

ELLEN F. ROSENBLUM  
Attorney General



FREDERICK M. BOSS  
Deputy Attorney General

**DEPARTMENT OF JUSTICE**  
GENERAL COUNSEL DIVISION

Filing Center  
Public Utility Commission of Oregon  
P.O. Box 1088  
Salem, Oregon 97308-1088

RE: *In the Matter of Portland General Electric Company Request for a General Rate Revision;*  
Docket No. UE 283

Dear Filing Center:

Enclosed for filing please find an errata to Staff's Opening Testimony filed on June 11, 2014. The errata includes red-lined edits showing the changes as well as copies of the revised pages with changes adopted for the following:

Exhibit Staff/700, Compton/11 and 13

Exhibit Staff/804. Bhattacharya/1

Thank you for your attention.

Sincerely,

Stephanie S. Andrus  
Sr. Assistant Attorney General

Enc.  
UE 283 service list

1 **Q. Given that administrative untimeliness, is there anything that can be done**  
2 **within the current docket to send a more cost-based pricing signal to the**  
3 **larger customers?**

4 A. There is. One approach would be to take an intermediated step and implement  
5 three-period energy rates. If even that is not feasible without major billing  
6 software intervention, merely increasing the on-peak/off-peak price differential  
7 from one cent per kWh to two cents would be a good step in the right direction.  
8 The one cent figure is a purely energy-cost based figure and does not capture  
9 the capacity/demand costs that attend the production of electricity during the  
10 heavy load hours.

11 **Q. What might be done outside the current docket to move us closer to your**  
12 **cost-based pricing?**

13 A. PGE should be instructed to sponsor a workshop whose purpose is to discuss  
14 implementation issues from both the Company's and the industrial customers'  
15 points of view.

#### 17 **Issue 4: A Short Treatise on Basic Charges**

18 **Q. PGE is proposing to increase the Schedule 7 monthly basic charge from**  
19 **\$910 to \$11. Does Staff approve?**

20 A. No, for two reasons: 1. Increasing the basic charge by 2210% in the context of  
21 a general rate case involving less than a 5% overall increase certainly may well  
22 stretches things from a customer acceptance/credibility point of view. 2. The  
23 \$11 figure is well above the summed marginal cost of universally accepted  
24 customer-cost/basic-charge components. In fact, that sum is less than \$10.

25 **Q. What are the universally recognized customer-cost/basic-charge**  
26 **components to which you have just referred?**

27 A. They include costs inevitably incurred by each customer *individually* in being  
28 served. Examples are the meter, meter-reading and billing, the service drop  
29 between the local distribution transformer and the meter, and the distribution

1 marginal *production* costs have *exceeded* embedded production costs, shifting  
2 embedded “customer cost” recovery over to production, i.e., per kWh, *prices*  
3 has allowed the latter to come closer to marginal costs without compromising  
4 authorized returns on rate base. Environmental considerations have also  
5 motivated increasing per kWh prices beyond narrow embedded cost levels so  
6 as to encourage energy conservation.

7 **Q. What is Staff’s recommended residential monthly basic charge?**

8 A. Staff recommends staying with \$910.50. ~~That takes into account the fact that~~  
9 ~~PGE is unlikely to be awarded its entire requested increase.~~

10 **Q. You have provided a recommendation regarding the residential basic**  
11 **charge...how about the basic charges for other schedules?**

12 A. Staff has no particular recommendation here apart from mimicking the same  
13 relationship between a marginal-cost based customer charge and embedded  
14 customer costs. The Company itself departs from that relationship with its \$25  
15 *thousand* per-month Schedule 90 customer charge, which is well above the  
16 embedded costs for the conventional customer cost function. Justification  
17 given<sup>1</sup> is that distribution feeders, which are ordinarily categorized as  
18 distribution costs rather than customer costs, can in this case be identifiable as  
19 customer-specific rather than shared, and therefore “reasonably” regarded as a  
20 “customer-related cost.” With only four Schedule 90 customers, I suppose this  
21 matter will ultimately be negotiated, and in a way that is revenue neutral for the  
22 Company.

23 **Q. Does this conclude your direct testimony?**

24 A. Yes.

---

<sup>1</sup> See PGE/1400/Cody/24.

1 **Q. Given that administrative untimeliness, is there anything that can be done**  
2 **within the current docket to send a more cost-based pricing signal to the**  
3 **larger customers?**

4 A. There is. One approach would be to take an intermediated step and implement  
5 three-period energy rates. If even that is not feasible without major billing  
6 software intervention, merely increasing the on-peak/off-peak price differential  
7 from one cent per kWh to two cents would be a good step in the right direction.  
8 The one cent figure is a purely energy-cost based figure and does not capture  
9 the capacity/demand costs that attend the production of electricity during the  
10 heavy load hours.

11 **Q. What might be done outside the current docket to move us closer to your**  
12 **cost-based pricing?**

13 A. PGE should be instructed to sponsor a workshop whose purpose is to discuss  
14 implementation issues from both the Company's and the industrial customers'  
15 points of view.

#### 17 **Issue 4: A Short Treatise on Basic Charges**

18 **Q. PGE is proposing to increase the Schedule 7 monthly basic charge from**  
19 **\$10 to \$11. Does Staff approve?**

20 A. No, for two reasons: 1. Increasing the basic charge by 10% in the context of a  
21 general rate case involving less than a 5% overall increase may well stretch  
22 things from a customer acceptance/credibility point of view. 2. The \$11 figure  
23 is well above the summed marginal cost of universally accepted customer-  
24 cost/basic-charge components. In fact, that sum is less than \$10.

25 **Q. What are the universally recognized customer-cost/basic-charge**  
26 **components to which you have just referred?**

27 A. They include costs inevitably incurred by each customer *individually* in being  
28 served. Examples are the meter, meter-reading and billing, the service drop  
29 between the local distribution transformer and the meter, and the distribution

1 marginal *production* costs have *exceeded* embedded production costs, shifting  
2 embedded “customer cost” recovery over to production, i.e., per kWh, *prices*  
3 has allowed the latter to come closer to marginal costs without compromising  
4 authorized returns on rate base. Environmental considerations have also  
5 motivated increasing per kWh prices beyond narrow embedded cost levels so  
6 as to encourage energy conservation.

7 **Q. What is Staff’s recommended residential monthly basic charge?**

8 A. Staff recommends staying with \$10.00.

9 **Q. You have provided a recommendation regarding the residential basic**  
10 **charge...how about the basic charges for other schedules?**

11 A. Staff has no particular recommendation here apart from mimicking the same  
12 relationship between a marginal-cost based customer charge and embedded  
13 customer costs. The Company itself departs from that relationship with its \$25  
14 *thousand* per-month Schedule 90 customer charge, which is well above the  
15 embedded costs for the conventional customer cost function. Justification  
16 given<sup>1</sup> is that distribution feeders, which are ordinarily categorized as  
17 distribution costs rather than customer costs, can in this case be identifiable as  
18 customer-specific rather than shared, and therefore “reasonably” regarded as a  
19 “customer-related cost.” With only four Schedule 90 customers, I suppose this  
20 matter will ultimately be negotiated, and in a way that is revenue neutral for the  
21 Company.

22 **Q. Does this conclude your direct testimony?**

23 A. Yes.

---

<sup>1</sup> See PGE/1400/Cody/24.

CERTIFICATE OF SERVICE

UE 283  
ERRATA PAGES

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 23rd day of June, 2014 at Salem, Oregon

*Kay Barnes*

---

Kay Barnes  
Public Utility Commission  
3930 Fairview Industrial Drive SE  
Salem, Oregon 97302  
Telephone: (503) 378-5763

UE 283  
SERVICE LIST

<b>BOEHM KURTZ &amp; LOWRY</b>	
KURT J BOEHM (C) ATTORNEY	36 E SEVENTH ST - STE 1510 CINCINNATI OH 45202 kboehm@bkllawfirm.com
<b>BOEHM, KURTZ &amp; LOWRY</b>	
JODY KYLER COHN ATTORNEY	36 E SEVENTH ST STE 1510 CINCINNATI OH 45202 jkyler@bkllawfirm.com
<b>CITIZENS' UTILITY BOARD OF OREGON</b>	
OPUC DOCKETS	610 SW BROADWAY, STE 400 PORTLAND OR 97205 dockets@oregoncub.org
ROBERT JENKS (C)	610 SW BROADWAY, STE 400 PORTLAND OR 97205 bob@oregoncub.org
G. CATRIONA MCCRACKEN (C)	610 SW BROADWAY, STE 400 PORTLAND OR 97205 catriona@oregoncub.org
<b>CITY OF PORTLAND - CITY ATTORNEY'S OFFICE</b>	
BENJAMIN WALTERS	1221 SW 4TH AVE - RM 430 PORTLAND OR 97204 ben.walters@portlandoregon.gov
<b>CITY OF PORTLAND - PLANNING &amp; SUSTAINABILITY</b>	
DAVID TOOZE	1900 SW 4TH STE 7100 PORTLAND OR 97201 david.tooze@portlandoregon.gov
<b>DAVISON VAN CLEVE PC</b>	
S BRADLEY VAN CLEVE (C)	333 SW TAYLOR - STE 400 PORTLAND OR 97204 bvc@dvclaw.com
<b>DAVISON VAN CLEVE, PC</b>	
TYLER C PEPPE (C)	333 SW TAYLOR SUITE 400 PORTLAND OR 97204 tcp@dvclaw.com
<b>ENERGY STRATEGIES LLC</b>	
KEVIN HIGGINS (C)	215 STATE ST - STE 200 SALT LAKE CITY UT 84111-2322 khiggins@energystrat.com
<b>FRED MEYER STORES/KROGER</b>	
NONA SOLTERO	3800 SE 22ND AVE PORTLAND OR 97202 nona.soltero@fredmeyer.com
<b>MOUNTAIN WEST ANALYTICS</b>	
BRADLEY MULLINS (C)	333 SW TAYLOR STE 400 PORTLAND OR 97204 brmullins@mwanalytics.com

<b>NOBLE AMERICAS ENERGY SOLUTIONS, LLC</b>	
GREG BASS	401 WEST A ST., STE. 500 SAN DIEGO CA 92101 gbass@noblesolutions.com
<b>NORTHWEST NATURAL</b>	
E-FILING	220 NW 2ND AVE PORTLAND OR 97209 efiling@nwnatural.com
MARK R THOMPSON	220 NW 2ND AVE PORTLAND OR 97209 mark.thompson@nwnatural.com
<b>NW ENERGY COALITION</b>	
WENDY GERLITZ (C)	1205 SE FLAVEL PORTLAND OR 97202 wendy@nwenergy.org
<b>PACIFIC POWER</b>	
SARAH WALLACE	825 NE MULTNOMAH ST STE 1800 PORTLAND OR 97232 sarah.wallace@pacificcorp.com
<b>PACIFICORP, DBA PACIFIC POWER</b>	
OREGON DOCKETS	825 NE MULTNOMAH ST, STE 2000 PORTLAND OR 97232 oregondockets@pacificorp.com
<b>PORTLAND GENERAL ELECTRIC</b>	
DOUGLAS C TINGEY (C)	121 SW SALMON 1WTC1301 PORTLAND OR 97204 doug.tingey@pgn.com
JAY TINKER (C)	121 SW SALMON ST 1WTC-0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com
<b>PUBLIC UTILITY COMMISSION OF OREGON</b>	
JUDY JOHNSON (C)	PO BOX 1088 SALEM OR 97308-1088 judy.johnson@state.or.us
<b>PUC STAFF--DEPARTMENT OF JUSTICE</b>	
STEPHANIE S ANDRUS (C)	BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us
<b>RICHARDSON ADAMS, PLLC</b>	
GREGORY M. ADAMS	PO BOX 7218 BOISE ID 83702 greg@richardsonadams.com