

**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

UE 215

Request for a General Rate Revision

PORTLAND GENERAL ELECTRIC COMPANY

**Joint Testimony in Support of
Rate Spread and Rate Design Stipulation**

August 2, 2010

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I. Introduction and Settlement Description

1 **Q. Please state your names and positions.**

2 A. My name is George R. Compton. I am a Senior Economist of the Economic Research &
3 Financial Analysis Division (ERFA) at the Public Utility Commission of Oregon (OPUC).
4 My qualifications appear in Staff Exhibit 1101.

5 My name is Bob Jenks. I am the Executive Director of the Citizens' Utility Board of
6 Oregon (CUB). My qualifications appear in CUB Exhibit 101.

7 My name is Dr. Alan Rosenberg. I am representing the Industrial Customers of
8 Northwest Utilities (ICNU). My qualifications appear in ICNU Exhibit 201.

9 My name is Kevin Higgins. I am representing Fred Meyer Stores and Quality Food
10 Centers, Divisions of the Kroger Co. (Kroger).

11 My name is Marc Cody. I am a Senior Analyst for Portland General Electric (PGE).
12 My qualifications appear in PGE Exhibit 1500.

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

14 A. Our purpose is to describe the Rate Spread Rate Design Partial Stipulation reached among
15 the OPUC Staff (Staff); CUB; Industrial Customers of Northwest Utilities (ICNU); Fred
16 Meyer Stores and Quality Food Centers, Divisions of The Kroger Co. (Kroger); and PGE
17 (the Parties) regarding all rate spread and rate design issues in this docket (UE 215) except
18 those issues related to street lighting. Decoupling is also not part of this Stipulation. The
19 City of Portland has not joined this Stipulation and may offer testimony opposing parts of
20 this Stipulation.

21 **Q. What is the basis for the Partial Stipulation?**

1 A. PGE filed this general rate case on February 16, 2010. Over the subsequent three months,
2 Staff, CUB, ICNU, and other parties submitted over 700 data requests regarding PGE's
3 filing.

4 Parties submitted opening testimony on June 4. Parties participated in a Settlement
5 Conference on June 15, and on June 23, Stipulating Parties participated in a second
6 Settlement Conference. At the second settlement conference, negotiations with Parties
7 resulted in the settlement agreement described in this testimony.

8 **Q. Please summarize the rate spread/rate design settlement.**

9 A. This stipulation settles all rates spread and rate design issues among the Parties, except
10 issues related to street lighting. A copy of the stipulation is provided as Exhibit 301.

11 The Parties agree that with the exceptions below, it is appropriate to spread costs to the
12 individual rate schedules using PGE's filed marginal cost study and the rate design
13 principles contained in PGE's filing in this docket. The exceptions are:

- 14 1) Application of the Customer Impact Offset (CIO), an allocation method used to
15 temper the rate impacts on certain rate schedules.
- 16 2) Allocation of OPUC fees.
- 17 3) Allocation of Trojan Decommissioning expense.
- 18 4) Schedule 7 Residential Rate Design.
- 19 5) Schedule 85 Basic and Facilities Capacity Charges.

20 **Q. What is the purpose of the CIO?**

21 A. The underlying purpose of the CIO is to temper the rate impacts to certain schedules. This
22 is normally achieved by imposing some rate increases to some Schedules at a level beyond
23 what would be called for under cost-of-service standards—while still allowing those
24 Schedules to receive increases that are below the system average.

1 **Q. Please describe the stipulation regarding the CIO.**

2 A. The Stipulating Parties agree that in applying the CIO, the following schedules will receive
3 no more than 2.5 times the overall base average increase: 7, 15, 32, 83, 85, 89, 91, and 92.
4 The Parties expect that that the CIO benefits will only be applied toward Schedules 38, 47,
5 49, and 93. Primary contributors to the CIO are Schedules 85 and 89. Consistent with those
6 contributions, and the contributions from Schedules 15, 91, and 92, are percentage rate
7 increases for those Schedules that are much smaller than the overall average—or perhaps are
8 negative depending on the Commission decision regarding overall revenue requirement. In
9 addition, the Parties agree that Schedules 7, 32, and 83 will not contribute to paying for the
10 CIO since it is expected that they will experience a base rate increase greater than the
11 average base rate increase. The Parties further agree that the base rate percentage increase
12 for Schedules 38, 47, and 93 will be set at a 15% increase, and that the Schedule 49 increase
13 will be set at 16%. Finally, the Parties agree that in PGE’s next general rate case, each Party
14 will support application of the CIO only to address rate shock issues. The Parties believe
15 that this portion of the Stipulation lowers the level of CIO subsidies and better promotes
16 movement toward cost-based rates.

17 **Q. Does this also address the City of Portland’s (COP) proposal regarding the application**
18 **of the CIO?**

19 A. Yes, partially. The COP raised the issue of the CIO in the street lighting portion of its
20 testimony. Specifically, the COP recommended that the Commission consider abolishing
21 the CIO in this docket. Under PGE’s proposal, Schedule 91 Street and Highway Lighting
22 customers were contributors to the CIO. The CIO stipulation described above will benefit
23 the COP in that it benefits Schedule 91 customers relative to the CIO proposal described in
24 PGE Exhibit 1500.

1 **Q. Please describe the stipulation regarding the allocation of OPUC fees.**

2 A. In its direct testimony PGE proposed to separately allocate this \$5.7 million expense on the
3 basis of current revenues. As recommended by ICNU, the Parties agree that for purposes of
4 this docket, instead of separately allocating OPUC fees, this revenue sensitive cost should be
5 part of the unbundled revenue requirement.

6 **Q. What is the basis for the stipulation regarding the allocation of the Trojan
7 Decommissioning Trust contributions?**

8 A. In its direct testimony, PGE proposed to allocate this approximately \$3.5 million expense on
9 the basis of busbar energy. In its Opening Testimony, ICNU proposed that this item be
10 allocated on the same basis as the 2011 generation revenue requirements. The Parties agree
11 that it is reasonable to allocate this historic sunk expense on the basis of generation revenues
12 using energy rates currently in place, with long-term direct access customers priced at Cost-
13 of-Service rates.

14 **Q. Please describe the Schedule 7 Residential Rate Design stipulation.**

15 A. Schedule 7 will continue to have a two-block design; however the inversion point will
16 change from 250 kWh to 1,000 kWh per month as recommended by Staff. The tail-block
17 energy rate will be set at 75 mills/kWh. The Schedule 102 Regional Power Act Credit for
18 Schedule 7 will be applied to the first 1,000 kWhs of consumption per month also as
19 recommended by Staff. To mitigate intra-class rate change differentials, the Parties further
20 agree that the single-phase Schedule 7 Residential Basic charge be reduced from \$10.00 per
21 month to \$9.00 per month. The difference in revenues that will result from this Basic
22 Charge decrease will be applied to the first block energy charge when determining rates.
23 This change in rate design represents a compromise of appropriate price signals and the
24 tempering of rate impacts at different levels of consumption.

1 Q. What is the basis for the Schedule 85 settlement of Basic and Facility Capacity
2 Charges?

3 A. In its direct testimony, PGE advocated for Schedule 85 Basic Charges that approximated
4 their estimated costs for both secondary and primary voltage delivery. Kroger supported
5 this Schedule 85 rate design in its opening testimony. In its opening testimony, Staff
6 expressed concerns about the rate impacts to smaller Schedule 85 customers. Staff
7 specifically proposed that the Basic Charges be reduced, with the resulting revenue
8 deficiency captured through the Facilities Capacity Charge. Staff also proposed that
9 customers be allowed to exceed the 200 kW Schedule 85 eligibility threshold six times in a
10 twelve-month period before being moved to Schedule 85 from Schedule 83.

11 The Parties settled on reducing the monthly Basic Charges to \$240 for Secondary
12 Voltage delivery and \$200 for Primary Voltage delivery. The resulting revenue shortfalls
13 will be allocated such that 66% of the shortfall will be allocated to the first Facility Capacity
14 block of 200 kW per month, with the remainder allocated to the second kW Facility
15 Capacity block. The Parties further agree that tariff language will be amended to state that
16 existing Schedule 83 customers will be moved to Schedule 85 if they have exceeded 200 kW
17 more than six times in the preceding 13-month period.

18 Finally, Parties agreed to altering the first part of the last sentence appearing in the
19 MINIMUM CHARGE sections of Schedules 85, 485, and 585 as follows: "The minimum
20 monthly On-peak_Demand (in kW) will be 100 kW" The reasoning behind this
21 agreement is a) the Facility Capacity language is unnecessary because the indicated 200 kW
22 minimum will automatically be reached by virtue of a customer's being on any of the listed
23 schedules; and b) in order to not discourage customers from moving operational demand to
24 the off-peak periods, monthly On-peak billing Demands should be allowed to go well below

1 their non-peak/off-peak-differentiated Facility Capacity demand levels. Recall that Facility
2 Capacity costs are incurred to meet individual customer's peak load requirements having to
3 do with connecting to the distribution system. Those costs are constant, regardless of
4 whether they occur in the system's on-peak or off-peak periods. On-peak Demand charges
5 apply to recovering the upstream, shared costs of the distribution and transmission system,
6 which are driven by customers' combined on-peak demands. Accordingly, individual
7 customers' off-peak demands can be well above their on-peak demands without adding to
8 the shared portions of the distribution and transmission system's cost burdens. It should be
9 noted that the Demand minimum for Schedule 89 in the current tariff is only 100 kW even
10 though the qualifying facilities level of demand is 1000 kW. (See Second Revision of Sheet
11 No. 89-3, Cancelling First Revision of Sheet No. 89-3, Effective for service on and after
12 November 25, 2009.) The proposed MINIMUM CHARGE language would be compatible
13 with the current Schedule 89 tariff. It would seem odd to now require Schedule 85 (whose
14 loads range from 200 kW to 1000 kW) to have a minimum On-peak Demand that would be
15 twice what has heretofore been deemed reasonable for Schedule 89 (whose loads exceed
16 1000 kW).

17 **Q. Will this Stipulation result in fair, just, and reasonable rates?**

18 A. Yes. Although the Parties may not necessarily agree on each individual change, or the bases
19 used to determine each change, we believe that the settlement represents a reasonable
20 settlement of the respective rate spread and rate design issues in this docket. The settlement
21 is in the public interest and will result in rates that are fair, just, and reasonable.

22 **Q. Have the Parties considered the rate design recommendation of the City of Portland**
23 **(COP) in coming to this Stipulation?**

24 A. Yes.

1 **Q. Do you have a recommendation to the Commission regarding the proposals contained**
2 **in the COP's testimony?**

3 A. Yes. We oppose all of COP's proposals. In general, the COP seeks to impose a residential
4 type of inclining block kWh energy charge rate design structure on the Transmission and
5 Distribution Demand charges of commercial and industrial schedules. COP further wishes
6 to impose this type of inclining block price structure on the Distribution Facility Capacity
7 charges of these commercial and industrial rate schedules. Inclining block rates for non-
8 residential customers is a misguided notion and entirely inappropriate. This proposal should
9 be rejected. The relative differences in electricity usage among commercial and industrial
10 customers are driven largely by the differing requirements of their respective businesses, as
11 opposed to individual consumption preferences. A grocery store might be pursuing vigorous
12 energy efficiency measures, but still be consuming several times the electric power of a
13 restaurant, say, due to the nature of the business. It is not reasonable to artificially reduce the
14 energy rates paid by the restaurant below the average cost to serve it, and then transfer the
15 burden of meeting the revenue shortfall to the energy rate paid by the grocery store in order
16 to send a stronger conservation price signal to the grocer. Such a pricing scheme just creates
17 a subsidy in which the larger customers on the rate schedule pay for the energy costs of the
18 smaller customers on the rate schedule – without regard to the energy efficiency practices of
19 either.

20 PGE's commercial and industrial schedules have multi-part tariff structures (as opposed
21 to the residential two-part tariff) with a tremendous amount of diversity in their consumption
22 and peak load characteristics. The result of the COP's recommendations would be
23 unwarranted shifts in cost responsibility from the smaller customers in a particular rate
24 schedule to the large customers in that same rate schedule. An additional result from the

1 COP's proposals would be that as commercial and industrial customers expand their
2 business, they would be subject to increasing unit costs within the same rate schedule. In
3 short, the COP's proposals penalize businesses for being large and consolidated with respect
4 to other customers on the same rate schedule. The COP proposals give the perverse
5 incentive for customers to have more accounts in order to reduce their monthly electric bills
6 while increasing overall costs. We urge the Commission to reject all facets of the COP's
7 proposed rate design.

8 **Q. Does this complete your testimony?**

9 A. Yes.

List of Exhibits

Exhibit

Description

301

Stipulation on Rate Spread and Rate Design

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 215

In the Matter of)
)
PORTLAND GENERAL ELECTRIC) **RATE SPREAD AND RATE DESIGN**
COMPANY) **STIPULATION**
)
Request for a General Rate Revision)

This Stipulation (“Stipulation”) is between Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), the Citizens’ Utility Board of Oregon (“CUB”), Fred Meyer Stores and Quality Food Centers, Division of Kroger Co. (“Kroger”), and the Industrial Customers of Northwest Utilities (“ICNU”) (collectively, the “Stipulating Parties”).

On February 16, 2010, PGE filed this general rate case. On March 8, 2010, a prehearing conference was held. A procedural schedule was entered with separate schedules for the annual net variable power cost portion of PGE’s request, and for the other issues relating to the general rate revision. The docket has proceeded pursuant to those schedules. PGE has responded to numerous data requests in this docket from Staff and intervenors. Two prior Stipulations, both regarding revenue requirement issues, have been submitted to the Commission.

On June 4, 2010, the Stipulating Parties other than PGE filed their respective direct testimony. On June 14, 15 and 23, 2010, the Stipulating Parties participated in Settlement Conferences which resulted in a compromise settlement of the Stipulating Parties regarding rate spread and rate design issues described in detail below.

TERMS OF STIPULATION

- I. This Stipulation is entered to settle all rate spread and rate design issues.
- II. The Stipulating Parties agree that, with the exceptions set out below, it is

appropriate to spread costs to individual rate schedules using the marginal cost study and the rate design principles contained in PGE's filing in this docket, and request that the Commission do so.

III. Customer Impact Offset. PGE's rate spread proposal contains a Customer Impact Offset ("CIO") used to temper the rate impact on certain rate schedules. The Stipulating Parties agree that the following schedules will receive an increase no more than 2.5 times the overall average increase: 7, 15, 32, 83, 85, 89, 91, and 92. It is expected that the CIO benefits will only be applied toward Schedules 38, 47, 49, and 93. Primary contributors to the CIO are Schedules 85 and 89. Consistent with those contributions, and the contributions from Schedules 15, 91, and 92, are percentage rate increases for those Schedules that are much smaller than the overall average—or possibly negative depending on the final revenue requirement order by Commission. Schedules 7, 32, and 83 will not contribute to paying for the CIO since it is expected that they will experience a percentage increase greater than the average increase. The Stipulating Parties further agree that the percentage rate increase for Schedules 38, 47, and 93 will be set at a 15% increase, and that the Schedule 49 increase will be set at a 16% increase. The Stipulating Parties also agree that in PGE's next general rate case each Stipulating Party will support application of a CIO only to address concerns regarding rate shock.

IV. OPUC Fees. The Stipulating Parties agree that Oregon Public Utility Commission fees will not be separately allocated, but instead that this revenue sensitive cost will be part of the unbundled revenue requirement in this docket.

V. Trojan Decommissioning. The Stipulating Parties agree that Trojan Decommissioning expenses will be allocated on the basis of generation revenues at current 2010 prices, with long-term direct access customers served under the current provisions of Schedules

483 and 489 priced at Cost-of-Service energy prices.

VI. Rate Design. The Stipulating Parties agree to the following changes to PGE's rate design proposal:

1. Schedule 7 Residential rates will continue to have a two-block design; however the inversion point will change to 1000 kWh per month. The tail-block (over 1000 kWh per month) energy price will be set at 75 mills/kWh. The BPA residential exchange credit will be applied to the first 1000 kWhs of consumption per month. To mitigate intra-class rate change differentials, the Stipulating Parties further agree that the single-phase Schedule 7 Residential Basic Charge be reduced from \$10.00 per month to \$9.00 per month. The difference in revenues that will result from this decrease in the Residential Basic Charge will be applied to the first energy block when determining rates.
2. The Schedule 85 Basic Charges will be set at \$240 monthly for Secondary Voltage delivery and \$200 monthly for Primary Voltage delivery service. The revenue shortfalls from these Basic Charges will be allocated 66% to the first facility capacity block of 200 kW per month, with the remainder allocated to the second kW facility capacity block. In addition, that tariff language will be amended to state that existing Schedule 83 customers will be moved to Schedule 85 if they have exceeded 200 kW more than six times in the preceding 13-month period.
3. The first part of the last sentence appearing in the MINIMUM CHARGE sections of Schedules 85, 485, and 585 shall be altered as follows: "The minimum monthly On-peak_Demand (in kW) will be 100 kW...."

VII. Attached as Exhibit "A" to this Stipulation is a summary of the estimated cost-of-service rate impacts by schedule consistent with this Stipulation, using the power costs presented in PGE's rebuttal testimony (Exhibit 1600), and incorporating the other agreements reached among most of the parties to this docket.

VIII. The Stipulating Parties recommend and request that the Commission approve the adjustments described herein as appropriate and reasonable resolutions of the issues they address.

IX. The Stipulating Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just, and reasonable.

X. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the Stipulating Parties. Without the written consent of all parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

XI. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order which is not contemplated by this Stipulation, each Stipulating Party disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and OAR 860-014-0095 including the right to withdraw from the Stipulation and to seek reconsideration of the Commission's order. Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.


XII. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-14-0085. The Stipulating Parties agree to support this Stipulation

throughout this proceeding and in any appeal, provide witnesses to sponsor this Stipulation at the hearing (if necessary), and recommend that the Commission issue an order adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in drafting and submitting written testimony required by OAR § 860-14-0085(4).

XIII. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation, other than those specifically identified in the Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

XIV. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this ^{2nd} day of ^{August} ~~July~~, 2010.



PORTLAND GENERAL ELECTRIC
COMPANY

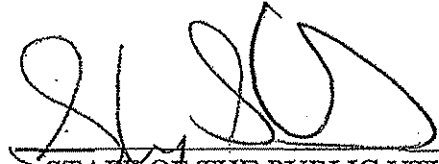
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OF OREGON

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NORTHWEST UTILITIES

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PORTLAND GENERAL ELECTRIC
COMPANY

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STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

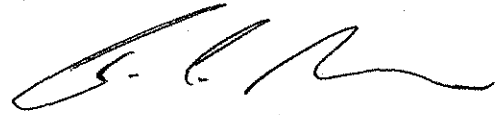
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NORTHWEST UTILITIES

THE KROGER CO.

PORTLAND GENERAL ELECTRIC
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STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

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CITIZENS' UTILITY BOARD
OF OREGON

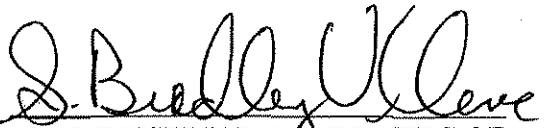
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THE KROGER CO.



Portland General Electric Company
Legal Department
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Douglas C. Tingey
Assistant General Counsel

August 2, 2010

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
PO Box 2148
Salem OR 97308-2148

Re: UE 215

Attention Filing Center:

Enclosed for filing in the captioned docket are an original and five copies of:

- **RATE SPREAD AND RATE DESIGN STIPULATION**
- **JOINT TESTIMONY IN SUPPORT OF RATE SPREAD AND RATE DESIGN STIPULATION (UE 215/Staff-CUB-ICNU-Kroger-PGE/300-301)**

This is being filed by electronic mail with the Filing Center.

An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided. Thank you in advance for your assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "D.C. Tingey", written over a light-colored background.

DOUGLAS C. TINGEY
Assistant General Counsel

DCT:cbm
Enclosures
cc: UE 215 Service List

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VII. Attached as Exhibit "A" to this Stipulation is a summary of the estimated cost-of-service rate impacts by schedule consistent with this Stipulation, using the power costs presented in PGE's rebuttal testimony (Exhibit 1600), and incorporating the other agreements reached among most of the parties to this docket.

VIII. The Stipulating Parties recommend and request that the Commission approve the adjustments described herein as appropriate and reasonable resolutions of the issues they address.

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DATED this ^{2nd} day of ^{August} ~~July~~, 2010.


PORTLAND GENERAL ELECTRIC
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CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

THE KROGER CO.

PORTLAND GENERAL ELECTRIC
COMPANY

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a horizontal line.

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON


CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

THE KROGER CO.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

A handwritten signature in black ink, appearing to be 'G. L. M.', written in a cursive style.

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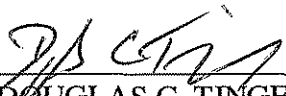


THE KROGER CO.

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **RATE SPREAD AND RATE DESIGN STIPULATION, and JOINT TESTIMONY IN SUPPORT OF RATE SPREAD AND RATE DESIGN STIPULATION (UE 215/Staff-CUB-ICNU-Kroger-PGE/300-301)** to be served by electronic mail to those parties whose email addresses appear on the attached service list and by method specified, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No. UE 215.

Dated at Portland, Oregon, this 2nd day of August, 2010.



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