

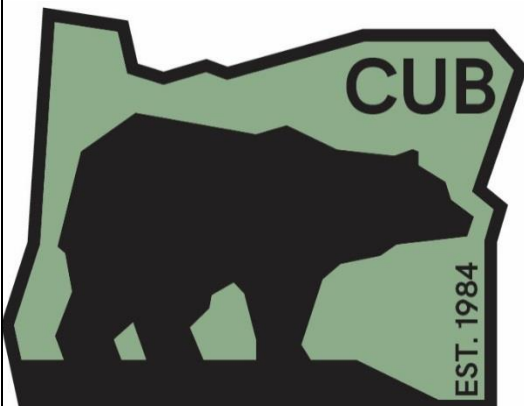
**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 335

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

**TESTIMONY
OF THE
OREGON CITIZENS' UTILITY BOARD**

September 4th, 2018



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1 My name is Bob Jenks, and I am the Executive Director of the Oregon Citizens' Utility
2 board (CUB). My qualifications are listed in CUB Exhibit 201.

3 I. INTRODUCTION

4 CUB writes this testimony to challenge the Joint Testimony in Support of the Direct
5 Access Partial Stipulation.¹ The stipulated agreement maintains a five-year transition
6 adjustment for long-term direct access customers.² In its initial testimony, Portland
7 General Electric (PGE or the Company) proposed to modify its long-term direct access
8 program to reflect fixed generation costs over ten years.³ PGE noted that “[a]llowing ten
9 years of fixed costs will help protect remaining [cost-of-service] customers from undue
10 cost shifting when large nonresidential customers choose to opt out of COS on a long-
11 term basis.”⁴ CUB supports that argument. CUB planned on addressing this issue in
12 rebuttal testimony, but the stipulating parties reached an agreement before the filing date.

¹ UE 335 – Stipulating Parties/500/Kaufman-Waidelich-Bieber-Higgins-Macfarlane.

² *Id.* at 2.

³ UE 335 – PGE/100/Pope – Lobdell/12.

⁴ UE 335 – PGE/1300/Macfarlane – Goodspeed/40.

13 CUB believes that a ten-year transition adjustment is necessary to protect residential
14 customers from unwarranted cost shifting associated with large customers leaving PGE's
15 system for direct access. The Direct Access Partial Stipulation is a significant departure
16 from the Company's initial filing.

17 **Q. What is direct access?**

18 **A.** Direct access is a means by which certain large nonresidential Oregon retail customers
19 may choose their supplier of electronic energy services, while continuing to receive
20 distribution services from their incumbent utility.⁵

21 **Q. Why do long term direct access customers pay transition charges?**

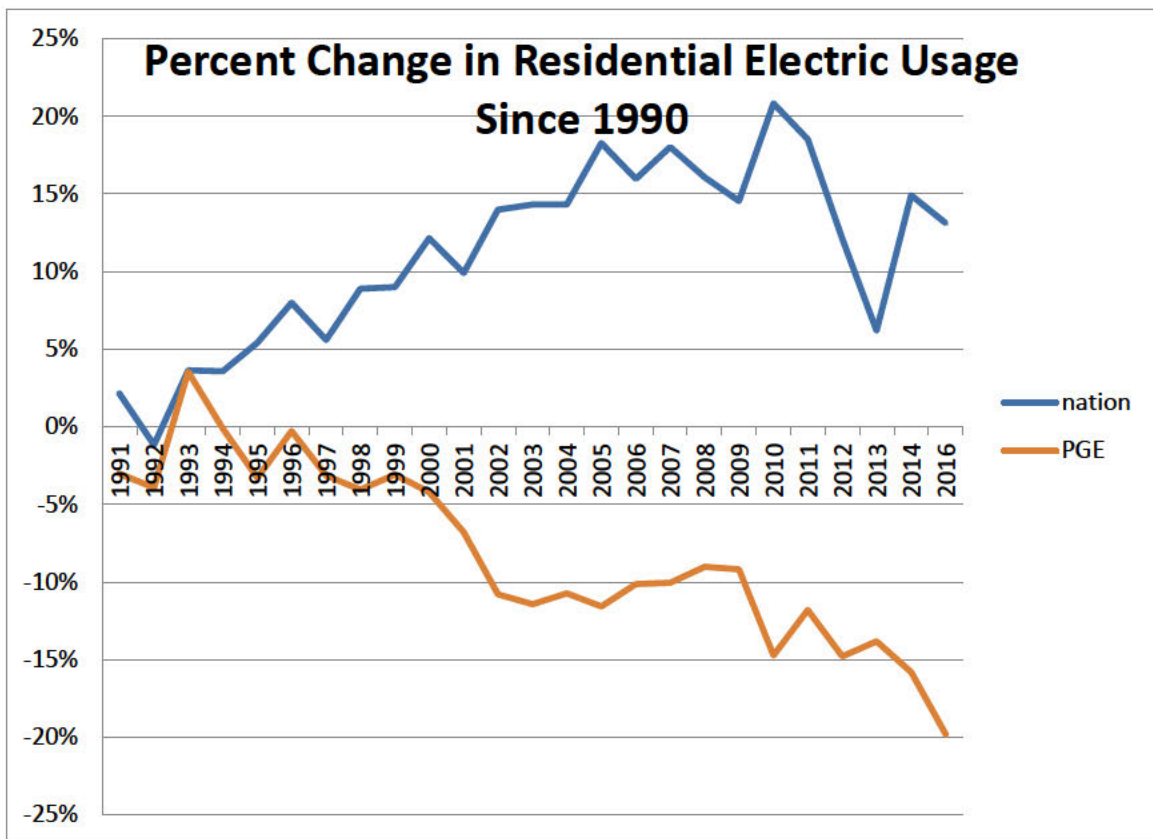
22 **A.** The Oregon Legislature passed SB 1149 in order to enable direct access programs in
23 Oregon. When SB 1149 was enacted, PGE and other Oregon electric utilities were
24 experiencing a trend of monotonic increasing load growth. There was a general
25 expectation that retail load growth would continue to increase overtime. The formulation
26 and consideration of transition charges were influenced by this assumption. Even though
27 long-term direct access customers were leaving stranded generation behind, there was an
28 expectation that retail customers' loads would continue to increase in the future. The
29 theory was that retail customers' continued load growth would enable them to grow into
30 stranded generation resources. Transition charges were intended to serve as stranded cost
31 protections during a period while the load grows into the stranded resource. This is

⁵ *In the Matter of Portland General Electric Company's Customer Choice Pilot Program.; In the Matter of PacifiCorp's Petition for Declaratory Ruling Regarding the Applicability of ORS 757.205 and 757.225 and ORS 757.310 to 757.330 to Direct Access Pilot Programs*, OPUC Docket No. UE 101, Order No. 97-408 at 1 (Oct.17, 1997).

32 statutorily codified in the Commission’s obligation to ensure that direct access programs
33 do not result in unwarranted cost shifting to existing cost-of-service customers.⁶

34 **Q. Is retail load in Portland General Electric’s service territory currently**
35 **experiencing increasing load growth?**

36 **A.** No. Increased energy efficiency programs have appeared to have decreased the rate of
37 residential load growth. SB 838 has driven increased energy efficiency for non-direct
38 access eligible customers.



39
40 The chart above shows that since 2008, residential usage has declined by 1% per year,
41 which offsets new customers being added to PGE’s system. In the decade after SB 838,
42 average residential loads declined by 10%. SB 838 prohibits large customers (direct
43 access eligible customers) from acquiring additional energy efficiency beyond what was

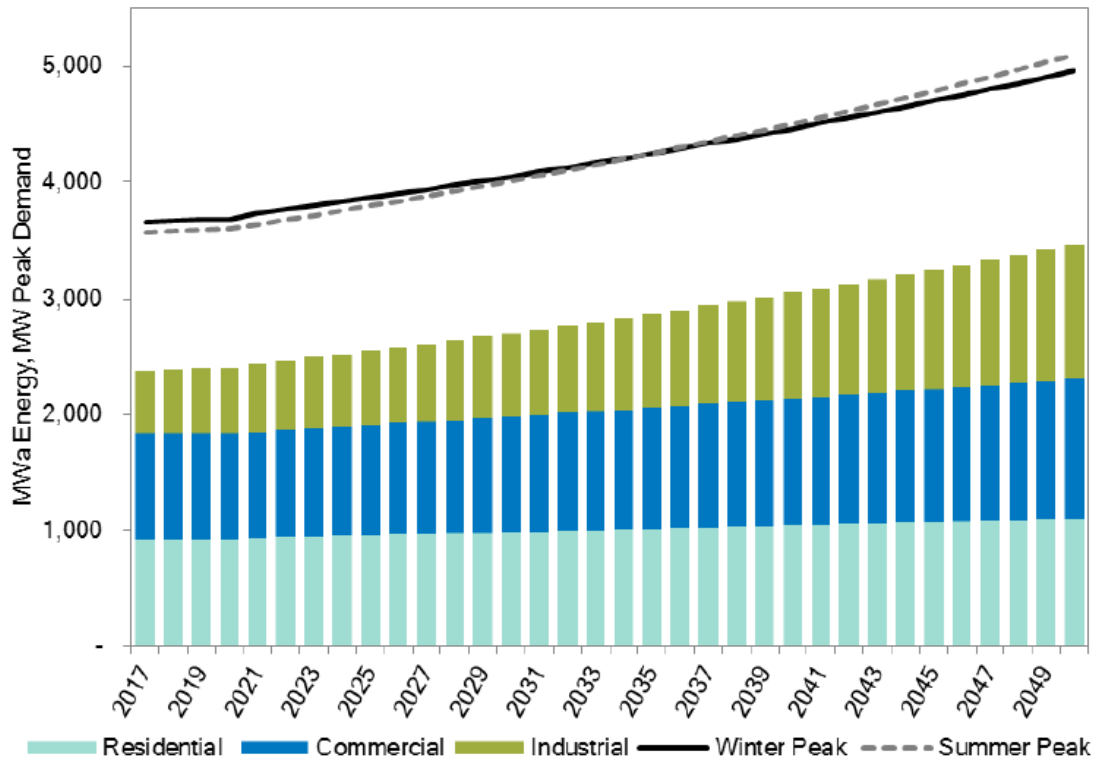
⁶ ORS 757.607(1).

44 mandated in the public purpose charge. Small customers are fully funding the energy
45 resources needed to meet their loads. Currently, small customers do not need the freed up
46 resources that come from large customers choosing direct access, and there is no longer
47 load growth in non-direct access load. Therefore, non-direct customers are not growing
48 into these resources.⁷

49 **Q. Is this trend expected to change?**

50 **A.** No. PGE's IRP clearly shows that the primary source of load growth is from industrial
51 customers. There is no evidence that residential and small commercial customers will
52 grow into the resources that are being abandoned by new direct access load. Below is a
53 graph from the last IRP that shows the expected load growth on PGE's system. It is
54 important to recognize that the IRP forecasts growth before energy efficiency programs,
55 since energy efficiency is a resource option to meet load growth. This means that the
56 small amount of growth forecast in the residential sector will likely be eliminated by
57 energy efficiency programs.

⁷ UE 335 – PGE/1500/ Pope – Lobdell/10-11. “At the time of the program’s creation, the expectation was that the cost shifting that would occur would be a shorter term issue because loads lost would be replaced by other load growth. That has not been the case. Compared to 2001, the year prior to the first long-term, opt-out window, PGE’s cost of service loads are expected to be 10% lower in 2019.”



58

59 Large customers can no longer count on growing residential customers relieving them
 60 from their responsibility for the costs that were incurred to serve their loads. A ten-year
 61 transition charge is necessary to protect residential customers in PGE’s service territory.

62

63 **Q. What is your recommendation to the Commission regarding Direct Access**
 64 **transition charges?**

65 **A.** CUB asks the Commission to reject the Parties’ proposal to maintain a five-year
 66 transition charge for direct access customers. The Stipulation reached does not contain
 67 sufficient protections to ensure that existing cost-of-service customers are held harmless.
 68 A ten-year transition charge for direct access customers is in the public interest and is
 69 consistent with rates that are fair, just and reasonable. Moving from a five-year transition

70 charge to a ten-year transition charge will help insulate cost shifting between direct
71 access customers and residential customers.

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

73 **A. Yes.**