

Case UE 180  
Exhibit COP/COG/100  
Witnesses: Richard Gray, John Harris, Lon L. Peters

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

CITY OF PORTLAND (COP)  
CITY OF GRESHAM (COG)

---

**Direct Testimony of Richard Gray, John Harris,  
and Lon L. Peters**

**on**

**Customer Impact Offset**

August 2006

**Q. PLEASE IDENTIFY YOURSELVES.**

A. (by Mr. Gray) My name is Richard Gray. I am currently employed as a Contract Administrator and Senior Management Analyst with the Office of Transportation for the City of Portland ("PDOT"). My business address is 1120 S.W. 5<sup>th</sup> Avenue, Room 800, Portland, Oregon 97204. My qualifications are listed in COP/305.

(by Mr. Harris) My name is John S. Harris. I am employed as the Transportation and Streetlighting Superintendent for the City of Gresham, Department of Environmental Services. My business address is 2123 SE Hogan Road, Gresham, Oregon 97080. My qualifications are listed in COP/COG/LOC/201.

(by Mr. Peters) My name is Lon L. Peters. My business address is 607 S.E. Manchester Place, Portland, Oregon 97202. I am the President of Northwest Economic Research, Inc. My qualifications are listed in COP/303.

**Q. ON WHOSE BEHALF ARE YOU SPONSORING THIS TESTIMONY?**

A. This is jointly sponsored by the City of Portland ("Portland") and the City of Gresham ("Gresham").

**Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

A. In this testimony we address one issue: Customer Impact Offset ("CIO"). We review PGE's proposed limit on rate increases for certain schedules to two times the average rate increase. This is known as the Customer Impact Offset. We conclude that the CIO should be reduced to 1.5.

**Q. PLEASE DESCRIBE PGE'S IMPLEMENTATION OF THE CIO.**

A. The calculations in the marginal cost analysis and the streetlight cost study lead, not surprisingly, to different rate increases for different rate schedules. It is theoretically

possible for one customer class (defined by rate schedule) to face a rate increase that is significantly different from the average increase, and different from the rate increases faced by other customer classes.

In this case, PGE has proposed a CIO of 2.0. This means that no one customer class (i.e., rate schedule) will face a rate increase greater than two times the average rate increase. The calculation of the CIO is shown in PGE/1304, p. 10. As proposed by PGE, this CIO shifts costs from Schedules 47, 49, 91, 92 and 93 to the other rate schedules, in the total amount of \$3.88 million, or about 0.25 percent of total expected revenues.

**Q. WHAT IS THE PURPOSE OF THE CIO?**

A. Our understanding of the CIO is to avoid the “rate shock” that could result from changes in rate design over time. See PGE/1300, p. 21.

**Q. IS THE CIO A PRECISE TOOL TO ACHIEVE THIS TARGET?**

A. No. As we have noted in other testimony (see COP/COG/LOC/200), there are several questionable assumptions in PGE’s streetlight cost study. These questionable assumptions, in part, drive a rate increase for Schedule 91 that would be 18.9 percent absent the CIO. See PGE/1304, p. 10. The choice of 2.0 for the CIO threshold may be just as arbitrary as some of the assumptions that went into the calculation of streetlight rates.

**Q. WHAT DID PACIFICORP PROPOSE FOR THE EQUIVALENT OF CIO IN UE 179?**

A. PacifiCorp proposed 1.5 for the equivalent of the CIO, although that is moot in light of the settlement agreement filed in UE 179. PacifiCorp refers to this as the “Rate Mitigation Adjustment”, Schedule 299. See PPL/1100, Griffith/4 in UE 179.

**Q. WHAT WOULD THE IMPACT BE OF REDUCING THE CIO TO 1.5?**

A. According to PGE's calculations, this would increase the cost to the other rate schedules from \$3.88 million to \$4.56 million, or about \$680,000 per year in total.

Relative to the total size of the annual revenue requirement, this higher CIO would be four one-hundred-thousandths of one percent. See COP/COG/101.

**Q. WHAT DO YOU PROPOSE IN THIS CASE?**

A. PGE should reduce the CIO to 1.5. This would be consistent with the proposal in PacifiCorp's filing, would reduce the disparity among customer classes in the proposed rate increases, and would mitigate any erroneous assumptions that drive calculations of charges in Schedule 91.

**Q. HOW WILL THE PROPOSED SETTLEMENT REGARDING REVENUE REQUIREMENTS IN THIS CASE AFFECT THE REDUCTION OF THE CIO FROM 2.0 TO 1.5?**

A. Because the total size of the rate increase will be lower with the proposed settlement, the impact on all customer classes of reducing the CIO from 2.0 to 1.5 will fall. Thus, the total impact on all other customers of reducing the CIO threshold will be less than \$680,000 annually.

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY ON THIS SUBJECT?**

A. Yes.

PORTLAND GENERAL ELECTRIC  
CONSUMER IMPACT OFFSET

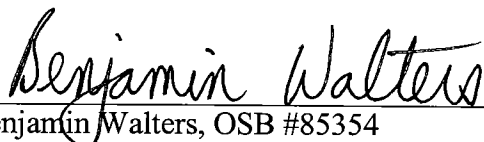
Grouping	Cycle MWH	Revenues at 2006 Prices (\$000)	2007 Allocated Costs (\$000)	Percent Change	Maximum Change	Impact Offset	Impact Offset MWH	CIO mills/kWh	CIO Revenues	Estimated Percent Change
Schedule 7	7,524,421	\$718,963	\$759,707	5.7%	9.5%	\$0	0	0.24	\$1,806	5.9%
Schedule 15	23,496	\$4,196	\$4,446	6.0%	9.5%	\$0	0	0.24	\$6	6.1%
Schedule 32	1,503,045	\$131,132	\$142,112	8.4%	9.5%	\$0	0	0.24	\$361	8.6%
Schedule 38	105,829	\$9,057	\$10,094	11.4%	9.5%	\$0	0	0.00	\$0	11.4%
Schedule 47	22,922	\$1,917	\$3,007	56.9%	9.5%	(\$908)	22,922	(39.63)	(\$908)	9.5%
Schedule 49	67,951	\$4,341	\$6,992	61.1%	9.5%	(\$2,239)	67,951	(32.95)	(\$2,239)	9.5%
Schedule 83	5,701,441	\$392,155	\$417,802	6.5%	9.5%	\$0	0	0.24	\$1,368	6.9%
Schedule 89	4,519,963	\$268,403	\$281,027	4.7%	9.5%	\$0	0	0.24	\$1,085	5.1%
Schedule 91	97,806	\$14,551	\$17,300	18.9%	9.5%	(\$1,367)	97,806	(13.98)	(\$1,367)	9.5%
Schedule 92	5,939	\$391	\$458	17.2%	9.5%	(\$30)	5,939	(5.09)	(\$30)	9.5%
Schedule 93	565	\$80	\$97	21.4%	9.5%	(\$9)	565	(16.71)	(\$9)	9.5%
<b>COS TOTALS</b>	19,573,378	\$1,545,185	\$1,643,042	6.3%	9.5%	(\$4,555)	195,183	0.24	\$20	
NON-COS Energy	84,259									
Total Cycle Energy	19,657,637									
<b>TOTAL CIO REVENUES</b>									\$91	

Cap on Rate Change 1.5 times change from 2006 prices

CERTIFICATE OF SERVICE

I hereby certify that I served a copy of the foregoing CITY OF PORTLAND/CITY OF GRESHAM – DIRECT TESTIMONY OF RICHARD GRAY, JOHN HARRIS, AND LON L. PETERS ON CUSTOMER IMPACT OFFSET on the individuals on the attached Service List by electronic mail and, for those individuals who have not waived paper service, by First Class Mail with the U.S. Postal Service in a sealed envelope with postage paid, and deposited in the post office at Portland, Oregon on said day.

DATED this 9<sup>th</sup> day of August, 2006

A handwritten signature in cursive script that reads "Benjamin Walters". The signature is written in black ink and is positioned above a horizontal line.

Benjamin Walters, OSB #85354  
Senior Deputy City Attorney  
Of Attorneys for City of Portland

**UE 180 - SERVICE LIST**

<p>KURT J BOEHM  MICHAEL L KURTZ  BOEHM KURTZ &amp; LOWRY  36 E 7<sup>TH</sup> ST STE 1510  CINCINNATI OH 45202  <a href="mailto:kboehm@bkllawfirm.com">kboehm@bkllawfirm.com</a>  <a href="mailto:mkurtz@bkllawfirm.com">mkurtz@bkllawfirm.com</a></p>	<p>JAMES T SELECKY  BRUBAKER &amp; ASSOCIATES, INC.  1215 FERN RIDGE PKWY STE 208  ST LOUIS MO 63141  <a href="mailto:jtselecky@consultbai.com">jtselecky@consultbai.com</a></p>
<p>LOWREY R BROWN  JASON EISDORFER  CITIZENS' UTILITY BOARD OF  OREGON  610 SW BROADWAY STE 308  PORTLAND OR 97205  <a href="mailto:lowrey@oregoncub.org">lowrey@oregoncub.org</a>  <a href="mailto:dockets@oregoncub.org">dockets@oregoncub.org</a></p>	<p>JIM ABRAHAMSON  COMMUNITY ACTION DIRECTORS OF  OREGON  PO BOX 7964  SALEM OR 97303  <a href="mailto:jim@cado-oregon.org">jim@cado-oregon.org</a></p>
<p>S BRADLEY VAN CLEVE  DAVISON VAN CLEVE  333 SW TAYLOR STE 400  PORTLAND OR 97204  <a href="mailto:mail@dvclaw.com">mail@dvclaw.com</a></p>	<p>STEPHANIE S ANDRUS  ASSISTANT ATTORNEY GENERAL  DEPARTMENT OF JUSTICE  REGULATED UTILITY &amp; BUSINESS SECT.  1162 COURT ST NE  SALEM OR 97301  <a href="mailto:stephanie.andrus@state.or.us">stephanie.andrus@state.or.us</a></p>
<p>KARL HANS TANNER, PRESIDENT  OREGON ENERGY COORDINATORS  ASSN  2448 W HARVARD BLVD  ROSEBURG OR 97470  <a href="mailto:karl.tanner@ucancap.org">karl.tanner@ucancap.org</a></p>	<p>LAURA BEANE, MGR-REGULATION  PACIFICORP  825 MULTNOMAH STE 800  PORTLAND OR 97232  <a href="mailto:laura.beane@pacificorp.com">laura.beane@pacificorp.com</a></p>
<p>DOUGLAS C. TINGEY  RATES &amp; REGULATORY AFFAIRS  PORTLAND GENERAL ELECTRIC  121 SW SALMON 1WTC13  PORTLAND OR 97204  <a href="mailto:doug.tingy@pgn.com">doug.tingy@pgn.com</a>  <a href="mailto:pge.opuc.filings@pgn.com">pge.opuc.filings@pgn.com</a></p>	<p>GEOFFREY M KRONICK LC7  CRAIG SMITH  BONNEVILLE POWER ADMIN.  PO BOX 3621—L7  PORTLAND OR 97208  <a href="mailto:gmkronick@bpa.gov">gmkronick@bpa.gov</a>  <a href="mailto:cmsmith@bpa.gov">cmsmith@bpa.gov</a></p>

<p>THEODORE E ROBERTS LINDA WRAZEN SEMPRA GLOBAL 101 ASH ST HQ 13D &amp; HQ 8C SAN DIEGO CA 92101 <a href="mailto:troberts@sempra.com">troberts@sempra.com</a> <a href="mailto:lwrazen@sempraglobal.com">lwrazen@sempraglobal.com</a></p>	<p>TAMARA FAUCETTE CHAD M STOKES CABLE HUSTON BENEDICT 1001 SW 5<sup>TH</sup> STE 2000 PORTLAND OR 97204 <a href="mailto:tfaucette@chbh.com">tfaucette@chbh.com</a> <a href="mailto:cstokes@chbh.com">cstokes@chbh.com</a></p>
<p>KATHERINE A MCDOWELL MCDOWELL &amp; ASSOCIATES PC 520 SW SIXTH AVE, SUITE 830 PORTLAND OR 97204 <a href="mailto:katherine@mcd-law.com">katherine@mcd-law.com</a></p>	<p>ROBERT VALDEZ PO BOX 2148 SALEM OR 97308-2148 <a href="mailto:bob.valdez@state.or.us">bob.valdez@state.or.us</a></p>
<p>LON L PETERS NORTHWEST ECONOMIC RESEARCH INC. 607 SE MANCHESTER PLACE PORTLAND OR 97202 <a href="mailto:lpeters@pacificer.com">lpeters@pacificer.com</a></p>	<p>JIM DEASON 521 SW CLAY ST, SUITE 107 PORTLAND OR 97201-5407 <a href="mailto:jimdeason@comcast.net">jimdeason@comcast.net</a></p>
<p>ANN L. FISHER AF LEGAL &amp; CONSULTING SERVICES 2005 SW 71<sup>ST</sup> AVE PORTLAND OR 97225 <a href="mailto:energylaw@aol.com">energylaw@aol.com</a></p>	<p>WILLIAM H. CHEN CONSTELLATION NEWENERGY INC. 2175 N CALIFORNIA BLVD, SUITE 300 WALNUT CREEK CA 94596 <a href="mailto:bill.chen@constellation.com">bill.chen@constellation.com</a></p>
<p>DANIEL W. MEEK ATTORNEY AT LAW 10949 SW 4<sup>TH</sup> AVE PORTLAND OR 97219 <a href="mailto:dan@mEEK.net">dan@mEEK.net</a></p>	<p>LORNE WHITTLES EPCOR MERCHANT &amp; CAPITAL INC. 1161 W RIVER ST., SUITE 250 BOISE ID. 83702 <a href="mailto:lwhittles@epcor.ca">lwhittles@epcor.ca</a></p>
<p>LINDA K. WILLIAMS KAFOURY &amp; MACDOUGAL 10266 SW LANCASTER RD PORTLAND OR 97219-6305 <a href="mailto:linda@lindawilliams.net">linda@lindawilliams.net</a></p>	<p>ANDREA FOGUE LEAGUE OF OREGON CITIES PO BOX 928 1201 COURT ST, NE, SUITE 200 SALEM OR 97308 <a href="mailto:afogue@orcities.org">afogue@orcities.org</a></p>



<p>SCOTT H. DEBROFF  SMIGEL, ANDERSON &amp; SACKS  RIVER CHASE OFFICE CENTER  4431 NORTH FRONT ST.  HARRISBURG PA 17110  <a href="mailto:sdebroyff@saslip.com">sdebroyff@saslip.com</a></p>	<p>ELISA M. LARSON  ALEX MILLER  NORTHWEST NATURAL  220 NW 2<sup>ND</sup> AVE  PORTLAND OR 97209  <a href="mailto:elisa.larson@nwnatural.com">elisa.larson@nwnatural.com</a>  <a href="mailto:alex.miller@nwnatural.com">alex.miller@nwnatural.com</a></p>
<p>RICHARD GRAY  CITY OF PORTLAND OFFICE OF  TRANSPORTATION  1120 SW 5<sup>th</sup> AVE, RM 800  PORTLAND OR 97204  <a href="mailto:richard.gray@pdxtrans.org">richard.gray@pdxtrans.org</a></p>	<p>DAVID TOOZE  CITY OF PORTLAND ENERGY OFFICE  721 NW 9<sup>TH</sup> AVE, SUITE 350  PORTLAND OR 97209-3447  <a href="mailto:dtooze@ci.portland.or.us">dtooze@ci.portland.or.us</a></p>
<p>HARVARD P SPIGAL  PRESTON GATES ELLIS LLP  222 SW COLUMBIA ST, SUITE 1400  PORTLAND OR 97201-6632  <a href="mailto:hspigal@prestongates.com">hspigal@prestongates.com</a></p>	<p>DAVID R. RIS  SENIOR ASSISTANT CITY ATTORNEY  CITY OF GRESHAM  GRESHAM CITY ATTORNEY'S OFFICE  1333 NW EASTMAN PARKWAY  GRESHAM OR 97030  <a href="mailto:david.ris@ci.gresham.or.us">david.ris@ci.gresham.or.us</a></p>
<p>JOHN HARRIS  CITY OF GRESHAM  1333 NW EASTMAN PARKWAY  GRESHAM OR 97030  <a href="mailto:john.harris@ci.gresham.or.us">john.harris@ci.gresham.or.us</a></p>	