

3TIER Environmental Forecast Group  
Advocates for the West  
AirWorks, Inc.  
Alaska Housing Finance Corporation  
Alliance to Save Energy  
Alternative Energy Resources Organization  
American Rivers  
A World Institute for a Sustainable Humanity  
BlueGreen Alliance  
Bonneville Environmental Foundation  
Centerstone  
Citizens' Utility Board of Oregon  
City of Ashland  
City of Seattle Office of Sustainability & Environment  
Clackamas County Weatherization  
Clean Energy Works Oregon  
Climate Solutions  
Community Action Partnership Assoc. of Idaho  
Community Action Partnership of Oregon  
Conservation Services Group  
David Suzuki Foundation  
Earth and Spirit Council  
Earth Ministry  
Ecova  
eFormative Options  
Emerald People's Utility District  
Energy Trust of Oregon  
Environment Oregon  
Environment Washington  
Friends of the Earth  
HEAT Oregon  
Home Performance Guild of Oregon  
Home Performance Washington  
Housing and Comm. Services Agency of Lane Co.  
Human Resources Council, District XI  
Iberdrola Renewables  
Idaho Clean Energy Association  
Idaho Conservation League  
Idaho Rivers United  
Idaho Rural Council  
Interfaith Network for Earth Concerns  
Laborers International Union of North America, NW Region  
League of Women Voters – ID, OR & WA  
Montana Audubon  
Montana Environmental Information Center  
Montana Renewable Energy Association  
Montana River Action  
Montana Trout Unlimited  
National Center for Appropriate Technology  
Natural Resources Defense Council  
New Buildings Institute  
Northern Plains Resource Council  
Northwest Energy Efficiency Council  
Northwest Renewable Energy Institute  
NW Natural  
NW SEED  
Olympic Community Action Programs  
One PacificCoast Bank  
Opower  
Opportunities Industrialization Center of WA  
Opportunity Council  
Oregon Energy Coordinators Association  
Oregon Environmental Council  
Oregonians for Renewable Energy Progress  
Pacific Energy Innovation Association  
Pacific NW Regional Council of Carpenters  
Pacific Rivers Council  
Portland Energy Conservation Inc.  
Portland General Electric  
Puget Sound Advocates for Retired Action  
Puget Sound Cooperative Credit Union  
Puget Sound Energy  
Renewable Northwest  
River Network  
Salmon for All  
Save Our wild Salmon  
Sea Breeze Power Corp.  
Seattle Audubon Society  
Seattle City Light  
Seinergy, LLC  
Shoreline Community College  
Sierra Club  
Sierra Club, Idaho Chapter  
Sierra Club, Montana Chapter  
Sierra Club, Washington Chapter  
Silicon Energy  
Smart Grid Northwest  
Snake River Alliance  
Solar Installers of Washington  
Solar Oregon  
Solar Washington  
South Central Community Action Partnership  
Southeast Idaho Community Action Partners  
Southern Alliance for Clean Energy  
Spokane Neighborhood Action Partners  
Student Advocates for Valuing the Environment  
Sustainable Bainbridge  
Sustainable Connections  
SustainableWorks  
The Climate Trust  
The Energy Project  
The Policy Institute  
Trout Unlimited  
US Green Building Council, Idaho Chapter  
Union of Concerned Scientists  
United Steelworkers of America, District 12  
Washington Environmental Council



August 13, 2014

Via Electronic Filing and U.S. Mail

Re: UE 283

Attention Filing Center:

Enclosed for filing in UE 283 are an original and five copies of:  
Rebuttal Testimony of the NW Energy Coalition

This document is being filed by electronic mail with the Filing Center.  
This document is being served upon the service list.

Sincerely,

*/s/ Wendy Gerlitz*

Wendy Gerlitz  
Senior Policy Associate

Enclosures  
cc: Service List –UE 283

**BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON**

**UE 283**

In the Matter of	)	Rebuttal Testimony
	)	
	)	of the
PORTLAND GENERAL ELECTRIC	)	<b>NW Energy Coalition</b>
Request for a General Rate Revision		

**August 13, 2014**

1 **I. Introduction**

2 The purpose of this testimony is to comment on the issue regarding the Oregon  
3 Renewable Energy Act's (SB 838) exemption of customers over one average  
4 megawatt, raised by the Citizen's Utility Board (CUB) in opening testimony and  
5 discussed by Portland General Electric (PGE or Company) in Reply Testimony.

6 **II. Overview of the Issue**

7 As explained by both CUB and PGE, SB 838 authorized the Oregon Public Utility  
8 Commission (OPUC) to approve the collection of additional energy efficiency funds  
9 from PacifiCorp and PGE customers using less than one average megawatt per year  
10 (in addition to funds collected under SB 1149). Customers with annual loads in  
11 excess of one average megawatt ("large customers") were not required to pay  
12 additional energy efficiency funds and, consequently, the legislation required that  
13 these customers subsequently receive no additional benefit from the additional  
14 "838" monies. These large customers come primarily from the industrial customer  
15 class, but some are included among the commercial class.  
16 Energy Trust of Oregon (ETO), along with input from the regulated electric  
17 companies, the OPUC, and stakeholders, established a method to ensure that exempt  
18 customers would not benefit from 838 dollars by shifting expenditures under  
19 SB1149 to large customers. This methodology was based on establishing a cap for  
20 energy efficiency expenditures under SB 1149, calculated using the historical  
21 average of ETO efficiency payments for three years prior to the passage of SB 838.  
22 PGE's cap was established at 18%.

1 **III. Cap will soon be Constraining Acquisition of Least Cost Resources**

2 Based on several presentations to the ETO's Conservation Advisory Committee,  
3 Board of Directors, and material presented for a special meeting called by ETO to  
4 discuss this issue on January 31, 2014, the Coalition understands that ETO will hit  
5 the PGE cap for large customers in 2014. This means that ETO expects that,  
6 beginning this year, it will be using 18% or more of the collected SB1149 dollars for  
7 projects at large customers sites. As a result, the ETO will be required to curtail  
8 energy efficiency projects starting in 2015 for customers above one average  
9 megawatt, even though cost effective energy efficiency projects are identified and  
10 requested by those customers.

11 **IV. Magnitude of the Problem**

12 Without maximizing all the savings from large customers, ETO will not be able to  
13 acquire all cost effective conservation. Not only is capturing this least cost/least risk  
14 resource essential to Oregon's least cost planning approach to utility regulation, it is  
15 also vital for achieving the Governor's 10 year energy plan goal to meet all load  
16 growth with energy efficiency.

17 Energy efficiency achievements from large customers represent an increasing  
18 percentage of ETO's overall savings and may represent the most cost-effective  
19 investments. As pointed out by CUB in their opening testimony (Jenks-McGovern/  
20 29 at line 1) savings from residential customers have declined as a percentage of  
21 ETO' total savings, from 48% in 2008 to 26% in 2014. Commercial and industrial

1 savings have increased comparatively. This trend is expected to hold steady or  
2 potentially continue to increase over the next few years.  
3 Because the cap prevents ETO from acquiring a greater amount of savings from  
4 PGE's large commercial and industrial customers, PGE will not be able to meet the  
5 energy efficiency levels identified in their IRP.

6 *"PGE is concerned that such a response would lower overall PGE*  
7 *acquired energy efficiency. This, in turn, impacts the ETO's ability to*  
8 *meet the targets used in the IRP... because of the cap, not all cost*  
9 *effective energy efficiency will be pursued."* (Tinker-Liddle/23 at line  
10 10- 14)

11 PGE states in their reply testimony that ETO estimates that the foregone savings  
12 over the next five years could be 8-12 aMW, with a savings loss of 32-48 aMW over  
13 twenty years. (Tinker-Liddle/26 at line 1 and 2)

14 Large customer projects are typically lower cost than energy efficiency resources  
15 pursued among residential and small commercial customers. An ETO report states  
16 that,

17 *"On average, large site projects are 2.5 times more cost effective than 838*  
18 *eligible site projects. Therefore directing funding away from large site projects*  
19 *would result in less savings at higher cost."* (ETO, Large Energy User Funding  
20 Analysis, January 31, 2014)

21 The average levelized cost of ETO funded energy efficiency from large customers for  
22 2005-2012 is \$.0091/ kWh versus \$.014/kWh for other customers. If the cap  
23 interferes with the acquisition of large customer energy efficiency, PGE will be  
24 missing out on low cost resources and, consequently, all customers will pay higher  
25 system costs.

26

27

1 **V. Potential Solutions**

2 The Coalition is aware of only two proposed solutions to solve this problem. The  
3 first is the solution proposed by CUB in their opening testimony in this rate case.  
4 The second is a legislative solution to amend SB 838 so that adequate energy  
5 efficiency funds are collected from large customers in order to acquire all cost  
6 effective conservation opportunities.

7 A. CUB's Proposal

8 CUB proposes to include energy efficiency in the generation marginal cost of  
9 service study. In doing this, the Company would be able to allocate the  
10 benefits associated with energy efficiency directly to the customer class in  
11 proportion to their costs.

12 Energy efficiency, as the lowest cost resource, is also the first resource that  
13 should be used to meet new load. From this perspective, it makes sense to  
14 include energy efficiency as a part of the marginal cost of service study.

15 If energy efficiency is a least cost resource, all customers are benefiting from  
16 the energy efficiency's reduction to load and subsequent lower system costs.

17 Under SB 1149, ETO allocated program funding where it was most cost  
18 effective, regardless of the source of the funding. However, this rationale  
19 assumes that all customers are contributing equitably to the resource in  
20 question. The problem arises when one customer class is allowed to pay less  
21 for a resource relative to other customer classes.

1 PGE objects to CUB's proposed solution on the basis that "Energy efficiency is  
2 not a traditional capacity or energy resource." We are not sure on what basis  
3 PGE assumes that only traditional resources should be included in the  
4 marginal cost of service study, but we disagree with this assessment. Energy  
5 efficiency is assigned resource and capacity values in the IRP. The basis for  
6 Oregon's regulatory treatment of energy efficiency is as a resource.  
7 CUB has presented a method for effectively assigning benefits in correlation  
8 to payment for a particular resource. This method could allow ETO to  
9 capture all cost effective resources because only the customer classes that  
10 pay for those resources will receive the benefits in rates, thus ensuring that  
11 the additional investment in large customer energy efficiency does not  
12 violate the legal prohibition for large customers to benefit from SB 838  
13 residential and small commercial energy efficiency payments.

14 B. PGE's Preferred Solution

15 Although they did not clearly state a proposed solution to the large customer  
16 cap, it can be inferred from PGE's testimony that they prefer a legislative  
17 solution. Unfortunately, PGE deliberately passed up an opportunity in the  
18 2014 session to pursue a legislative solution. The Coalition, CUB and PGE all  
19 participated in a task force established by the Governor to consider changes  
20 to SB 838. During the negotiations, CUB raised the large customer energy  
21 efficiency cap as a problem that needed to be solved. The Coalition concurred  
22 with this suggestion. In fact, in late 2013, the Coalition held independent

1 meetings with PGE representatives asking for their support to amend the  
2 large customer exception.

3 **VI. Conclusion**

4 In summary, it is critical that we address this constraint on energy efficiency  
5 acquisition before ETO finds it necessary to curtail cost effective programs. PGE is  
6 facing significant resource needs in their next IRP with the replacement of  
7 Boardman and probable loss of several hydropower contracts. Any strategy that is  
8 least cost/least risk must incorporate all cost effective energy efficiency. Leaving  
9 low cost energy efficiency on the table at this juncture is unacceptable. PGE has  
10 consistently demonstrated excellent results in securing a least cost/least risk  
11 portfolio that maximizes clean energy resources. It is imperative that we remove the  
12 current constraints on energy efficiency acquisition, so that the Company is able to  
13 fully realize this resource's contribution to its near-term resource needs.

14 The Coalition's preferred solution is for all parties to support legislation that  
15 removes the large customer cap in the 2015 session. However, we are concerned  
16 that not all parties are willing to solve the issue legislatively, making it imperative  
17 that the Commission take action in this ratecase to ensure that we are able to  
18 capture all cost effective energy efficiency going forward. We ask the Commission to  
19 weigh in on this issue and help parties find a suitable solution to the barrier to  
20 acquiring all cost effective conservation that is occurring due to the cap on large  
21 customer funding for energy efficiency.



## CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **Rebuttal Testimony of NW Energy Coalition** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class Mail, postage prepaid and properly addressed, to those parties on the service list who have not waived paper service from OPUC Docket No. UE 283.

DATED this 13<sup>th</sup> day of August, 2014.



**Wendy Gerlitz**  
**Senior Policy Associate**  
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**Portland, Oregon**

Summary Report

UE 283 PORTLAND GENERAL ELECTRIC

Category: Electric Rate Case
Filed By: PORTLAND GENERAL ELECTRIC
This filing requests a general rate revision.

Filing Date: 2/13/2014 Advice No: 14-03
Effective Date: 12/18/2014 Expiration Date:12/17/2014 Status: SUSPENDED
See also: UE 286

Final Order: Signed: 2/13/2014

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**Summary Report**

**UE 283 PORTLAND GENERAL ELECTRIC**

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