

July 6, 2022

Oregon Public Utilities Commission
PO Box 1088
Salem, OR 97308-1088

Via electronic filing only to PUC.FILINGCENTER@puc.oregon.gov

Re: UG 435 & UG 411 Replacement pages of SBUA

Please find enclosed with this cover letter the replacement pages of Small Business Utility Advocates (“SBUA”) to replace the corresponding pages of the UG 435 & UG 411 Cross-Answering Testimony of Danny P. Kermode, CPA-retired on behalf of SBUA filed on June 30, 2022.

These replacement pages consist in their entirety of the following in the above-referenced docket:

- SBUA/200 Kermode/ii List of Exhibits, Exhibit SBUA/204 should be “Data Request 3” rather than “Data Request 2”
- SBUA/200 Kermode/11, footnote 12 should be “3” rather than “2”
- Cover page to Exhibit SBUA/204 Witness: Danny Kermode SBUA Data Request and Staff Response to SBUA Data Request should be “3” rather than “2”
- SBUA/204 Kermode/1 SBUA Data Request and Staff Response to SBUA Data Request should be “3” rather than “2”

Our apologies for any inconvenience this causes.

Sincerely,

s/ Diane Henkels

Diane Henkels
Attorney SBUA



Diane Henkels
She/her/hers
Attorney, Small Business Utility Advocates
541-270-6001 / utilityadvocates.org

LIST OF EXHIBITS

Exhibit SBUA/201, Kermode	Business Magazine Article
Exhibit SBUA/202, Kermode	Schedule for the allocation of COVID Deferred Costs Excluding RS 03 from Direct costs and Savings
Exhibit SBUA/203, Kermode	Schedule for the allocation of COVID Deferred Costs Including RS 03 Direct costs and Savings
Exhibit SBUA/204, Kermode	SBUA data request and Staff response to SBUA Data Request 3
Exhibit SBUA/205, Kermode	Schedule to Allocate Bad Debt Above the Base Line - Two Step Approach
Exhibit SBUA/206, Kermode	Schedule to Compute Impact of Historical vs Proposed Rate Spread - Historical to Proposed Revenue Margin Allocation Percentages

1 **Q. Other than the difficulty identifying who received the indirect benefit, can you**
2 **give another example of a flaw in Staff’s model for allocating its grouping “b**
3 **plus d–f”?**

4 A. Yes. In the Staff model there is the assumption that those that received the bill credit
5 had a *Marginal Propensity to Save* of 10 percent. That is, when the customer
6 received the benefit of the bill credit, the assumption used by staff to compute its
7 multiplier effect was the customer would put into their savings 10 percent of the
8 credit.¹⁰ Staff states that saving 10% was the “most likely...behavior of NW
9 Natural’s Residential Customers who have received the credits during the COVID
10 pandemic.”¹¹

11 I would argue that in fact, those that received the credit were most likely
12 struggling and having difficulties paying their bills, otherwise there would be no
13 need for the bill credit provided by the company. Those same customers would be
14 very unlikely to be saving anything, in fact it is highly likely that those that received
15 the credit were depleting, or had already depleted, any savings they may have had
16 prior to the pandemic.

17 The absence of any propensity to save is indeed the more likely scenario. If
18 that is true, the *Marginal Propensity to Save* drops to zero, and the *Marginal*
19 *Propensity to Consume* increases to 100 percent. The result of a 100 percent
20 *Propensity to Consume* on the Staff’s model is a zero allocation to other classes
21 which supports the logical conclusion, a full allocation to residential rate payers.¹²

¹⁰ Dlouhy, et. al, Exh Staff /1500 at 38:16-39:2

¹¹ Dlouhy, et. al, Exh Staff /1500 at 39:1-2

¹² SBUA Exhibit 204 - Staff response to SBUA Data Request 3

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UG 435

SMALL BUSINESS UTILITY ADVOCATES

SBUA DATA REQUEST AND STAFF RESPONSE TO SBUA DATA REQUEST 3

Date: June 24, 2022

TO:

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FROM: Steve Storm

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Rates, Finance, and Audit Division

OREGON PUBLIC UTILITY COMMISSION
Docket No. UG 435 – SBUA Data Request filed June 9, 2022

SBUA Data Request No 03:

03. If the Marginal Propensity to Consume (MPC) was 100, what would be Staff's allocation? Based on this assumption please provide the spreadsheet and computations for: multiplier, indirect and direct allocations percentage and actual data from Table 15-2.

OPUC Response No 03:

If the Marginal Propensity to Consume (MPC) was 100, Staff would not have an allocation, as this value results in a calculated multiplier that is negative. Please see the algebra involved at cell B37 of spreadsheet "Scenarios" in the Excel file electronic workpaper titled "Workpaper A Staff Ex 1500 UG 435 OT" that Staff uploaded to Huddle on April 22, 2022. Note that a hypothetical MPC value of 1 also does not result in a usable value for a multiplier, and Staff would therefore not have an allocation given this hypothetical MPC value.