

Docket No. UE 390
SBUA/100
Witness: Darren S. Wertz

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

OPENING TESTIMONY OF DARREN S. WERTZ

ON BEHALF OF
SMALL BUSINESS UTILITY ADVOCATES

JUNE 9, 2021

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UE 390

In the Matter of)	
PACIFICORP d/b/a PACIFIC POWER)	OPENING TESTIMONY OF
2022 Transition Adjustment Mechanism)	DARREN S. WERTZ
_____)	

I. INTRODUCTION, PURPOSE AND SUMMARY OF TESTIMONY

Q. PLEASE STATE YOUR FULL NAME, OCCUPATION, AND DESCRIBE YOUR BACKGROUND FOR THIS TESTIMONY.

A. My name is Darren S. Wertz. I am an economist. I am retired since January 2020, but provide consulting services where I see a fit between my background and the proposed project. In my work with the Clark County PUD power and water public utility district as an Economist for 12 years I performed Cost of Service analyses in both retail and wholesale power rate cases. For over a decade during the development and early implementation of the Energy Imbalance Market, I represented utility stakeholders in the Bonneville Power Administration (“BPA”) system including PacifiCorp d/b/a Pacific Power territory in Oregon and Washington. More recently I have performed many economic analyses of government regulation and budgets. I have also held local government political office as member of the Ridgefield City Council in Ridgefield, Washington. In that capacity I had cause to have many interactions with local small businesses and to factor these interests in the Council’s decision making processes.

1 **Q. PLEASE DESCRIBE YOUR EDUCATION AND QUALIFICATIONS FOR THIS**
2 **TESTIMONY.**

3 **A.** I hold a Bachelors Degree in Economics from the University of California in San Diego
4 and a Masters of Economics from University of Oregon in Eugene. During my tenure with the
5 Clark County PUD I was the Utilities representative to the proceedings of the Northwest Power
6 and Conservation Council and participated with other intervenor staff economists in BPA rate
7 cases and those of local investor-owned utilities including PacifiCorp d/b/a Pacific Power. My
8 resume setting out my qualifications in more detail is attached to this testimony as SBUA/101
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10
11 Wertz/1.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 **A.** The purpose of my testimony is to identify general considerations that impact the 2022
14 transition adjustment mechanism (“TAM”) to determine whether the TAM filed by PacifiCorp
15 d/b/a Pacific Power (“Company”), is just and reasonable generally, and in particular whether it
16 is just and reasonable for the Company’s Schedule 23 customers.
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18 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

19 **A.** My testimony examines the context of this TAM given the economic disruption of 2020-
20 present, observes the load of the small general service, that is, the Schedule 23, customers in
21 the total load and the role of Advanced Metering Information (“AMI”) to provide support to
22 any rate increase. I observe that the impact on load from the economic disruption as regards
23 the Schedule 23 ratepayer class constitutes an “economic impact” referred to in the
24 Commission’s Order 20-024 adopting the 2020 Protocol and that the Commission committed
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1 in that Order to review rates not in the 2020 Protocol but in rate setting proceedings like the
2 TAM. I also describe the function of the Energy Imbalance Market (“EIM”) in power cost
3 determinations such as the TAM, and identify possible options made available through the EIM
4 generally and for the Schedule 23 customers.
5

6 **Q. WHAT IS THE IMPACT ON SCHEDULE 23 CUSTOMER BILLS IF THIS TAM**
7 **IS APPROVED AS FILED?**

8 **A.** The impact on power bills will be in the positive direction, that is, there will be an
9 increase in Schedule 23 customer power bills, as indicated where Ridenour testifies that there
10 is an overall proposed rate increase of 0.1 percent on a net basis. PAC/300 Ridenour/3-4.
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12 **Q. WHY IS IT IMPORTANT TO CONSIDER SCHEDULE 23 IN THIS TAM?**

13 **A.** In addition to reviewing any possible rate increase, according to Ridenour’s testimony
14 Schedule 23 customers represent about 8% of the total forecasted load of the Company in
15 Oregon. PAC/303 Ridenour/1. With the restriction and closing of businesses to customer visits
16 in 2020 and to the present, the revenues of many small business commercial establishments
17 were curtailed driving many to close their doors permanently. The recent economic downturn
18 severely impacting this customer class underscores this concern and supports scrutiny of any
19 proposed rate increase in this 2022 TAM.
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22 **Q. WHAT DOES THIS MEAN?**

23 **A.** Testimony by Ridenour Shows that over 8% of total energy sales and over 14% of sector
24 sales are to Schedule 23 customers. PAC/303 Ridenour/1. The rates are simply based on
25 “required” revenues loaded on energy usage rather than on typical cost-based supply service
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1 which includes a demand charge based on the customer load characteristics. These customer
2 load characteristics are ascertained by reviewing data obtained from AMI.

3 **Q. WHY IS THAT IMPORTANT TO SCHEDULE 23 CUSTOMERS?**

4 **A.** AMI data analysis is needed to determine whether an increase is just and reasonable.

5
6 **Q. IS THERE ANY REASON TO CONSIDER SCHEDULE 23 IN THIS TAM WITH**
7 **RELATION TO THE 2020 PROTOCOL?**

8 **A.** Yes. The Commission in Order 20-024 denied Small Business Utility
9 Advocates' ("SBUA") request for a hearing in UM 1050 regarding adoption of the 2020
10 Protocol, but in that Order the Commission also states that that adopting the 2020 Protocol did
11 not represent an approval of rates, but rather approval of a methodology to allocate costs
12 among customers in states served by PacifiCorp, and that any rate related proceeding like this
13 TAM must meet the just and reasonable standard.

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15 **Q. WHAT IS THE 2020 PROTOCOL AND HOW DOES IT RELATE TO SCHEDULE**
16 **23?**

17 **A.** The 2020 Protocol is a methodological assumption for the TAM that was approved by the
18 Commission in Order 20-024 in docket UM 1050. The purpose of the 2020 Protocol was to
19 allocate the amount the Company could recover from rate classes in each state where the
20 Company operates. Order 20-024 included Section 3.1.9 wherein the Commission approved
21 that any loss in retail load as a result of changes in economic conditions would be reflected in
22 changes in Load Based Dynamic Allocation Factors.

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1 **Q. HAVE YOU SEEN THE LOAD BASED DYNAMIC ALLOCATION FACTORS?**

2 **A.** No. I have not yet been able to fully review the file for that information.

3 **Q. COULD THE COMMISSION USE THE TAM PROPOSED BY THE COMPANY**
4 **ANYWAY AND ACHIEVE JUST AND REASONABLE RATE?**

5 **A.** No. For the TAM the allocation factors for changes in Net Power Costs are based on
6 historic actuals which would, without the proper weighting, make them unresponsive to sudden
7 significant market changes such as we have recently experienced.

8 **Q. WHAT OTHER PROBLEMS COULD RESULT FROM USING THIS TAM**
9 **WITHOUT ACCOUNTING FOR THIS SIGNIFICANT ECONOMIC CHANGE?**

10 **A.** A mechanical ratcheting up of rates in this case serves no purpose but creating more
11 barriers to entry for replacement customers. Cash flow problems from a government imposed
12 restriction of business causes hardships for the customer that may result in arrearages in their
13 utility bills and potentially result in disconnect which directly affects utility revenues and
14 customer sector loads.

15 **Q. WHAT ELSE MIGHT BE DONE IN LIGHT OF THE RECENT ECONOMIC**
16 **DISRUPTION?**

17 **A.** In light of the recent economic disruption, if, after review of the actual economic impacts
18 on Schedule 23, should Schedule 23 loads be projected to decline, the Schedule 23 rates should
19 reflect a discount based on revenues from increased availability for sales of that power through
20 the Energy Imbalance Market ("EIM").

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1 **Q. COULD YOU EXPLAIN WHAT YOU MEAN?**

2 **A.** Yes. The EIM is a function of market price and transfer volume which depends on
3 relative resource excess capacity. David Webb notes that the wholesale sales revenue from
4 EIM is \$97 million lower than the 2021 TAM with most of the reduction coming from market
5 transactions. PAC/100 Webb/18. It is noted that in Webb's testimony that the \$97 million
6 primary change in EIM wholesale revenue assumed for 2020-21 was primarily in the total
7 wholesale revenue component, "rolling 36 month Short Term Sales." PAC/100
8 Webb/19. The expectations evidenced in these hedging actions should be reflected in the load
9 forecast and concern paid specifically as to whether inflation/demand impacts flow fairly to
10 Schedule 23 load projections simply through the energy charge.
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13 **Q. SO WITH THE RESULT OF AN IDENTIFIED DECREASED SCHEDULE 23**
14 **LOAD OR PROJECTED DECLINE OF THAT LOAD, THE RATES SHOULD**
15 **REFLECT INCREASED AVAILABILITY FOR SALES OF THAT POWER THROUGH**
16 **EIM?**

17 **A.** Yes, that is correct.

18 **Q. ARE THERE ANY OTHER ISSUES YOU WOULD LIKE TO ADDRESS?**

19 **A.** Yes. At this point I have not seen whether the Company utilized current AMI data to
20 update load characteristics for Schedule 23 customers. That would be included in inputs to the
21 2022 TAM.
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1 **Q. ARE THERE ANY OTHER ISSUES YOU WOULD LIKE TO ADDRESS?**

2 **A.** Yes. The COVID-19 pandemic impacted the Company's input in this TAM as seen in
3 Webb's testimony PAC/100 Webb/23. The Company bases its TAM on the GRID model and
4 the GRID model is based on wholesale sales market caps on a four-year historical average of
5 short-term firm, balancing and spot sales instead of the highest of the four most recently
6 available relevant averages. This raises concerns that the Company's forecast may not
7 accurately reflect the economic conditions affecting Schedule 23 customers.
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9 **Q. IS THERE ANYTHING ELSE YOU WOULD LIKE TO ADDRESS?**

10 **A.** No.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 **A.** Yes.

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Exhibit SBUA/101
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Darren S. Wertz

Consultant, Economist

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Summary

- Power and Water Public Utility District Economist for 12 years.
- Cost of Service analyses in both retail and wholesale power rate cases.
- Representative to BPA customer group organizations and liaison to the Northwest Power and Conservation Council for the utility.
- Developed short and long-term planning goals, facilitated those goals through budgeting/funding and completion.
- Extensive experience in meeting with the public and elected, government, professional and civic groups.
- Government regulation and budget analysis experience

Professional Experience

- Clark Public Utility District, Clark County WA, Economist, Rates Analyst/Planning Coordinator. Identified, designed, maintained data bases, built Forecast model, ran COSA and revenue requirements. Represented the utility in public, private, groups and agencies. Party to the technical implementation of the Regional Power Act. Chaired the PNUCC forecasting committee and NWPPA energy committee. Worked with PPC and ICNU regarding preference issue for BPA rate cases. Performed site analysis and SEPA requirements for system expansion. Cost benefit and policy analysis regarding power supply resources. Initial Liaison for Columbia River Economic Development Commission (CREDC).
- Clark County WA Board of Equalization, Manager. Oversaw administrative functions for conducting hearings and processing tax valuation appeals for Clark County WA of real and personal property as well as exemption and special classification programs. Managed Boundary Review Board for Clark County and facilitated City annexations.
- Local Economic Development Land Use Company - project economist performing complex planning studies, participated in, and led multi-discipline teams for review and development

strategies for urban and rural environments, e.g., Gateway Regional Center-Portland Development Commission, City of Redmond-Downtown Center Funding Alternatives, and Diminishing Returns- Report on 7 Cities for the League of Oregon Cities.

Led Small Business inventory and assessment for environmental justice study for ODOT on road projects located in Newberg, and Lincoln City.

Analysis and successful presentation for rezone request and County Comprehensive Plan change in Clark County, WA.

Approved Market Study Provider for the Washington State Housing Finance Commission.

Authored Facilities Siting Study for EWEB (Eugene Water & Electric Board)

- Started, built, and sold a successful commercial/investment real estate brokerage.

Volunteer Experience

- Ridgefield City Council: 2007-2019 three terms. Waterfront / Downtown integration plan efforts. City budget workgroup. Business feasibility and recruitment, land use planning, acquisition and development of public spaces and trails. Adopted revised Ridgefield Development Code. Participated in successful legislative lobbying efforts. During term on council, our city started and completed a \$40 million I-5 overpass, \$25 million sewer trunk line, \$14 million road extension and rail overpass (Port sponsored), \$2 million Federal Lands access grant, \$2 million Transportation Improvement Board grant for a roundabout and miscellaneous CDGB and Parks Grants. Implemented the first Transportation Benefit District in Washington.

Charter participant in the regional assessment of sewer capacity for Clark County resulting in the Clark Regional Wastewater District municipal facilities acquisition and construction of \$25 million trunk line in the center of federal highway I-5 right of way.

- Planning Commissioner for City of Ridgefield WA and later as a City Councilman successfully developed and adopted new development code
- Member of the Mount Hood Ski Patrol for 20+ years
- US Army Corps of Engineers, Ft. Belvoir Officer Candidate School, BSM Vietnam.

Education/Degrees

Master of Economics - University of Oregon

BA Economics - University of California at San Diego

International Association of Appraising Officers (IAAO) Course Work - 2003-2015

Advanced Certificate of Municipal Leadership AWC (Association of WA Cities)

Water Utility Manager III Washington State [Certificate 3766]