

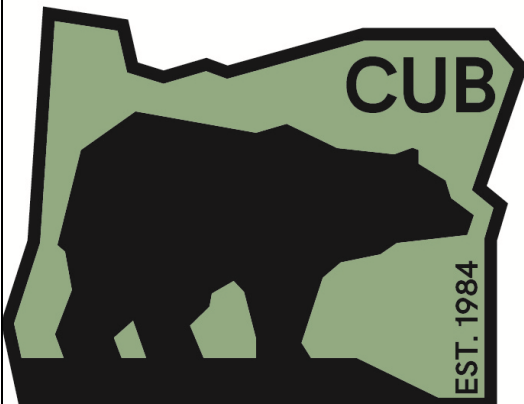
**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 335

In the Matter of)
)
PORTLAND GENERAL ELECTRIC)
COMPANY,)
)
Request for a General Rate Revision.)
)
_____)

NVPC OPENING TESTIMONY OF THE
OREGON CITIZENS' UTILITY BOARD

May 24, 2018



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OF OREGON**

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PORTLAND GENERAL ELECTRIC)	NVPC OPENING TESTIMONY OF
COMPANY,)	THE OREGON CITIZENS' UTILITY
)	BOARD
Request for a General Rate Revision)	
)	

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is William Gehrke. I am an Economist employed by Oregon Citizens' Utility
3 Board (CUB). My business address is 610 SW Broadway, Ste. 400 Portland, Oregon
4 97205.

5 **Q. Please describe your educational background and work experience.**

6 A. My witness qualification statement is found in exhibit CUB/101.

7 **Q. How is your testimony organized?**

8 A. After this introduction, we have three sections.

- 9 • Section I: Contract Delay Rate
10 • Section II: Independent Code Review
11 • Section III: Conclusion

I. CONTRACT DELAY RATE

1 **Q. Please summarize this issue.**

2 **A.** Portland General Electric proposed a tracking mechanism to mitigate the risk of qualifying
3 facilities experiencing delays.¹ CUB opposes the Company's proposal to establish a
4 tracking mechanism. Instead, CUB proposes PGE use a contract delay rate on the
5 commercial operation date on a going forward basis.

6 **Q. What are Qualifying Facilities?**

7 **A.** Qualifying Facilities (QF's) are a special class of generating facilities created under the
8 Public Utility Regulatory Policies Act of 1978. QF's have two categories: cogeneration
9 facilities and renewable small power. Utilities such as Portland General Electric are
10 obligated to enter in purchased power agreements with Qualifying Facilities.

11 **Q. How did the Company previously model the operational date of QF PPA in
12 MONET?**

13 **A.** The Company used the Initial Delivery Date as the date of operation for a PPA². The
14 Company assumed the Initial Delivery Date was the actual day a QF went into operation.
15 When a QF experiences a delay, customers have to potential to be overcharged in the
16 NVPC. The Company has recognized the accurate forecasting of CODs could become an
17 issue that materially affects its NVPC forecast.³

18 **Q. Has the forecasted online date for QFs been raised in other NVPC proceedings?**

¹ UE 335 –PGE/300/Niman-Kim-Batzler/36.

² UE 335 –PGE/300/Niman-Kim-Batzler/32.

³ UE 335 – PGE/300/Niman-Kim-Batzler/35.

1 **A.** Yes. CUB raised this issue in PacifiCorp’s 2018 Transition Adjustment Mechanism (TAM)
2 filings.⁴ Additionally, Commission Staff raised the issue in Idaho Power’s 2018 Annual
3 Power Cost Update.⁵

4 **Q. What was the resolution of forecasted online date for QF’s in Idaho Power’s 2018**
5 **Annual Power Cost update?**

6 **A.** Idaho Power agreed the expected online date for any new PURPA project will be adjusted
7 using the three-year average Contract Delay Rate of historical PURPA.⁶

8 **Q. What was the resolution of forecasted online date for QF’s in PacifiCorp’s 2018**
9 **Transition Adjustment Mechanism?**

10 **A.** The Commission approved a three year rolling average contract delay rate.⁷ The
11 Commission stated “the rolling average CDR should incentivize the Company to use the
12 most updated CODs in the future, in order to reduce the CDR going forward.”

13 **Q. What has Portland General Electric proposed to deal with the issue of QF delays?**

14 **A.** In a departure from Idaho Power’s 2018 Annual Power Cost Update and PacifiCorp’s 2018
15 Transition Adjustment Mechanism, the Company is proposing a tracking mechanism.⁸ The
16 Company is proposing the QF tracking mechanism be used each year’s NVPC forecast on
17 a going forward basis.

18 **Q. What is CUB’s solution to this issue?**

19 **A.** PGE should use a three year rolling average of QF delays to produce a Contract Delay rate.
20 In the PacifiCorp’s 2018 Transition Adjustment Mechanism, the Commission stated “the
21 rolling average would incentivize the Company to use the most updated CODs in the

⁴ UE 323 – CUB/100/Jenks/6-12.

⁵ UE 333- Staff/100/Anderson/9-10.

⁶ Order No. 18-170.

⁷ Order No. 17-444.

⁸ UE 335- PGE/300/Niman – Kim – Batzler/ 35/ 12-14.

1 footer, in order to reduce the CDR going forward.” CUB believes the three year average
2 CDR will incentivize Portland General Electric to be careful in providing accurate COD’s
3 in the future. PacifiCorp and Idaho Power already utilize this methodology, and CUB
4 believes it makes sense to standardize this methodology by requiring PGE to also utilize it.

II. INDEPENDENT CODE REVIEW

5 **Q. Please summarize this issue.**

6 **A.** CUB is proposing an independent consultant be hired to review the MONET model. The
7 MONET model become more complex since it was created in 1990s. Hiring an
8 independent consultant would inform potential maintenance on MONET.

9 **Q. What is MONET?**

10 **A.** The Multi-area Optimization Network Energy Transaction Model (MONET) is a model
11 created by PGE in the mid-1990s. The model has been used for a variety of use cases.
12 Currently, the company uses MONET as its power cost forecasting model.⁹

13 **Q. Does CUB currently object to the usage of MONET?**

14 **A.** No. MONET is not a “black box” model, because its entire input can be reviewed.
15 Additionally, PGE has the ability to disclose MONET’s source code to all parties. Unlike
16 vendor produced models, stakeholders are able to review the inner workings of MONET.

17 **Q. What is the goal of MONET?**

18 **A.** MONET is designed to accurately forecast net variable power cost. PGE’s variable power
19 costs fluctuate annually, due to several exogenous and endogenous variables. In order to
20 accurately model net variable power costs, the Company and Stakeholders have made
21 changes to MONET. The Company’s generation, regulatory environment and load has

⁹ UE 335- PGE/300/Niman – Kim – Batzler/ 4.

1 changed since the inception of MONET. As MONET has continuously been changed to
2 model net variable power costs, the complexity of MONET has increased.

3 **Q. Is MONET Complex?**

4 **A.** Yes.¹⁰ [REDACTED]

5 [REDACTED] MONET is at least twenty years old. MONET has grown
6 organically over the software's lifetime. For example, in 2002, PGE proposed 163
7 changes to MONET.¹¹ During each rate case, PGE is able to make changes to the MONET
8 Model. Each change adapts MONET to changes in power cost. At the same time, each
9 model change increase makes the structure of the program more difficult to comprehend,
10 manage and change.

11 **Q. What are some examples of MONET's complexity?**

12 **A.** [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

21

¹⁰ CUB defines Complexity as "Involved or Intricate, as in structure; complicated".

¹¹ Order No. 02-772.

¹² See Confidential CUB/Exhibit 102.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]

5 **Q. What is CUB proposal regarding MONET?**

6 **A.** CUB is proposing an independent consultant be hired to review the MONET model. CUB
7 would like maintenance to be conducted on the MONET model.

8 1) Remove unused spreadsheets and cells from MONET;

9 2) Debug MONET;¹⁴

10 3) Enable MONET to work efficiently with 64bit Excel¹⁵

CUB expects this issue to be resolved in settlement and is open to talking though a solution in settlement discussions.

III. CONCLUSION

11 **Q. Does this conclude your testimony?**

12 **A.** Yes.

¹³ See Confidential CUB/Exhibit 103.

¹⁴ Software bugs are errors or a fault in a computer program that causes it to produce an unexpected result.

¹⁵ In 2018, Apple began ending support for 32bit iOS. CUB believes Microsoft will follow Apple's lead and end support for 32 bit Microsoft Office.

WITNESS QUALIFICATION STATEMENT

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EXPERIENCE: Provided testimony or comments in LC 68. Worked as an Economist for the Florida Department of Revenue. Worked as Utility Analyst at the Florida Public Service Commission, providing advice on rate cases and load forecasting.

CUB Exhibit 102 is confidential and will be provided to parties who have signed Protective Order 18-047 in UE 335.

CUB Exhibit 103 is confidential and will be provided to parties who have signed Protective Order 18-047 in UE 335.

UE 335 – CERTIFICATE OF SERVICE

I hereby certify that, on this 24th day of May, 2018, I served the foregoing **CUB Confidential NVPC Opening Testimony & Exhibits** in docket UE 335 upon the Commission and each party designated to receive confidential information pursuant to Order 18-047 by U.S. mail, postage prepaid.

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