar amount cap to an 877,193 kWh cap with the claim that this will allow contributions to "grow with the size of the IQBD". However, Stipulating Parties would also like to clarify that AWEC's proposed kWh cap is the volumetric equivalent to the existing $1,000 cap

[15] UE 416 OBJECTIONS OF AWEC, page 7.
[16] *See* ADV 1365 Staff Report.

under currently approved rates where Schedule 89 and Schedule 90 customers pay less than 0.2 percent and 0.03 percent of their monthly billed amounts to Schedule 118, respectively. This should be compared to non-Schedule 89 and 90 customers that pay approximately two percent of monthly billed amounts to Schedule 118. As Parties have argued, the existing 877,193 kWh cap shifts significant costs of the program from only the largest non-residential customers on to all other customers.[17] Even with the change to a volumetric cap, setting the cap at 877,193 kWh produces essentially the same inequitable distribution of IQBD costs that the Stipulating Parties' proposal seeks to correct.

This is because: 1) the vast majority of PGE customers simply do not use electricity anywhere near the volume required to benefit from an 877,193 kWh per-site cap; and, 2) for the few large customers that do reach this level of usage, they do so many times over. Thus, under AWEC's boutique proposal, Schedule 89 and 90 customers would have approximately 83 percent and 98 percent of their kWh *exempted* from IQBD cost recovery while all other retail service schedules would be fully assessed against Schedule 118 rates.

Q. What other IQBD cost recovery proposals are discussed in Dr. Kaufman's exhibits and in previous rounds of testimony?

A. The data responses in Exhibits 901 and the table in Exhibit 902 of Dr. Kaufman's testimony discuss four proposals to recover costs:

1. Retain the existing 877,193 kWh cap per site.

[17] Staff/3100 Scala/26; CUB/300 Gehrke/27.

2. Remove the kWh cap entirely.
3. Institute a 20 million kWh cap per site.
4. Institute a 20 million kWh cap per customer (entity).

AWEC proposed raising the cap proportionally to program costs in its Reply Testimony.[18] In its Reply Testimony, Staff proposed a two percent of bill cap that shifts costs in a manner similar to the 20 million kWh cap per site included in the fifth partial stipulation.[19] The no-cap option had been previously discussed in various stakeholders' testimonies prior to the fifth stipulation.[20,21] The fourth option was proposed in Dr. Kaufman's Exhibit 900 testimony.

Q. What are the rate impacts of each of the proposals outlined in AWEC's testimony?

A. Table 1[22] consolidates the proposals outlined in AWEC's supporting exhibits and presents a comparison of the Schedule 118 rate impacts as a percentage of total bill. To reiterate, the four IQBD cost recovery proposals referenced in AWEC's supporting exhibits are: 1) AWEC's proposed 877,193 kWh cap;[23] 2) removing the cap; 3) the Stipulating Parties proposed 20 million kWh per-site cap, and 4) AWEC's alternate proposal for instituting a 20 million kWh per-customer cap. In this comparison, the Stipulating Parties note the following observations:

[18] AWEC/700, Kaufman/18.
[19] Staff/3100, Scala/26.
[20] CUB/30, Gehrke/28.
[21] FM/100, Bieber/3.
[22] Note that rate impacts used in Table 1 are based off of an outdated load forecast. This was done to be a direct comparison to AWEC/900, AWEC/901, and AWEC/902.
[23] As noted above, the 877,193 kWh per-site cap is equivalent to the $1000 per site cap currently in Schedule 118.

- Removing the cap (labeled as “no-cap”) results in the lowest Schedule 118 bill percentage for all customer classes except for Schedule 89 and Schedule 90.
- A 20 million kWh per-customer cap benefits *only* the single Schedule 90 customer at the expense of every other rate class, including Schedule 89.
- The rate impacts of the Stipulating Parties proposed 20 million kWh per-site cap are nearly an exact mid-point across the four proposals.
- Under AWEC’s proposed 877,193 kWh cap, the largest disparity in rate impacts across schedules is approximately 3.6 percent, whereas this value is lower under every other proposal, and only 1.9 percent under the 20 million kWh per-site cap.

Table 1

Category	Schedule	877,193 kWh Cap	No Cap	20 Million kWh Cap per Site	20 Million kWh Cap per customer
Residential	7	1.9%	1.4%	1.5%	1.6%
Gen. Service <30 kW	32	2.1%	1.6%	1.7%	1.8%
Gen. Service 31-200 kW	83	2.7%	2.0%	2.2%	2.3%
Gen. Service 201-4000 kW					
Secondary	85-S	3.3%	2.4%	2.7%	2.8%
Primary	85-P	3.7%	2.8%	3.0%	3.2%
Schedule 89 >4 MW					
Primary	89-P	0.7%	3.1%	3.4%	3.6%
Subtransmission	89-T/75-T	2.6%		2.9%	3.1%
Schedule 90	90-P	0.1%	3.3%	1.6%	0.3%

The Stipulating Parties find that these observations support the recommended 20 million kWh per-site cap as it achieves a more equitable Schedule 118 cost recovery and balances the concerns of the customers represented by the Stipulating Parties and the concerns to Schedule 89 and Schedule 90 customers brought up by Dr. Kaufman.

Q. Has PGE identified constraints on implementing any of AWEC's cap proposals?

A. PGE assessed AWEC's proposals from an implementation standpoint and determined that incorporating a rate schedule-level cap (i.e., a cap assessed on Schedule 90 in aggregate) cannot be implemented without additional direction on how much of each service point's individual load should contribute to a schedule-level cap. Historically, all SPs on Sch 90 belonged a single customer entity, making a sub-cap potentially less important, but in 2024, a new service point will be eligible for Sch 90 and it does not fall under the same customer entity.

Assessing a cap at the level of a customer entity per AWEC's recommendation, is similarly not workable for PGE because customer entity lacks sufficient clarity. Is a customer defined by its name? Tax ID? Address? In addition, PGE's billing system does not include a field for high level customer for those same reasons.

PGE will be prepared to implement a Schedule 118 cap of 20 million kWh on January 1, 2024 or retain the current kWh-level, 877,193 kWh. Any other cap structure or level resulting from this process would require six weeks of development and testing in PGE's billing system.

Q. Have the Stipulating Parties considered alternative designs for adjusting Schedule 118 cost recovery to optimize fairness and equity?

A. Yes. However, only the 20 million kWh per-site cap proposed in the fifth partial stipulation achieved *both* a reasonable level of fairness and equity as well as broad consensus between PGE, Staff, and multiple intervenors, with AWEC as the only exception.

Q. Would the Stipulating Parties see any reduction in the 20 million kWh cap as reasonable to address the concerns outlined in Dr. Kaufman's testimony?

A. No. In order to demonstrate this, the Stipulating Parties performed a review of the most recent IQBD and Schedule 118 forecasts in Exhibit 601. This analysis was done under the most recent IQBD program cost estimates of approximately $52 million rather than the $55 million amount used in Dr. Kaufman's analysis. The Stipulating Parties analyzed the rate impacts of a

Schedule 118 per-site cap at several thresholds between 877,000 and 60 million kWh, as well as the impacts of no cap. This analysis is similar to that of Dr. Kaufman's,[24] summarized in Table 1 of this testimony; however, the Stipulating Parties have included several additional kWh-cap scenarios and applied the most currently available PGE data. From this analysis, the Stipulating Parties found the following outcomes consistent across scenarios:

- <u>Schedule 7:</u> Strictly decreases as the cap increases.
- <u>Schedule 32:</u> Strictly decreases as the cap increases.
- <u>Schedule 83:</u> Strictly decreases as the cap increases.
- <u>Schedule 85:</u> Strictly decreases as the cap increases.
- <u>Schedule 89:</u>
    - Below 5 – 6 million kWh, bill impact increases as the cap increases.
    - Above 5 – 6 million kWh, bill impact decreases as the cap increases.
- <u>Schedule 90:</u> Bill impact strictly increases as cap increases.

Based on this, the Stipulating Parties explain, that nearly any kWh cap below the 20 million kWh per-site-cap proposed will solely benefit Schedule 90 at the expense of all others. Only caps at or below roughly 3-4 million kWh would there be the possibility of some Schedule 89 customers also benefit from cost-shifting opportunities. However, at that point, the amount of costs shifted away from Schedule 90 to the other rate schedules, *including* Schedule 89, are of such a magnitude that Schedule 89 customers would face virtually identical

[24] AWEC/901, AWEC/902.

rate impacts whether the cap was set at 877,193 kWh or 20 million kWh. Meanwhile, all other non-Schedule 90 customers are markedly worse off. A table detailing this analysis is provided in Exhibit 601.

Q. AWEC also states that the change in the IQBD recovery has immaterial impacts on the amount recovered through residential and small commercial customer classes.[25] Do the Stipulating Parties agree?

A. No. Dr. Kaufman's argument disregards two important outcomes of the Stipulating Parties' 20 million kWh per-site cap not expected with AWEC's proposed 877,193 kWh per-site cap; 1) a more equitable overall IQBD cost-recovery distribution; and 2) a more equitable cost-recovery structure that mitigates disproportionate rate impacts to certain classes of customers as the program grows.

1. **More equitable overall cost-recovery:** As discussed earlier in this testimony, under the Stipulating Parties' proposed cap, the largest contribution to IQBD cost recovery is from a flat charge assessed against the residential Schedule 7 customers. The remaining amounts are collected on a volumetric basis across the non-residential service schedules. In order to achieve contemporaneous cost recovery, the target revenues for IQBD must be met through the sum of the residential flat charges and the nonresidential volumetric charges. Thus, any kWh exemptions or limitations via a per-site or per-customer cap reduces the potential spread from which costs can be recovered. In other words, if one customer is authorized to pay less, that will

[25] AWEC/900, Kaufman/6.

directly result in another customer paying more. AWEC's proposal does just this. It significantly limits the capacity for an equitable Schedule 118 spread using a kWh cap accessible to only the largest of users in Schedule 89 and 90 at the direct expense of all other schedules. AWEC's proposal has profoundly greater impacts than a 0.46 cent or 0.82 cent increase to monthly Schedule 118 charges for residential and small commercial customers, respectively.

In order to assess the full extent of AWEC's proposal, the Commission should consider that when compared to the 20 million kWh cap put forward by the Stipulating Parties, AWEC's proposal shifts over $6 million of annual Schedule 118 costs away from Schedule 89 and 90 customers and on to all other customers. Further, the Commission should consider that under AWEC's proposal Schedules 89 and 90 customers, *combined*, would be responsible for less than 2 percent of IQBD cost recovery despite representing roughly 32 percent of non-residential kWh. Conversely, under the proposal by the Stipulating Parties, Schedules 89 and Schedule 90 would pay approximately 10 percent of IQBD cost recovery and spread the Schedule 118 volumetric charge across an additional 3 billion kWh, reducing the effective Schedule 118 rate for all PGE customers.

2. **Mitigates disproportionate rate impacts:** PGE's IQBD program is expected to see increased participation rates over the next several years. While this progression has and may further slow as priority populations and categorical enrollment streams begin to wane, PGE, Community Partners, Staff, and

Energy Justice Advocates continue to perform outreach and connect eligible customers with the program. Under AWEC's proposal to set the cap at 877,193, this maturation of the IQBD and associated increases in costs would intensify the disproportionate cost burdens of Schedule 118 cost recovery. The significance of exempted kWh for Schedule 89 and 90 customers relative to their per-site usage, compared to all other non-residential schedules creates an imbalance where adjustments to the Schedule 118 rate are disproportionately felt by that latter group. These effects are especially pronounced for commercial customers that operate across multiple sites.

The 20 million kWh cap proposed by the Stipulating Parties, while significantly higher than AWEC's proposal is still a cap that exempts a significant volume of usage from Schedule 118 recovery to the benefit of a single customer. This proposal was intended to provide a potential balance between the concerns of different parties while achieving a reasonable level of equity. Under the Stipulating Parties' proposal, roughly 70 percent of Schedule 90 usage is still not subject to Schedule 118. This is compared to 99 percent of Schedule 90's load being exempt under AWEC's proposal. The Stipulating Parties also note that any cap that limits recovery from larger customers comes at the expense of all other customers. Further, a cap on cost-recovery associated with HB 2475 programs like the IQBD is not a required feature or mandate for the Commission to implement in considering this measure. To this end, the Stipulating Parties believe the 20 million kWh provides a reasonable concession for customers consuming the largest number of kWh while mitigating disproportionate rate impacts from IQBD cost recovery.

Q. Are there other impacts that AWEC ignores when making this cost shifting comparison?

A. Yes. Under the existing 877,193 kWh cap per site, an industrial or commercial customer that owns buildings at multiple locations is charged an unfair amount relative to other customers that have the same load but at a single site. Raising the per-site cap would lower the volumetric rate charged to customers that are unable to reach the cap due to having multiple sites and bring their bills closer to their peers that have similar load but only a single site.

Q. Does AWEC's proposed 20 million kWh per customer cap address the site concern addressed above?

A. No. No customer, other than the lone customer on Schedule 90, would hit the 20 million kWh cap – even when aggregating their load across all sites. AWEC's per-customer cap proposal only serves to lower the effective cap on Schedule 90 while subjecting all other customers, including Schedule 89 customers entire load to the Schedule 118 surcharge.

Q. How do the Stipulating Parties respond to AWEC's alternative proposal of a 20 million kWh per-customer cap?

A. The Stipulating Parties strongly oppose this proposal. As stated above, this per-customer cap would only apply to Schedule 90. As such, this proposal works as effectively reducing the cap for a single customer. This proposal should be seen as a request for unabashed preferential treatment for one customer. While portrayed as a middle ground between AWEC and the Stipulating Parties proposals, the per-customer 20 million kWh cap would serve to effectively reduce Schedule 90s cap to roughly 4 million kWh, thus directly shifting costs to all other customers – including Schedule 89.

Q. AWEC also claims that charging large industrial customers unreasonably high energy rates will increase Portland's low-income population.[26] Do you agree?

A. No. The Stipulating Parties find AWEC's attempt to draw a direct correlation between high energy rates for large industrial customers and an increase in the low-income population is an oversimplification. Economic stability and growth are determined by a myriad of factors, not solely energy rates. While it may be true that high energy rates could lead some businesses to pass the cost onto consumers or reduce operational costs through labor reductions, there is also the argument that these lawful rate spreads incentivize large industry to adopt more energy-efficient technologies, leading to long-term savings and potential growth in green jobs.[27]

AWEC also cautions a potential exodus of large industrial customers related to energy prices and implies that the impacts of the Schedule 118

[26] AWEC/900, Kaufman/6.
[27] Intel Commits to Net-Zero Greenhouse Gas Emissions in its Global Operations by 2040 :: Intel Corporation (INTC): [https://www.intc.com/news-events/press-releases/detail/1539/intel-commits-to-net-zero-greenhouse-gas-emissions-in-its#:~:text=To%20realize%20this%20ambitious%20goal%2C%20Intel%20has%20set,U.S%20.%2C%20Europe%20and%20Asia%20.%20More%20items]; Intel commits to clean energy with Portland General Electric | Energy Magazine (energydigital.com): [https://energydigital.com/renewable-energy/intel-commits-clean-energy-portland-general-electric].

proposed 20 million kWh cap on these customers would be enough to tip the scales and the expense of the Oregon's economy. Again, this is a gross oversimplification and exaggeration of the factors and cost drivers that influence where businesses choose to operate. The state of Oregon remains an attractive venue for tech companies, including large industrial customers, to do business for many reasons, among which are the state's tax incentives that can lead to significant savings for Companies. As reported in the Oregonian earlier this year:

> The biggest beneficiaries of Oregon property tax breaks are the world's biggest tech companies.
>
> Intel, Amazon, Apple, Twitter and the parent companies of Facebook and Google cumulatively saved nearly $400 million last year. They benefitted from two Oregon programs that exempt Intel's factories, Amazon's warehouses and a constellation of data centers that stretch from Hillsboro to Hermiston.
>
> Individual cities and counties negotiate the tax breaks, seeking private investment that would otherwise go to other Oregon communities or to other states. Property tax exemptions helped attract billions of dollars in Intel investment to Hillsboro, wind farms in eastern Oregon and data centers in the state's suburbs and small towns.[28]

Further, Oregon's universities, such as Oregon State University and the University of Oregon, have strong engineering and computer science programs, providing a steady stream of skilled graduates. Even the mild and cool climate in Oregon is considered advantageous for tech companies. This is

[28] https://www.oregonlive.com/silicon-forest/2023/02/here-are-the-companies-collecting-oregons-biggest-tax-breaks.html.

especially true for large data centers, where cooling is a significant cost of business and the natural climate in Oregon can help to mitigate these costs.

Lastly, and perhaps the most direct counter to AWEC's claim, is that industrial customers doing business in Oregon already benefit from lower volumetric rates than they otherwise would in the majority of other states. In August 2023 data published by the U.S. Energy Information Administration (EIA), the average price of electricity to ultimate customers by end-use sector shows that Oregon industrial customers paid the 14th lowest rates across U.S. territories, at 7.25 cents per kWh, roughly 2.68 cents below the national average.[29] The EIA reported August 2023 Oregon values are reasonably consistent with the proposed Schedule 89 and 90 rates that would result from the adoption of the fifth and sixth Stipulations. To this end, Parties find AWEC's hypothetical exodus an unlikely outcome of the Schedule 118 proposed 20 million kWh cap and thus an immaterial factor in the Schedule 118 discussion.

Q. Does this conclude your testimony?

A. Yes.

[29] U.S. Energy Information Administration; Average Price of Electricity to Ultimate Customers by End-Use Sector, [https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=epmt_5_6_a].

CASE: UE 416
WITNESS: SCALA- MACFARLANE- JENKS

PUBLIC UTILITY COMMISSION
OF
OREGON

STIPULATING PARTIES EXHIBIT 601

Schedule 118 Bill Impact by Schedule Under Various kWh Caps

November 9, 2023

Schedule 118 Bill Impact by Schedule Under Various kWh Caps

Cap (kWh)	7	32	83	85-S	85-P	89-P	89-T/75-T	90-P
100,000	2.24%	2.30%	2.92%	2.61%	1.32%	0.10%	0.35%	0.01%
877,000	**2.00%**	**2.04%**	**2.60%**	**3.08%**	**3.52%**	**0.75%**	**2.74%**	**0.06%**
2,000,000	1.93%	1.97%	2.51%	2.97%	3.40%	1.65%	3.19%	0.14%
4,000,000	1.81%	1.86%	2.37%	2.80%	3.20%	3.11%	3.01%	0.27%
6,000,000	1.76%	1.80%	2.30%	2.72%	3.10%	3.46%	2.92%	0.39%
8,000,000	1.74%	1.78%	2.27%	2.69%	3.07%	3.43%	2.89%	0.51%
10,000,000	1.73%	1.77%	2.26%	2.67%	3.05%	3.41%	2.87%	0.63%
12,000,000	1.72%	1.76%	2.24%	2.66%	3.03%	3.38%	2.85%	0.76%
14,000,000	1.71%	1.75%	2.23%	2.64%	3.01%	3.36%	2.83%	0.88%
16,000,000	1.70%	1.74%	2.22%	2.62%	3.00%	3.34%	2.82%	1.00%
18,000,000	1.69%	1.73%	2.20%	2.61%	2.98%	3.32%	2.80%	1.11%
20,000,000	**1.68%**	**1.72%**	**2.19%**	**2.59%**	**2.96%**	**3.30%**	**2.78%**	**1.23%**
30,000,000	1.63%	1.67%	2.12%	2.51%	2.87%	3.20%	2.70%	1.79%
40,000,000	1.58%	1.62%	2.06%	2.44%	2.79%	3.11%	2.62%	2.31%
50,000,000	1.54%	1.57%	2.00%	2.37%	2.71%	3.02%	2.55%	2.81%
60,000,000	1.51%	1.54%	1.97%	2.33%	2.66%	2.94%	2.48%	3.25%
No Cap	1.50%	1.53%	1.95%	2.31%	2.64%	2.94%	2.48%	3.25%

Notes: