

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 227

In the Matter of)
)
PACIFIC POWER & LIGHT)
(dba PACIFICORP))
)
2012 Transition Adjustment Mechanism)
Schedule 201, Cost-Based Supply Service)

SUPPLEMENTAL TESTIMONY OF

DONALD W. SCHOENBECK

ON BEHALF OF

THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

REDACTED VERSION

July 5, 2011

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Donald W. Schoenbeck. I am a member of Regulatory & Cogeneration
3 Services, Inc. ("RCS"), a utility rate and economic consulting firm. My business address
4 is 900 Washington Street, Suite 780, Vancouver, WA 98660.

5 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**
6 **PROCEEDING?**

7 **A.** Yes. I provided testimony on behalf of ICNU in this proceeding on June 24, 2011.
8 Pursuant to an agreement with PacifiCorp (or the "Company"), I am submitting this
9 supplemental testimony to address the single issue of converting forward monthly
10 electricity prices into hourly values for use in its GRID power cost model.

11 **Q. PLEASE BRIEFLY SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS**
12 **ADDRESSED IN THIS TESTIMONY.**

13 **A.** This supplemental testimony includes three recommendations. My first recommendation
14 is regarding the data that PacifiCorp provided and has classified as highly confidential.
15 As it finally did in this proceeding, the Company should be required to provide EXCEL
16 workbook files that replicate the Company's method for converting monthly prices into
17 hourly values required for the GRID model in future proceedings. While the Company
18 may continue to argue that these spreadsheet files be treated as highly confidential, the
19 Company is the only utility I am aware of in the Pacific Northwest ("PNW") that
20 characterizes this information as highly confidential. The Company's spreadsheets
21 should be treated and recognized as confidential documents or workpapers in future
22 proceedings before the Oregon Public Utility Commission (the "Commission" or the
23 "OPUC"). There is no need for this information to be considered highly confidential,

1 especially in an expedited proceeding with the ostensible purpose of setting transition
2 adjustment credits or charges for direct access customers.

3 My second recommendation is that the Company should be required to use a more
4 accurate manner of converting forward prices to hourly values in the GRID model. The
5 Company's conversion of monthly forward prices to hourly values takes several steps and
6 relies on data from [Highly Confidential] [REDACTED]

7 [REDACTED]
8 [REDACTED] [Highly Confidential]. I recommend the Commission adopt a
9 different method that requires [Highly Confidential] [REDACTED]

10 [REDACTED]
11 [REDACTED] [Highly Confidential]
12 Adoption of my recommended method would lower the Company's net variable power
13 costs ("NVPC") by about \$6.9 million on a system basis or roughly \$1.7 million for the
14 Oregon jurisdiction.

15 My third recommendation is that if the Commission does not adopt my
16 recommended method for converting forward prices into hourly values, the Company's
17 method should still be modified. [Highly Confidential] [REDACTED]

18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED] [Highly Confidential] This alternative recommendation
23 would lower the Company's NVPC by about \$3.4 million on a system basis or \$0.9

1 million for Oregon. My recommended method uses [Highly Confidential] [REDACTED]

2 [REDACTED] [Highly Confidential]

3 **CONVERSION OF FORWARD MONTHLY PRICES INTO HOURLY VALUES**

4 **Q. WHAT MARKET PRICES DOES THE COMPANY'S GRID MODEL USE FOR**
5 **DERIVING NVPC?**

6 **A.** The GRID model was structured to dispatch the Company's system with the associated
7 constraints using an hourly interval in order to forecast the Company's NVPC. As the
8 model only contains data for the Company's resources, pricing information at major
9 interconnection points in the western United States must be input to the model so it can
10 determine economic purchases or sales at these market hubs as part of the NVPC
11 determination. Currently, however, there is no source or third party provider of forward
12 or projected hourly prices. Consequently, the Company determines its own projection of
13 2012 hourly prices at these trading hubs in order to provide the necessary input data file
14 to GRID.

15 **Q. HOW WERE YOU ABLE TO UNDERSTAND THE COMPANY'S METHOD**
16 **FOR DERIVING HOURLY VALUES FROM THE FORWARD MONTHLY**
17 **PRICES?**

18 **A.** A variety of steps were under taken to understand how the Company produced its hourly
19 values. These steps first included having telephone conversations and face-to-face
20 meetings with Company personnel, and reverse engineering (or calculating) scalar factors
21 by comparing the hourly values to the monthly prices. Ultimately, the most
22 comprehensive understanding came from reviewing and analyzing a series of four
23 EXCEL workbook files the Company created to replicate the method it uses to determine
24 the hourly values. These files were provided to resolve a discovery dispute over ICNU's

1 access to the Company's claimed proprietary software system used to produce the hourly
2 prices. While PacifiCorp provided the EXCEL workbook files, the Company never
3 provided a copy of its actual software system for my review under reasonable conditions.

4 **Q. WERE THESE SPREADSHEET FILES FULLY FUNCTIONAL WHEN YOU**
5 **RECEIVED THEM FROM THE COMPANY?**

6 **A.** No. In two of the most critical files, formulaic calculations were only provided in the
7 first three rows for the first three hours of the year. The numerous additional spreadsheet
8 rows contained simply pasted values with no embedded formulae. We "copied and
9 pasted" a row with formulas into all other rows throughout the spreadsheets, correcting
10 the obvious problems caused by this approach (bad cell references). This increased the
11 amount of time necessary to review the Company's information. With only one or two
12 exceptions, we're satisfied that we were able to replicate the Company's method. The
13 Company also provided incomplete input data in a third spreadsheet file for the **[Highly**
14 **Confidential]** [REDACTED] **[Highly Confidential]** market hub, but I do
15 not believe this impaired our ability to understand the overall approach used by the
16 Company. In future proceedings and in future updates in this proceeding, the
17 Commission should require the Company to provide fully populated and functioning
18 EXCEL workbook files to allow parties the ability to understand and evaluate the hourly
19 conversion approach used by the Company.

20 **Q. DO YOU BELIEVE THESE SPREADSHEET FILES SHOULD BE DESIGNATED**
21 **AS BEING HIGHLY CONFIDENTIAL?**

22 **A.** No. **[Highly Confidential]** [REDACTED]
23 [REDACTED]
24 [REDACTED]

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED] **[Highly Confidential]** In the PNW,
5 other utilities such as Puget Sound Energy and Avista Utilities provide third party
6 forward prices or broker quotes designated as being confidential, even though the
7 Washington commission has a highly confidential designation. In future proceedings, the
8 Company's workbook files should be designated as confidential.

9 **Q. PLEASE EXPLAIN THE STEPS USED BY THE COMPANY TO DERIVE THE**
10 **HOURLY PRICES FROM THE FOUR EXCEL FILES.**

11 **A. [Highly Confidential]** [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

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14 [Redacted]
15 [Redacted] [Highly Confidential]

16 Q. DOES YOUR RECOMMENDATION HAVE ANY IMPACT ON THE
17 COMPANY'S NVPC?

18 A. We performed a sensitivity test [Highly Confidential] [Redacted]
19 [Redacted] [Highly Confidential] as the hourly input prices for GRID. This test lowered
20 the Company's system wide NVPC by \$6.9 million or about \$1.7 million for the Oregon
21 jurisdiction.

1 Q. HAVE YOU ANY OTHER COMMENTS WITH REGARD TO THIS ISSUE OF
2 CONVERTING FORWARD MONTHLY PRICES INTO HOURLY VALUES
3 NEEDED FOR GRID?

4 A. The only additional point I would like to make is if the Commission does not accept my
5 recommendation [Highly Confidential] [REDACTED]
6 [Highly Confidential]

7 Q. WHAT IS THAT?

8 A. [Highly Confidential] [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]

19 [REDACTED] [Highly Confidential] Based on a sensitivity we performed, the Company's
20 NVPC was lowered by \$3.4 million on a system basis or about \$0.9 million for Oregon's
21 share.

22 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

23 A. Yes.

BEFORE THE OREGON PUBLIC UTILITY COMMISSION

In the Matter of)
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PACIFIC POWER & LIGHT)
(dba PACIFICORP))
)
2012 Transition Adjustment Mechanism)
Schedule 201, Cost-Based Supply Service)

HIGHLY CONFIDENTIAL EXHIBIT ICNU/109

FORWARD MONTHLY PRICE CONVERSION

REDACTED VERSION

July 5, 2011

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July 5, 2011

Via Federal Express

Ms. Carol Hulse
Oregon Public Utility Commission
550 Capitol Street, N.E., Suite 215
P.O. Box 2148
Salem OR 97308-2148

Re: 2012 Transition Adjustment Mechanism Schedule 201, Net Power Costs,
Cost-Based Supply Service Schedule 205, TAM Adjustment for Other
Revenues
Docket No. UE 227

Dear Ms. Hulse:

Enclosed please find an original and five (5) copies of the Highly Confidential Supplemental Testimony and Exhibit for Donald W. Schoenbeck on behalf of the Industrial Customers of Northwest Utilities in the above-referenced Docket. Highly Confidential copies of the testimony and exhibits on green paper are being provided to the Oregon Public Utility Commission, Staff, PacifiCorp, and those parties who have reached an informal agreement with PacifiCorp regarding the treatment of information PacifiCorp has claimed to be "Highly Confidential."

PacifiCorp has filed a motion for a modified protective order regarding the treatment of any alleged "Highly Confidential," but the motion will not be ruled on by today. Therefore, ICNU is filing any allegedly "Highly Confidential" information consistent with the terms of PacifiCorp and ICNU's informal agreement. As requested by PacifiCorp, ICNU is labeling the cover pages of the testimony and exhibit "Highly Confidential pursuant to Protective Order No. 10-069 and pending Highly Confidential Protective Order requested in Motion for Modified Protective Order," and each individual page that contains highly confidential material as "Highly Confidential."

Please also find one (1) CD containing the highly confidential testimony and exhibits, and three (3) CDs containing the highly confidential workpapers of Donald W. Schoenbeck. All backup workpapers are also being provided concurrently on CD to Staff and PacifiCorp.

Please return one file-stamped copy of the Redacted Supplemental Testimony in the self-addressed, stamped envelope provided.

Thank you for your assistance, and please do not hesitate to contact our office if you have any questions.

Sincerely yours,

/s/ Irion A. Sanger

Irion A. Sanger

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Highly Confidential Supplemental Testimony and Exhibit of Don Schoenbeck on behalf of the Industrial Customers of Northwest Utilities upon the parties, on the service list, by causing the same to be deposited in the U.S. Mail, postage-prepaid, where paper service has not been waived. Copies of the testimony are being provided to those parties who have been given permission by PacifiCorp.

Dated at Portland, Oregon, this 5th day of July, 2011.

/s/ Sarah A. Kohler

Sarah A. Kohler

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