



825 NE Multnomah, Suite 2000  
Portland, Oregon 97232

June 15, 2009

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission  
550 Capitol Street NE, Suite 215  
Salem, OR 97301-2551

Attn: Filing Center

**RE: Docket No. UE-210 – 2<sup>nd</sup> Supplemental Direct Testimony of Gregory N. Duvall**

Pursuant to the Administrative Law Judge's June 8, 2009 Ruling ("Ruling") in the above-referenced matter, enclosed for filing by PacifiCorp d/b/a Pacific Power are an original and 27 copies of the second supplemental direct testimony of Gregory N. Duvall.

It is respectfully requested that all data requests regarding this matter be addressed to:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 300  
Portland, OR 97232

Please direct informal correspondence and questions regarding this filing to Joelle Steward, Regulatory Manager, at (503) 813-5542.

Very truly yours,

Andrea L. Kelly  
Vice President, Regulation

Enclosures

## CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document, in Docket UE 210, on the date indicated below by email and/or overnight delivery, addressed to said parties at his or her last-known address(es) indicated below.

### Service List UE-210

Randall Dahlgren (W)  
Rates & Regulatory Affairs  
Portland General Electric  
121 SW Salmon Street, 1WTC0702  
Portland, OR 97204  
[Pge.opuc.filings@pgn.com](mailto:Pge.opuc.filings@pgn.com)

Douglas Tingey (W)  
Asst General Counsel  
Portland General Electric  
121 SW Salmon Street, 1WTC 13  
Portland, OR 97204  
[Doug.tingey@pgn.com](mailto:Doug.tingey@pgn.com)

Gordon Feighner (W)  
Citizens' Utility Board of Oregon  
610 SW Broadway, Suite 308  
Portland, OR 97205  
[gordon@oregoncub.org](mailto:gordon@oregoncub.org)

Robert Jenks (W) (C)  
Citizens' Utility Board of Oregon  
610 SW Broadway, Suite 308  
Portland, OR 97205  
[bob@oregoncub.org](mailto:bob@oregoncub.org)

G. Catriona McCracken (W) (C)  
Citizens' Utility Board of Oregon  
610 SW Broadway, Suite 308  
Portland, OR 97205  
[catriona@oregoncub.org](mailto:catriona@oregoncub.org)

Melinda Davison (C)  
Davison Van Cleve PC  
333 SW Taylor, Suite 400  
Portland, OR 97204  
[mail@dvclaw.com](mailto:mail@dvclaw.com)

Richard Lorenz (W) (C)  
Cable Huston Benedict Haagensen &  
Lloyd LLP  
1001 SW 5<sup>th</sup> Avenue, Suite 2000  
Portland, OR 97204  
[rlorenz@chbh.com](mailto:rlorenz@chbh.com)

J. Laurence Cable (W) (C)  
Cable Huston Benedict et al  
1001 SW 5<sup>th</sup> Avenue, Suite 2000  
Portland, OR 97204  
[lcable@chbh.com](mailto:lcable@chbh.com)

Judy Johnson (C)  
Oregon Public Utility Commission  
PO Box 2148  
Salem, OR 97308-2148  
[Judy.johnson@state.or.us](mailto:Judy.johnson@state.or.us)

Jason W. Jones (C)  
Department of Justice  
Regulated Utility & Business Section  
1162 Court St. NE  
Salem, OR 97301-4096  
[Jason.w.jones@state.or.us](mailto:Jason.w.jones@state.or.us)

Katherine A. McDowell (W)  
McDowell & Associates PC  
520 SW Sixty Ave., Suite 830  
Portland, OR 97204  
[Katherine@mcd-law.com](mailto:Katherine@mcd-law.com)

Amie Jamieson (W)  
McDowell & Associates PC  
520 SW Sixty Ave., Suite 830  
Portland, OR 97204  
[amie@mcd-law.com](mailto:amie@mcd-law.com)

Joelle Steward (W)  
Pacific Power & Light  
825 NE Multnomah St., Suite 2000  
Portland, OR 97232  
[Joelle.steward@pacificorp.com](mailto:Joelle.steward@pacificorp.com)

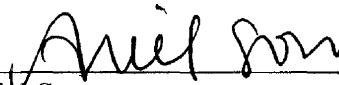
Oregon Dockets (W)  
Pacific Power & Light  
825 NE Multnomah St., Suite 2000  
Portland, OR 97232  
[oregondockets@pacificorp.com](mailto:oregondockets@pacificorp.com)

Greg Addington (W) (C)  
Klamath Water Users Association  
2455 Patterson St., Suite 3  
Klamath Falls, OR 97603  
[greg@cvcwireless.net](mailto:greg@cvcwireless.net)

Jordan A. White (W)  
Pacific Power & Light  
825 NE Multnomah St., Suite 1800  
Portland, OR 97232  
[Jordan.white@pacificorp.com](mailto:Jordan.white@pacificorp.com)

Randall J. Falkenberg (C)  
RFI Consulting Inc  
PMB 362  
8343 Roswell Rd  
Sandy Springs, GA 30350  
[consultrfi@aol.com](mailto:consultrfi@aol.com)

DATED: June 15, 2009.

  
\_\_\_\_\_  
Ariel Son  
Coordinator, Administrative Services

Docket No. UE-210  
Exhibit PPL/614  
Witness: Gregory N. Duvall

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON**

**PACIFICORP**

---

**Second Supplemental Direct Testimony of Gregory N. Duvall**

**June 2009**

1 **Q. Please state your name, business address and present position with**  
2 **PacifiCorp (the “Company”).**

3 A. My name is Gregory N. Duvall. My business address is 825 NE Multnomah,  
4 Suite 600, Portland, Oregon 97232. I am Director of Long Range Planning and  
5 Net Power Costs.

6 **Q. Have you previously filed testimony in this docket?**

7 A. Yes. I filed direct testimony in Exhibit PPL/600 and supplemental direct  
8 testimony in Exhibit PPL/605.

9 **Purpose of Testimony**

10 **Q. What is the purpose of your second supplemental direct testimony?**

11 A. My second supplemental direct testimony addresses the two issues deferred from  
12 Docket UE 199, PacifiCorp’s 2009 Transition Adjustment Mechanism (“TAM”)  
13 docket to Docket UE 210, as ordered by the administrative law judges in this  
14 proceeding. Specifically, my testimony presents PacifiCorp’s position on:  
15 (1) Whether changes in methodologies utilized in the calculation of net power  
16 costs, such as those used to calculate normalized hydro or forced or planned  
17 outage rates or calculation issues resolved by the Commission, will be permitted  
18 in stand-alone TAM proceedings; and (2) Whether a stand-alone TAM should  
19 include the variable costs of new generation resources if the Company will not  
20 recover the fixed costs of the generation resource in the TAM rate effective  
21 period.

1 **Changes in Methodologies in the Calculation of Net Power Costs**

2 **Q. What is PacifiCorp's position on whether changes in methodologies used to**  
3 **calculate net power costs should be permitted in stand-alone TAM**  
4 **proceedings?**

5 A. As a general matter, changes in methodologies used to calculate net power costs  
6 should not be included in stand-alone TAM proceedings. Such changes should be  
7 proposed and litigated in a TAM filed in or concurrently with a general rate case,  
8 unless a party can demonstrate good cause for an exception to this rule.

9 **Q. Why does PacifiCorp object to litigating methodological changes in the**  
10 **stand-alone TAM?**

11 A. PacifiCorp, Commission Staff, the Citizens' Utility Board ("CUB"), the Industrial  
12 Customers of Northwest Utilities ("ICNU"), and Sempra Energy Solutions LLC  
13 ("Sempra") filed a Stipulation in Docket UE 199 on June 1, 2009, that set forth  
14 TAM Guidelines that will govern TAM proceedings in the future if approved by  
15 the Commission. The TAM Guidelines provide that a stand-alone TAM should  
16 be more streamlined than a TAM filed in or concurrently with a general rate case.  
17 Specifically, the TAM Guidelines state that "[w]hen filed on a stand-alone basis,  
18 the TAM is intended to be narrower and more streamlined than when the TAM is  
19 filed in or processed concurrently with a general rate case." Including  
20 methodological changes in a stand-alone TAM would thwart the goal of the TAM  
21 Guidelines to streamline and narrow the stand-alone TAM.

1 **Q. What other concerns does the Company have about litigating methodological**  
2 **issues in a stand-alone TAM?**

3 A. Under the TAM Guidelines, the schedule for a stand-alone TAM is more  
4 truncated than a TAM filed in or concurrently with a general rate case.  
5 Additionally, the broader scope of a general rate case filing may permit a more  
6 complete review of proposed TAM methodology changes, to the extent that  
7 proposed changes impact non-net power cost issues, such as operations and  
8 maintenance and rate spread and rate design.

9 **Including Variable Costs of New Generation Resources**

10 **Q. What is PacifiCorp's position on whether a stand-alone TAM should include**  
11 **the variable costs of new generation resources if the Company will not**  
12 **recover the fixed cost of those resources in the TAM rate effective period?**

13 A. In general, the stand-alone TAM should include the variable costs of a new  
14 resource only if the Company will recover the fixed costs of the resource during  
15 the rate effective period of the TAM. This recovery policy will ensure that TAM  
16 rates match the costs and benefits of new generation resources and support the  
17 Commission's general policy of matching costs and benefits.

18 The Commission endorsed this variable cost recovery policy when it  
19 provided for the matching of fixed and variable costs of new renewable resources.  
20 In Order No. 07-572, the Commission approved the Renewable Adjustment  
21 Clause ("RAC") Stipulation in which the parties agreed that "if the fixed costs of  
22 an eligible resource are not included in RAC charges or otherwise included in  
23 rates, then the variable costs and cost offsets of the eligible resource should

1 likewise not be included in the annual power cost update filings or power cost  
2 adjustment mechanisms.” This provision ensures that the variable costs of  
3 renewable resources are not included in rates unless the fixed costs of the  
4 resources are also included in rates.

5 No reasoned basis exists for matching fixed and variable costs of  
6 renewable resources but not doing so for non-renewable resources. The  
7 Company’s proposal ensures that the Commission’s matching policy applies  
8 equally to renewable and non-renewable resources.

9 **Q. Does the Company propose any exceptions to the general rule that variable**  
10 **costs be excluded from the TAM if the fixed costs are excluded?**

11 A. Yes. The Company proposes that if it has owned the new non-renewable  
12 generation resource for more than two years before the TAM filing, the variable  
13 costs of the resource can be included in the TAM even if fixed costs are not.

14 **Q. What is the basis for this exception?**

15 A. The Company’s proposed exception recognizes that the Company has the ability  
16 to request recovery of the fixed costs of new resources in a general rate case  
17 filing. The exception also recognizes, however, that the Company needs time  
18 after it acquires a new resource to develop and file a rate case, and for the  
19 Commission to review the prudence of the acquisition and issue an order allowing  
20 or disallowing the fixed costs of the resource. In addition, the TAM Guidelines  
21 require that the Company must file a general rate case in a given year no later  
22 than March 1. As a practical matter, this limitation prevents the Company from  
23 filing a general rate case during 10 months of the year. Depending on when the



1 Company acquires a new resource, this provision could result in the Company  
2 being unable to obtain a Commission order allowing the fixed costs of a new  
3 resource to be included in rates in time for the next TAM. PacifiCorp's proposed  
4 exception appropriately balances the need to match fixed and variable costs of a  
5 resource and the need to allow the Company time to request recovery of the fixed  
6 costs.

7 **Q. Has PacifiCorp previously addressed this issue in testimony in TAM**  
8 **proceedings?**

9 A. Yes. In proposing the TAM in Docket UE 170, PacifiCorp included a net power  
10 cost recovery mechanism that matched fixed and variable costs of resources.  
11 Nevertheless, in that proceeding PacifiCorp witness Christy Omohundro testified  
12 that the Company would agree to include variable costs of a new generation  
13 resource in the Company's annual net power cost update if the matching fixed  
14 costs were not included in rate base, as long as the Company were able to bring  
15 fixed costs associated with new resources into rates on an expeditious basis.  
16 Docket UE 170, PPL/702, Omohundro/2.

17 The Company's current proposal is consistent with its testimony in Docket  
18 UE 170. PacifiCorp maintains that fixed and variable costs would ideally be  
19 perfectly matched in rates. The Company recognizes, however, that under certain  
20 circumstances this goal is not attainable. The Company's current proposal  
21 recognizes the importance of the Commission's policy of matching fixed and  
22 variable costs while allowing for an exception to ensure that the Company does  
23 not delay seeking recovery of its fixed generation resource costs.

- 1 **Q. Does this conclude your second supplemental direct testimony?**
- 2 **A. Yes.**