

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1742

Surprise Valley Electrification Corp.,)
Complainant,)
)
v.)
)
PacifiCorp, dba Pacific Power,)
Defendant.)
)
_____)

EXHIBIT SVEC/300

DIRECT TESTIMONY OF GARY SALEBA AND GAIL TABONE

March 15, 2016

1 **I. INTRODUCTION**

2
3 **Q. Please state your names and business address.**

4 **A.** Our names are Gary Saleba and Gail Tabone. We are CEO and Senior Associate
5 at EES Consulting, respectively. Our business address is 570 Kirkland Way,
6 Kirkland, Washington 98033.

7 **Q. Please describe your background and experience.**

8 **A.** Mr. Saleba holds an MBA in Finance from Butler University and was a founder
9 of EES Consulting. He has over 30 years of experience working in the utility
10 industry and manages projects related to resource planning, contract negotiations,
11 mergers and acquisitions, financing, and rates studies. Ms. Tabone holds an MS
12 in Applied Economics for the University of Minnesota and has worked in the
13 utility industry for over 20 years. Her experience includes cost of service and rate
14 studies, long-term planning, and resource evaluations. Both Mr. Saleba and Ms.
15 Tabone have experience appearing as expert witnesses in various jurisdictions.
16 EES Consulting provides financial and engineering services for many of the
17 public utilities on the West Coast of the U.S. as well as Canada. A further
18 description of our educational background and work experience can be found in
19 Exhibit SVEC/301 and SVEC/302 in this proceeding.

20 **Q. On whose behalf are you appearing in this proceeding?**

21 **A.** We are testifying on behalf of Surprise Valley Electrification Corp. (“Surprise
22 Valley”) in this Oregon Public Utility Commission (the “Commission” or
23 “OPUC”) complaint.

24

1 **Q. What topics will your testimony address?**

2 **A.** We are going to address issues related to the transmission of electricity from the
3 Paisley Project Qualifying Facility (“QF”) to PacifiCorp’s system to
4 accommodate the sale of the entire net output of the project to PacifiCorp. The
5 following sections will be included in this testimony to address EES Consulting’s
6 view of whether Surprise Valley’s claims regarding PacifiCorp’s actions are
7 appropriate.

- 8 • Background on the Project in Relation to Bonneville Power
9 Administration (“BPA”) Purchases
- 10 • Differences Between Contractual and Physical Flow of Power
- 11 • Metering Requirements in Relation to the Contracts
- 12 • PacifiCorp’s Unreasonable Wholesale Transmission Requirements

13 **Q. Do you have any preliminary observations that you would like to share?**

14 **A.** Yes. Surprise Valley has faced obstacles in attempting to sell the power from the
15 Paisley Project to PacifiCorp that we have never seen in our many years of
16 experience. We have reviewed the history of the negotiations provided by
17 Surprise Valley in its Complaint, reviewed the correspondence between Surprise
18 Valley and PacifiCorp as provided in discovery, and reviewed PacifiCorp’s
19 Answer to the Complaint. During our experience in assisting numerous utilities
20 in negotiating power supply contracts we have never seen a case where the other
21 party to the agreement has continued to present one new obstacle after another
22 when negotiating a contract. Just as each issue was resolved between Surprise
23 Valley and PacifiCorp, PacifiCorp raised another issue or re-opened issues that

1 were previously resolved. It is not our place to judge whether this was a
2 deliberate attempt by PacifiCorp to prevent the contract from ever being
3 completed or if PacifiCorp's staff was merely unprepared, unknowledgeable or
4 disorganized during the negotiation process.

5 **Q. Please summarize your testimony.**

6 **A.** Surprise Valley is attempting to sell the output from its Paisley Project to
7 PacifiCorp as a QF, and PacifiCorp has an obligation to purchase power from this
8 QF. PacifiCorp has provided conflicting information to Surprise Valley and has
9 confused the physical issues of transmitting the power with contractual issues.
10 This may be because the circumstances of this purchase of QF power are unusual,
11 although they are not unprecedented. For that reason, this testimony provides the
12 following key evidence and conclusions:

- 13 • Surprise Valley purchases all of its power requirements from BPA, with a
14 majority of that power wheeled through PacifiCorp to Surprise Valley.
- 15 • On a contractual basis, power will flow from the Paisley Project to
16 PacifiCorp over Surprise Valley's lines. On a physical basis a portion of
17 the BPA power delivered to PacifiCorp on behalf of Surprise Valley will
18 be retained by PacifiCorp for its own use. That portion will be equivalent
19 to the Paisley Project output.
- 20 • Surprise Valley has sufficient system capacity to deliver the Paisley
21 output to PacifiCorp and does not need to have a published tariff or
22 transmission agreement with itself to deliver power to the PacifiCorp
23 system. Scheduling and ancillary services should not be required.

- 1 • Sufficient metering is in place to ensure that PacifiCorp receives power
2 equivalent to the Paisley Project output.
- 3 • PacifiCorp provided evidence of its commitment to purchase the QF
4 power in March of 2014. PacifiCorp has provided conflicting information
5 from various staff members and has repeatedly delayed the discussions
6 and changed its position on what is required from Surprise Valley to
7 execute a contract. This unjustifiably delayed the negotiations beyond
8 August of 2014 when the prices paid for QF power were reduced.
- 9 • PacifiCorp should be ordered to complete the PPA with Surprise Valley to
10 fulfill its obligation at prices that were in place prior to August of 2014.

11 **II. BACKGROUND ON THE PROJECT IN RELATION TO SURPRISE**
12 **VALLEY'S PURCHASES FROM BPA**

13 **Q. Please provide a brief overview of the Paisley Project and how it fits in with**
14 **Surprise Valley's contract as a full requirements power customer of BPA.**

15 A. The Paisley Project has been built within Surprise Valley's service area and
16 interconnected to Surprise Valley's own 69 kV line. However, Surprise Valley
17 already has a power supply contract to serve its own retail load of its members
18 with BPA Power Services and a Network Transmission agreement with BPA
19 Transmission Services. Surprise Valley pays BPA separate rates for power
20 supply and transmission. As part of the Load Following Product purchased by
21 Surprise Valley, BPA provides firm power to Surprise Valley on a real-time basis,
22 with balancing/ancillary services built into the product. Surprise Valley has a
23 separate Network Transmission agreement with BPA to provide firm transmission
24 service. Under this agreement Surprise Valley pays separate charges for Network
25 Transmission, Scheduling, Control & Dispatch, Operating Reserves and

1 Regulation and Frequency Response. BPA serves many different electric utilities
2 in the Pacific Northwest providing these same services.

3 **Q. Does BPA use its own transmission to serve Surprise Valley?**

4 **A.** While a portion of Surprise Valley's load is served directly from BPA's
5 transmission system, the majority is transferred or wheeled through PacifiCorp's
6 transmission system to reach Surprise Valley. This is due to the fact that
7 geographically Surprise Valley is closer to PacifiCorp's transmission system than
8 BPA's system. Many of BPA's customers are closer to the BPA transmission
9 system and therefore are directly interconnected to BPA. Some customers, like
10 Surprise Valley, are served using wheeling from other utilities. Surprise Valley's
11 power and transmission agreements are directly with BPA, and Surprise Valley
12 does not have a wheeling agreement with PacifiCorp for the delivery of its BPA
13 power. BPA has made the arrangements with PacifiCorp whereby PacifiCorp
14 transfers the BPA power necessary for Surprise Valley's retail load over
15 PacifiCorp's lines, and Surprise Valley is not a party to that agreement.

16 **Q. Does BPA serve as the Balancing Authority for Surprise Valley?**

17 **A.** No. BPA is the Balancing Authority for the majority of its customers. For
18 Surprise Valley, however, PacifiCorp is the Balancing Authority. As with
19 transmission, Surprise Valley pays for ancillary services from BPA and does not
20 pay PacifiCorp directly for any of these services. While PacifiCorp may actually
21 be providing ancillary services that are used for deliveries to Surprise Valley's
22 retail loads, PacifiCorp would be doing so on behalf of BPA through the
23 agreement between PacifiCorp and BPA.

1 **Q. How does the Paisley Project fit into the current contracts between Surprise**
2 **Valley and BPA?**

3 **A.** As Surprise Valley does not plan to use the Paisley Project to serve its own loads,
4 it has no impact on the contract to purchase power supply, transmission and
5 ancillary services from BPA. BPA will still be obligated to supply and deliver
6 Surprise Valley's total load requirements.

7 **III. DISCUSSION OF THE DIFFERENCES BETWEEN CONTRACTUAL**
8 **AND PHYSICAL FLOW OF POWER**

9 **Q. Please explain what you mean by contractual flow and physical flow.**

10 **A.** It is not unusual for there to be a difference between contractual flows and
11 physical flows on an electric system. Power purchases and sales are typically
12 made on a contractual level. The contractual flow of power reflects the purchase
13 and sale of power within a contract between two parties. Payments are made
14 based on the contractual flow of power. While contractual flows and physical
15 flows are often the same, in some cases the physical flow will differ from the
16 contractual flow. This distinction is important to understanding Surprise Valley's
17 power and transmission purchases from BPA and the proposed sale of Paisley
18 Project output to PacifiCorp.

19 **Q. How does the BPA sale of power to Surprise Valley work in terms of both the**
20 **contractual flow and physical flow?**

21 **A.** On a contractual basis, Surprise Valley buys power and transmission directly from
22 BPA. BPA in turn has an agreement with PacifiCorp such that the power flows
23 from BPA to Surprise Valley using PacifiCorp's system. No PacifiCorp power is
24 used on a contractual basis to serve Surprise Valley load. On a physical basis,
25 BPA power is delivered into the PacifiCorp system. But the actual electrons

1 supplied by BPA do not necessarily reach Surprise Valley's system. Instead the
2 BPA power may be used to serve some of PacifiCorp's retail loads and in turn
3 some of PacifiCorp's generated power may actually flow into the Surprise Valley
4 service area to serve its retail loads. This approach has economic and technical
5 efficiencies compared to physical flows that would actually wheel the BPA
6 electrons all the way to Surprise Valley. This is a clear example of a case where
7 the contractual flow differs from the physical flow. Of course the physical flow
8 of power needs to be sufficient to enable the contractual sale of power, however,
9 the physical flow does not need to match the contractual flow in order to have a
10 valid power sale and transmission contract.

11 **Q. How would the proposed sale of QF power to PacifiCorp work in terms of**
12 **contractual and physical flow?**

13 **A.** As proposed, Paisley Project power would be sold directly to PacifiCorp on a
14 contractual basis. As such, Paisley Project power should be considered a
15 delivered product since, on a contractual basis, Surprise Valley's system would be
16 used to deliver the power to the point of interconnection between Surprise Valley
17 and PacifiCorp.

18 On a physical basis, the Paisley Project power would likely be used within
19 Surprise Valley's own service area and that use would in turn reduce PacifiCorp's
20 need to deliver power to the Surprise Valley system. The power that is scheduled
21 by BPA to PacifiCorp on behalf of Surprise Valley would remain the same. The
22 difference between what BPA delivers to PacifiCorp and what PacifiCorp delivers
23 to Surprise Valley would be the power made physically available for PacifiCorp's
24 use under the Public Utility Regulatory Policies Act ("PURPA") contract. This

1 would be a displacement of power, and the contractual delivery can be tracked
2 through metering. In other words, PacifiCorp will have an increase in power on
3 its system equal to the actual net output of the Paisley Project, minus losses.

4 **IV. METERING REQUIREMENTS IN RELATION TO THE CONTRACTS**
5 **WITH PACIFICORP AND BPA**

6 **Q. How will metering impact the contractual sales between BPA and Surprise**
7 **Valley?**

8 **A.** In order for all parties to fulfill their obligations on a contractual basis, metering
9 will need to be in place that allows for the proper accounting of sales and
10 purchases. Metering measures the physical and not the contractual flow of power
11 and therefore systems must be configured to capture the contractual sales. The
12 Paisley Project is behind the current meters on Surprise Valley's system, and for
13 most operational hours, it will just look like Surprise Valley's loads had been
14 reduced from a metering perspective. If Surprise Valley contractually used the
15 net output to serve its load, then BPA would not need to continue delivering the
16 amount of power equal to Surprise Valley's full system load.

17 However, that is not the case under the proposed contractual sale of the
18 Paisley Project's net output to PacifiCorp. When the Paisley Project is operating,
19 Surprise Valley's load for the purposes of its purchases from BPA will not be
20 based on the total metered load at the various points of delivery. The metered
21 load at the various points of delivery will be lower than Surprise Valley's load
22 because the Paisley Project is generating power. Instead, Surprise Valley's
23 purchases from BPA will be based on the net metered load at the various points of
24 delivery, plus the metered output of the Paisley Project. This will capture the full
25 Surprise Valley system load. The full system load will be the basis for the

1 amount of power and transmission Surprise Valley purchases from BPA as well
2 as the amount of wheeling that BPA acquires from PacifiCorp. Metering at the
3 Paisley Project will also measure the amount of QF contract power sold to
4 PacifiCorp.

5 **Q. Will changes in metering be required to sell the Paisley Project output to**
6 **PacifiCorp?**

7 **A.** No. PacifiCorp has proposed a “Construction Agreement” to install additional
8 metering that it may believe is necessary to ensure proper accounting of the
9 transactions. This Construction Agreement was entered into between PacifiCorp
10 ESM and PacifiCorp Transmission and was the culmination of studies by
11 PacifiCorp Transmission into the requirements it believed were necessary for
12 PacifiCorp ESM to take title to the QF’s entire net output and serve PacifiCorp’s
13 loads with that net output, which we discuss further below. PacifiCorp has
14 provided estimated costs for the additional metering identified in the studies and
15 Construction Agreement, and it has stated that the costs should be assigned to
16 Surprise Valley. As discussed below, Surprise Valley may well have been willing
17 to agree to this additional expense to move the power purchase agreement
18 forward, but PacifiCorp never requested that Surprise Valley pay for the
19 additional metering identified by PacifiCorp’s transmission personnel as
20 necessary to consummate the transaction. In addition, PacifiCorp has not
21 explained whether this metering is required under an on-system, off-system, or

1 hybrid on/off system PPA, or is sufficient to allow Surprise Valley to sell the net
2 output.¹

3 However, in any event, as discussed in the testimony of Stephen Anderson
4 at pages 7-9, this additional metering is redundant and not actually needed to
5 ensure adequate tracking of contractual sales of retail deliveries from BPA to
6 PacifiCorp, the sale of the net output from Surprise Valley to PacifiCorp, or of the
7 wheeling of power from Surprise Valley to PacifiCorp. It is Mr. Anderson's
8 expert opinion that existing metering is sufficient. Existing metering is also
9 sufficient to track the actual physical increase in power on PacifiCorp's system
10 when the Paisley Project generates power. The only thing that may need to
11 change are the metering points identified in the contract between Surprise Valley
12 and BPA and between PacifiCorp and BPA.

13 Mr. Anderson also testifies that the additional metering that has been
14 proposed under the Construction Agreement would also allow adequate tracking
15 of contractual sales and tracking of the additional physical power that is placed on
16 PacifiCorp's system. We are not taking a position on whether this new metering
17 should be installed, but pointing out that metering has been, or will be, installed to
18 allow tracking of the power.

19 PacifiCorp claims that "the lack of verifiable delivery arrangements would
20 make it impossible for PacifiCorp to determine precisely how much power its

¹ PacifiCorp's discovery responses demonstrate PacifiCorp's confusing position and lack of cooperation on this issue. SVEC/203, Culp/64, 142, 143, 191 (SVEC 2.6, 4.22, 4.25, and 10.3).

1 customers receive from Surprise Valley in each hour.”² Based on Mr. Anderson’s
2 testimony, the existing metering is sufficient to provide verifiable amounts for the
3 BPA sales to Surprise Valley (equal to the full Surprise Valley load), the output
4 from the project, and the net amount of deliveries made by PacifiCorp to Surprise
5 Valley on behalf of BPA. Based on these three measurements, PacifiCorp will
6 have a verifiable measurement of the amount of power associated with sale of the
7 QF power to PacifiCorp. While the specific electrons generated by the QF will
8 not themselves be color coded and guaranteed to show up on PacifiCorp’s system,
9 the equivalent amount of power will be made available to PacifiCorp and can be
10 tracked through metering. This is also true under the additional metering that
11 would be installed under PacifiCorp’s Construction Agreement.

12 **V. PACIFICORP’S UNREASONABLE WHOLESALE TRANSMISSION**
13 **REQUIREMENTS FOR THE PAISLEY PROJECT AND**
14 **UNREASONABLE DELAY IN EXECUTING A WRITTEN POWER**
15 **PURCHASE AGREEMENT**

16 **Q. The Paisley Project output is referred to as a delivered product. Does that**
17 **mean that Surprise Valley has the necessary firm wholesale transmission to**
18 **deliver the output to PacifiCorp?**

19 A. Yes. Surprise Valley owns both the Paisley Project and all of the electrical
20 equipment required to deliver the Paisley Project’s output to PacifiCorp.
21 Surprise Valley does not need to acquire wholesale transmission from any other
22 party to deliver the power. Surprise Valley has an adequate interconnection to
23 deliver the Paisley Project’s output to PacifiCorp directly. Surprise Valley did not
24 need to build a new direct generation intertie from the Paisley Project to
25 PacifiCorp because there is sufficient capacity on its own electrical system to

² PacifiCorp’s Answer at 3-4.

1 deliver the power. Stephen Anderson has submitted testimony attesting to this
2 fact.³ Also, because Surprise Valley owns both the Paisley Project and the
3 necessary wheeling capacity, there is no need for a firm wholesale contract or
4 tariff with itself, contrary to PacifiCorp's assertions.

5 **Q. Please explain why Surprise Valley does not need a wholesale transmission**
6 **agreement with itself.**

7 **A.** Surprise Valley is a small electric cooperative owned by its members. Unlike
8 PacifiCorp, its retail sales are not regulated by the OPUC, and it is not regulated
9 by the Federal Energy Regulatory Commission ("FERC"). Surprise Valley does
10 not provide wheeling service to outside parties, other than PacifiCorp, and
11 therefore has never developed a published wholesale wheeling tariff. It does not
12 have two separate business lines that must contract with one another to provide
13 the transmission necessary to deliver power to its customers. Because the
14 ownership of all assets is combined under the cooperative, Surprise Valley has the
15 ability to use any and all of its assets to facilitate the delivery of power to
16 PacifiCorp. Perhaps because PacifiCorp is structured differently than a small
17 cooperative, it does not understand that FERC's functional separation rules
18 applied to PacifiCorp do not apply to Surprise Valley.

19 For perspective, in 2014, Surprise Valley's total retail energy sales to its
20 members was 145 GWh⁴ while PacifiCorp had sales of 12,959 GWh⁵ for the same
21 time period. The Paisley Project's output is expected to be roughly 18 GWh per

³ SVEC/400, Anderson/11.

⁴ 2014 data provided in the Surprise Valley 2014 Operations Report

⁵ 2014 data provided in the PacifiCorp Annual Report 2014 – Supplement to FERC Form 1.

1 year. While the Paisley Project has a net peak output of about 2.3 MW,
2 PacifiCorp has a net-owned generating capacity of over 11,000 MW.

3 **Q. Do other small electric utilities generally have wholesale transmission**
4 **agreements with themselves?**

5 **A.** No. While many small utilities have wholesale transmission tariffs and contracts
6 to accommodate wheeling requested by third parties, we do not know of any that
7 have contracts with themselves to wheel power to their own customers or to
8 wheel power for wholesale power sales from themselves to outside parties. This
9 is true even for larger utilities that own significant amounts of generation and
10 transmission, like Seattle City Light, Tacoma Power and Clark Public Utilities.

11 **Q. Is there a need for scheduling or ancillary services to accompany the firm**
12 **wheeling that Surprise Valley is providing for the Paisley Project?**

13 **A.** No. Firm delivery can be provided without the services identified. Firm delivery
14 requires an uninterruptible ability to deliver power to the purchaser, but does not
15 necessarily require the provision of scheduling and ancillary services.

16 If Surprise Valley were outside of the PacifiCorp Balancing Authority, the plant
17 output might need to be scheduled in whole MW blocks into PacifiCorp's
18 Balancing Authority, and the necessary ancillary services could be used to meet
19 the standards of transmitting power between two different Balancing Authorities.
20 The delivery of the power between balancing authorities, however, could also be
21 effectuated with 15-minute scheduling or a dynamic transfer – neither of which is
22 consistent with the MWh block deliveries PacifiCorp appears to insist upon for
23 Surprise Valley. In fact, PacifiCorp has confirmed in discovery that PacifiCorp
24 Transmission currently accepts deliveries from multiple resources interconnected

1 to other utilities under “firm” transmission deliveries that are made with a
2 “pseudo tie” or another type of dynamic delivery.⁶

3 In this case, Surprise Valley is delivering power within the PacifiCorp
4 Balancing Authority, and ancillary services are not needed. This is supported by
5 the standard practice we have seen with other utility clients. It is similar to the
6 comparable QF power sale from Kootenai Electric Cooperative, Inc. (“Kootenai
7 Electric”), which is discussed further below. It is also supported by PacifiCorp’s
8 own correspondence regarding the Paisley Project, also discussed below. As the
9 PPA would be for the entire net output of the resource rather than a fixed MW
10 amount, there would be no need to package up the QF’s precise net output into a
11 whole MW increment with non-QF imbalance energy or to provide back-up
12 power for the project. The size of the project is also very small relative to the
13 total system size for PacifiCorp, and any differences between the actual net output
14 and whole-MW increments, that may be supplied under a MWh block delivery
15 with ancillary services, would be infinitesimal relative to PacifiCorp’s total
16 system load.

17 **Q. Please discuss the standard practice you have seen for other small utilities.**

18 **A.** As noted above, small utilities do not contract with themselves for transmission
19 services. Surprise Valley’s case is somewhat unique because the Paisley Project’s
20 output will be sold to a private utility via a QF contract. However, it is not
21 uncommon for utilities to have small generating resources located in their service
22 territories. We know of several BPA customer utilities that have generating

⁶ SVEC/203, Culp/48-50 (PacifiCorp Response to SVEC DR 2nd Supp. 1.48).

1 resources in the size range of one to three MW sited in their service territories. In
2 these cases the project output is used to serve load. These utilities do not sign
3 contracts with themselves to wheel project output across their own systems to
4 serve their own retail loads. Contractually, these cases are different from the
5 Paisley Project given that output is not sold to another utility. However,
6 physically these cases are no different than Surprise Valley's Paisley Project.

7 **Q. Please discuss the arrangements in place for Kootenai Electric's QF Project.**

8 A. The QF Project owned by Kootenai Electric is discussed in the testimony of
9 Shawn Dolan (SVEC/400). In that case, Kootenai Electric owns a 3.2 MW
10 landfill gas plant with power that has in the past been sold under PURPA to
11 Avista. As discussed on pages 5-6 of Mr. Dolan's testimony, both Kootenai's QF
12 and transmission path are within Avista's Balancing Authority, and Avista
13 accepted and purchased the QF's output without schedules, other ancillary
14 services, or eTags. Overall, the circumstances of Kootenai Electric and its QF are
15 the same as for Surprise Valley and its QF. This example therefore provides a
16 strong precedent for the appropriate conditions for Surprise Valley's QF
17 agreement with PacifiCorp.

18 **Q. Please discuss the various correspondence provided by PacifiCorp staff that**
19 **support the position that scheduling and ancillary services are not required**
20 **for the Paisley Project.**

21 A. While the various correspondences we reviewed support the fact that
22 transmission, scheduling and ancillary services agreements are not required, they
23 also point out the changes in PacifiCorp's position on these issues over time.
24 During the negotiations between Surprise Valley and PacifiCorp, PacifiCorp first
25 thought that Surprise Valley was an off-system resource, then concluded that the

1 Paisley Project would be an on-system resource, and then concluded the Paisley
2 Project would be an on/off-system resource. It was only after Surprise Valley
3 filed a complaint that PacifiCorp once again brought up the treatment of the
4 Paisley Project as an off-system resource. The additional condition that Surprise
5 Valley must enter into a wheeling agreement with itself was not mentioned until
6 PacifiCorp's Answer to Surprise Valley's Complaint was filed. While this
7 progression of PacifiCorp's positions demonstrates the obstructionism deployed
8 by PacifiCorp, it also assists in demonstrating the factual nature of the proposed
9 integration of the Paisley Project.

10 In looking at correspondence related to the transaction, it is clear that
11 PacifiCorp does not typically deal with circumstances such as those presented by
12 the Paisley Project's configuration, which may have led to confusion on
13 PacifiCorp's part as to how to treat the Paisley Project. PacifiCorp's PURPA
14 contract administrators are within the division of the Company known as
15 PacifiCorp Energy Services Management ("ESM"), which is separate from
16 PacifiCorp Transmission.⁷ It appears that PacifiCorp's PURPA contract
17 administrators needed information from PacifiCorp's transmission staff to
18 determine how the Paisley Project should be treated. The transmission staff
19 determined that the Paisley Project could easily be integrated into PacifiCorp's
20 system without the need for outside transmission, scheduling and ancillary

⁷ PacifiCorp ESM is the current name for PacifiCorp's merchant operations, which has formerly known and described in the documents and communications as PacifiCorp Energy, PacifiCorp Commercial and Trading, or PacifiCorp Merchant. A list of most of the PacifiCorp employees or contractors involved in this case and their role in processing Surprise Valley's PURPA request is included in SVEC/203, Culp/29-32 (PacifiCorp Response to SVEC DR 1.35).

1 services.⁸ After that information was provided to PacifiCorp’s PURPA contract
2 administrators, they continued to make additional demands on Surprise Valley
3 that delayed the contract to the point where new avoided costs rates for Schedule
4 37 were filed. If PacifiCorp’s PURPA contract administrators had relied on the
5 information provided to them by the transmission staff, the contract could have
6 been completed in a timely fashion and at the earlier avoided cost rates. It is
7 unclear from the various correspondences whether the delays by the PacifiCorp’s
8 PURPA contract administrators were due to miscommunication, lack of
9 understanding, incompetence, or intentional obstructionism. In any event,
10 Surprise Valley has been harmed by the significant delay in finalization of the
11 written contract.

12 **Q. Please discuss the specific correspondence relied on in making your claims.**

13 A. On November 6, 2013, PacifiCorp provided a draft Off-System Power Purchase
14 Agreement (“PPA”) to Surprise Valley which included Addendum W, which lays
15 out the transmission and scheduling requirements of the seller.⁹ However, that
16 addendum specifically states in the very first line that “WHEREAS, Seller’s
17 Facility is not located within the Balancing Authority of PacifiCorp” Given
18 that Surprise Valley’s Paisley Project is within PacifiCorp’s Balancing Authority,
19 PacifiCorp clearly erred by providing inappropriate terms for a PURPA contract.
20 It is clear from the first line in the Addendum that it does not apply to Surprise
21 Valley’s QF. It follows that none of the requirements under Addendum W,
22 including the responsibility to schedule delivery, apply to Surprise Valley’s QF.

⁸ SVEC/202, Culp/57.

⁹ SVEC/204.

1 On December 16, 2013 John Younie, a PURPA contract administrator
2 located within PacifiCorp ESM, sent an email to Bruce Griswold, another PURPA
3 contract administrator within PacifiCorp ESM, that stated, “This Surprise Valley
4 deal is unusual, it looks like BPA is out of the picture. Maybe the off-system PPA
5 is not the appropriate PPA template.”¹⁰ On December 30, 2013, John Younie
6 (PacifiCorp ESM) sent a memo to Lynn Culp (Surprise Valley) that stated that
7 PacifiCorp “determined that the on-system PPA was the appropriate format for
8 this deal.”¹¹

9 On March 20, 2014, Jim Schroder (PacifiCorp ESM) sent a letter to Brian
10 McClelland (PacifiCorp Transmission) making a Network Resource Status
11 Request.¹² That letter specifically states, “There will be no documented Third
12 Party transmission agreements to deliver resource to the PacifiCorp system.
13 Resource is owned by [Surprise Valley], who is on a radial tap from the Lakeview
14 Switch.”¹³ It is clear from this request that the Paisley Project output would be
15 delivered directly to PacifiCorp’s system and that PacifiCorp would study the
16 steps necessary to designate the resource as a Network Resource.

17 **Q. Please explain what you mean by “Network Resource” and why the request**
18 **to designate the QF as a Network Resource of PacifiCorp ESM is significant?**

19 **A.** Within PacifiCorp’s Open Access Transmission Tariff (“OATT”) a Network
20 Resource is defined as follows:

21 Any designated generating resource owned, purchased, or leased
22 by a Network Customer under the Network Integration
23 Transmission Service Tariff. Network Resources do not include

10 SVEC/202, Culp/17.

11 SVEC/202, Culp/31.

12 SVEC/203, Culp/92.

13 SVEC/203, Culp/92.

1 any resource, or any portion thereof, that is committed for sale to
2 third parties or otherwise cannot be called upon to meet the
3 Network Customer's Network Load on a non-interruptible basis,
4 except for purposes of fulfilling obligations under a reserve sharing
5 program or output associated with an EIM Dispatch Instruction.¹⁴

6 Instructions included on page 103 of the OATT state that a request for
7 Network Resource status by the Network Customer (here, PacifiCorp ESM) must
8 include a statement that the resource satisfies two conditions. The conditions are:
9 “(1) the Network Customer owns the resource, has committed to purchase
10 generation pursuant to an executed contract, or has committed to purchase
11 generation where execution of a contract is contingent upon the availability of
12 transmission service under Part III of the Tariff; and (2) The Network Resources
13 do not include any resources, or any portion thereof, that are committed for sale to
14 non-designated third party load or otherwise cannot be called upon to meet the
15 Network Customer's Network Load on a noninterruptible basis, except for
16 purposes of fulfilling obligations under a reserve sharing program.”

17 The only possible uncertainty at the time of a properly filed request for
18 designation as a network resource is “the availability of transmission service
19 under Part III of the Tariff.” Part III of the Tariff (the OATT) regards network
20 transmission across PacifiCorp’s own system to PacifiCorp’s network loads. In
21 other words, the only possible contingency at the time of the request made by
22 PacifiCorp ESM on March 20, 2014 was the availability of transmission on
23 PacifiCorp’s own system, i.e. from the point of interconnection with Surprise

¹⁴ PacifiCorp FERC Electric Tariff Volume No. 11 Open Access Transmission
Tariff Issued By: Rick Vail Part I Section 1, v.8.0.0 Vice President, Transmission
Effective: December 1, 2015, at pp. 11-12, available online at
http://www.oasis.oati.com/PPW/PPWdocs/20151201_OATTMASTER.pdf.

1 Valley's system to PacifiCorp's loads that would use the output of the proposed
2 network resource. This contingency is a limited exception to FERC's rule that the
3 resource must be a fully committed resource at the time of the network resource
4 request. This limited exception allows the parties to the power sale transaction to
5 back out of their commitment only if PacifiCorp Transmission determines there is
6 inadequate network transmission on PacifiCorp's system to accept and use the
7 deliveries from the resource.

8 The fact that PacifiCorp submitted the Network Resource Status Request
9 with the necessary statements indicates that PacifiCorp had made a commitment
10 to purchase the output of the entire project and that PacifiCorp ESM believed that
11 the entirety of the QF's net output would be available on a firm basis to serve
12 PacifiCorp's loads. This is contrary to the concerns raised in PacifiCorp's
13 Answer regarding use of the project output to serve Surprise Valley loads. As the
14 agreement had not yet been executed it would fall under the category of being
15 contingent upon network transmission availability across PacifiCorp's own
16 system to PacifiCorp's loads. The Request clearly stated: "Resource output will be
17 delivered to PacifiCorp's system on the 69 kV Lakeview Switch (pole #9/2) near
18 Lakeview, Oregon." The Request further explained: "There will be no documented
19 Third Party transmission arrangements **to deliver resource to PacifiCorp**
20 **system.** Resource is owned by SVEC, who is on radial tap from the Lakeview
21 Switch".¹⁵ This indicates that Surprise Valley did not need to secure a separate
22 transmission agreement with itself or any other party for use of Surprise Valley's
23 own transmission system to deliver the entire net output of the QF to PacifiCorp's

¹⁵ SVEC/203, Culp/92 (Emphasis added.)

1 system, contrary to what PacifiCorp now asserts in its Answer. PacifiCorp ESM's
2 own request for network resources status is entirely consistent with Surprise
3 Valley's position in this case.

4 **Q. Do PacifiCorp's internal correspondence regarding the network resource**
5 **request for the Paisley Project shed any light on the feasibility of PacifiCorp**
6 **ESM taking title to the entire net output, or identify any insurmountable**
7 **hurdles?**

8 **A.** On January 13, 2014, Doug Meeuwsen (PacifiCorp ESM's transmission
9 coordinator) sent an email to John Younie (ESM) discussing the likelihood of
10 being able to designate the resources as a network resource and specifically
11 stated: "Do not anticipate any issues obtaining network resource status."¹⁶

12 On February 25, 2014, Mr. Younie sent an email to Surprise Valley's Mr.
13 Culp where he stated as follows regarding the process of designating the QF as a
14 network resource of PacifiCorp's ESM: "A result of the Network Resource
15 request will be a system impact study that shows the system upgrades required in
16 order to receive your generation into PacifiCorp's system."¹⁷

17 PacifiCorp ESM considered to "pseudo tie" the QF to PacifiCorp
18 system.¹⁸ A pseudo tie is a type of dynamic transfer, which is generally
19 understood as a real-time transfer that moves generation out of one BA and into
20 another receiving BA.¹⁹

21 However, on April 1, 2014, Brian Fritz (PacifiCorp Transmission) sent an
22 email to Bruce Griswold (ESM) and others that stated that they would not look to

¹⁶ SVEC/202, Culp/40.

¹⁷ SVEC/202, Culp/49.

¹⁸ SVEC/202, Culp/57, 59.

¹⁹ See http://www.nerc.com/files/glossary_of_terms.pdf (defining the term "dynamic transfer").

1 “pseudo tie the Surprise Valley into our system as it is already in our control area.
2 What we need to do is look at resolving this issue with metering ...to ensure we
3 see the resource show up on our system.”²⁰ PacifiCorp Transmission
4 subsequently completed the necessary studies and identified no impediments to
5 such a metering arrangement, which is discussed further below.

6 On August 26, 2014, Bruce Griswold sent an email to Lynn Culp (Surprise
7 Valley) clarifying that they “were not going to do any PPA that could not be
8 physically metered and measured as having been delivered to PacifiCorp’s
9 system.”²¹ Mr. Griswold also discussed the metering arrangements being
10 investigated in the system impact study resulting from PacifiCorp ESM’s request
11 to designate the QF as a network resource. He indicated that the purpose of the
12 transmission studies was to determine the metering necessary to measure the net
13 output as a product delivered to PacifiCorp’s system.

14 Based on this history of correspondence within PacifiCorp and between
15 PacifiCorp and Surprise Valley, it is clear that given the circumstances of the
16 Paisley Project, the concern that PacifiCorp has is the ability to ensure that
17 PacifiCorp actually is credited with the full output of the Paisley Project. Surprise
18 Valley has every intention of ensuring that PacifiCorp receives the contractual
19 credit and physical right to use electricity equal to the full amount of the Paisley
20 Project output, minus losses.

21 **Q. What were the results of the studies performed by PacifiCorp after the**
22 **Request for Network Resource Status was made?**

²⁰ SVEC/202, Culp/57.

²¹ SVEC/202, Culp/83.

1 A. PacifiCorp Transmission completed internal studies to determine the system
2 impact of the resource and determine whether any facilities were needed to
3 integrate the resource. These studies resulted in an identified need for \$450,000
4 for advanced metering and communications and a proposed Construction
5 Agreement between the PacifiCorp ESM and PacifiCorp Transmission. No other
6 facilities were identified as being necessary in the studies or the Construction
7 Agreement. Although Surprise Valley was not a party to this Construction
8 Agreement and had no ability to steer its course or PacifiCorp's performance
9 thereunder, PacifiCorp indicated that it expected Surprise Valley to pay for the
10 costly metering upgrades on PacifiCorp ESM's behalf.²² PacifiCorp filed this
11 Construction Agreement with FERC, further exhibiting PacifiCorp's belief that
12 the upgrades contained therein would allow for receipt of the QF's entire net
13 output without any third party transmission arrangements secured by Surprise
14 Valley.

15 We previously referred to the advanced metering requirements on pages 8-
16 11 of this testimony. It is our position that the current metering is sufficient to
17 enable the contractual flow of power between the parties and that the additional
18 metering facilities are not needed, however Surprise Valley was at one point
19 willing to sign an agreement to reimburse PacifiCorp for the facilities identified in
20 PacifiCorp's internal Construction Agreement to advance the PPA process.²³ As
21 explained by Mr. Kresge in his direct testimony, PacifiCorp withdrew both the
22 reimbursement agreement and Construction Agreement without any explanation,

²² SVEC/203, Culp/142, 191 (PacifiCorp Responses to SVEC DR 4.22 and 10.3).

²³ SVEC/203, Culp/191 (PacifiCorp Response to SVEC DR 10.3)

1 even though it had in fact filed the agreement with FERC.²⁴ This left Surprise
2 Valley with a great deal of uncertainty over what would be required to enable the
3 sale of power to PacifiCorp, and PacifiCorp has not even provided a clear answer
4 to this question in discovery during this contested case proceeding.²⁵ Even
5 though the existing Construction Agreement is still in effect, PacifiCorp has
6 recently asserted in discovery that it would need to submit a whole new request
7 for network resource designation.²⁶ As with other aspects of the negotiation
8 process, PacifiCorp has shifted its position over time and blocked the aspects of
9 the agreement over which it has control, leaving Surprise Valley with no path to
10 complete the PPA.

11 **Q. Did PacifiCorp timely process the request for designation of the Paisley**
12 **Project as a network resource of PacifiCorp ESM?**

13 **A.** No. There were multiple steps required to process the network resource request
14 that was made on March 20, 2014. The first several steps included items
15 associated with entering into agreements for and completing a System Impact
16 Study and Facilities Study. Those steps had various timelines required under the
17 OATT, and while a few of the steps were executed well within the timelines, most
18 either took the full time allowed or went over the allowed time by a few days.
19 After the Facilities Study was completed, which occurred on September 26, 2014,
20 PacifiCorp ESM took until June 1, 2015 to execute and return the service
21 agreement necessary to complete the upgrades identified by the Facilities Study.
22 This step had a timeline of 30 days, as required by section 32.4 of the OATT, but

²⁴ SVEC/100, Kresge/24.

²⁵ SVEC/203, Culp/142, 191, 198-200 (PacifiCorp Responses to SVEC DR 4.22, 10.3, 12.3).

²⁶ SVEC/203, Culp/203 (PacifiCorp Response to SVEC DR 12.6).

1 PacifiCorp ESM took over 8 months to complete this task, despite the 30-day
2 requirement. Further, PacifiCorp has not provided an explanation regarding this
3 lengthy delay. In fact, when Surprise Valley questioned PacifiCorp staff about
4 the delay in completing the upgrades in March of 2015, it was explained that the
5 construction was pushed out to reflect the anticipated signing date of April 3,
6 2015. However, no explanation was given regarding the expected delay in the
7 signing date and the question was re-routed to other PacifiCorp staff, but it
8 appears that no one provided an answer to the question. Subsequently, the
9 signing date slipped even further to June 1, 2015 and PacifiCorp has not provided
10 an explanation for the 8-month delay, as requested in the discovery requests.

11 Once the service agreement was signed in June, PacifiCorp failed to notify
12 Surprise Valley that the agreement had been signed.

13 **Q. What are your conclusions regarding the metering issues associated with the**
14 **the Paisley Project?**

15 PacifiCorp stated that proper metering should resolve issues related to ensuring
16 that the receipt and transfer of title of the QF's entire net output would be verified,
17 and there is sufficient metering from an electrical engineering and contract
18 perspective. PacifiCorp, however, has refused to state whether or not the current
19 metering or the metering identified in the PacifiCorp transmission studies is
20 sufficient. Given the lengthy delays and the lack of clear answers provided by
21 PacifiCorp, we must conclude that PacifiCorp is either deliberately attempting to
22 make things difficult to the point that Surprise Valley will give up on selling the
23 Paisley Project output to PacifiCorp, or that PacifiCorp has serious internal
24 communication and project management problems.

1 **Q. Given the timeline of events and the correspondence, what would the**
2 **appropriate rate be for the PPA?**

3 **A.** PacifiCorp reduced its avoided cost rates contained in Schedule 37 in August of
4 2014. Based on the history and timeline of communication between the two
5 parties, it is clear that things were proceeding along with the simple approach
6 proposed by the transmission staff at PacifiCorp up until August 2014. While it
7 took PacifiCorp roughly one year from the time Surprise Valley requested a PPA
8 for its QF Paisley Project until the time Mr. Griswold notified Surprise Valley that
9 there were still concerns about ensuring PacifiCorp would be credited for the
10 QF's entire net output, it appeared that the process was moving along and that a
11 PPA would be forthcoming, just as Mr. Griswold attested was the case as early as
12 March 2014 during the network resource designation process.

13 While we did not participate in the negotiations, it is our understanding
14 from reviewing the testimony of Brad Kresge and Lynn Culp, the discovery
15 responses, and written communications, that PacifiCorp delayed and created
16 roadblocks throughout the entire contract negotiation. This had the impact of
17 reducing the rates that PacifiCorp claimed it was required to pay for the Paisley
18 Project. It is our opinion that Surprise Valley is entitled to the Schedule 37 rates
19 that were in place prior to August 2014 as that reflects the rates in place at the
20 time Surprise Valley was committed to selling the entire net output of the QF to
21 PacifiCorp and before PacifiCorp refused to sign a PPA. This is supported by
22 PacifiCorp ESM's March 20, 2014 request for Network Resource Status, which
23 includes an attestation by Bruce Griswold that PacifiCorp "has committed to
24 purchase generation pursuant to an executed contract, or has committed to

1 purchase the generation where execution of a contract is contingent upon the
2 availability of transmission service under Part III of the OATT.”²⁷ As discussed
3 earlier in this testimony, PacifiCorp ESM could not make this request without the
4 attestation of Mr. Griswold, and the request was contingent only upon
5 transmission availability across PacifiCorp’s own system to PacifiCorp’s loads,
6 which eventually proved to be available. As the request did not contain any other
7 specific contingencies, concerns regarding metering and Surprise Valley
8 transmission agreements recently raised by PacifiCorp in this complaint
9 proceeding do not alleviate it of its commitment to the purchase of Paisley
10 Project’s entire net output. Based on advice of counsel, it is our understanding
11 that a false claim in the attestation would result in civil penalties, and potentially
12 criminal violations, indicating that PacifiCorp was fully committed to the project
13 at the time the attestation was filed on March 20, 2014.

14 This commitment by PacifiCorp prior to August of 2014 would obligate
15 PacifiCorp to the rates in place at that time, and it appears to us that the
16 subsequent changes in PacifiCorp’s position did not represent a good faith attempt
17 to complete the written PPA.

18 **Q. The position taken in PacifiCorp’s Answer is that the Paisley Project is “an**
19 **off-system Qualifying Facility (QF) that has not provided PacifiCorp with**
20 **any legitimate wheeling arrangement to deliver QF power to PacifiCorp.”²⁸**
21 **Do the facts support this position?**

22 A. No. PacifiCorp appears to argue that Surprise Valley must execute a formal
23 transmission agreement with itself. The claim that a formal transmission
24 agreement is required from Surprise Valley is not appropriate. PacifiCorp never

²⁷ SVEC/203, Culp/100.

²⁸ PacifiCorp’s Answer at 1.

1 identified this as an issue to Surprise Valley prior to filing its Answer in this
2 proceeding. As noted above, Mr. Griswold attested to the fact that the parties had
3 already committed to a purchase agreement as early as March 20, 2014, and that
4 the sale required no documented transmission arrangements to deliver the entire
5 net output to PacifiCorp's system for use by PacifiCorp loads. As Surprise Valley
6 owns both the Paisley Project and the lines needed to deliver the power to
7 PacifiCorp's system, there is no need for a specific transmission contract for use
8 of Surprise Valley's own system. Surprise Valley is fully capable of making
9 uninterrupted transfers of the full net output across Surprise Valley's own system
10 to PacifiCorp without a written transmission agreement. With respect to ancillary
11 services, it is our opinion that given the circumstances of the Paisley Project, no
12 scheduling or ancillary services would be required to make uninterruptible
13 transfers of title and use of the QF's full net output to PacifiCorp.

14 **Q. You stated earlier that Addendum W of the off-system standard contract**
15 **proclaims that it applies only to QFs that are electrically located outside of**
16 **PacifiCorp's Balancing Authority. How could the parties use Addendum W**
17 **for a QF, like the Paisley Project, that is located *inside* of PacifiCorp's**
18 **Balancing Authority?**

19 **A.** While it seems unnecessary from both a practical perspective and on the basis of
20 standard practice for small generators within a Balancing Authority, it may be
21 possible to provide ancillary services. This would require that Surprise Valley
22 schedule the Paisley Project output into MWh blocks containing QF and non-QF
23 energy to PacifiCorp by purchasing imbalance energy related to differences
24 between actual output, which is measured in kWh, and the whole MW increments
25 submitted in the hourly schedules. PacifiCorp would actually be the entity that
26 would sell these scheduling and ancillary services to Surprise Valley because it is

1 the Balancing Authority that provides these services at the location of the
2 generator. PacifiCorp admitted in discovery that it has a legal duty to provide the
3 ancillary services to Surprise Valley if they are in fact necessary to sell the QF
4 output.²⁹ In essence, PacifiCorp's proposal would require Surprise Valley to
5 purchase non-QF imbalance energy from PacifiCorp as a precondition to selling
6 its QFs' entire net output to PacifiCorp.

7 **Q. Please describe the process that would be implemented if PacifiCorp were to**
8 **prevail in its argument that Surprise Valley must provide scheduling and**
9 **ancillary services to support deliveries of energy from the Paisley Project to**
10 **PacifiCorp's system.**

11 A. Under the off-system scheduling provisions for a QF outside of PacifiCorp's
12 balancing authority that PacifiCorp appears to want to use for the Paisley Project,
13 PacifiCorp argues that Surprise Valley must schedule output of the Paisley Project
14 in whole MW increments each hour and purchase imbalance energy and other
15 ancillary services from PacifiCorp in order to ensure delivery of the whole MW
16 amount that is scheduled in each hour.³⁰ Because the QF can generate 2.3 MW of
17 net capacity, Surprise Valley would be forced to schedule 2 MW of output in
18 some hours and 3 MW of output in other hours. Addendum W allows the QF to
19 settle its hourly under-deliveries of net output and its hourly over-deliveries of net
20 output on a monthly basis such the monthly scheduled deliveries equal the

²⁹ SVEC/203, Culp/155-157, 168 (PacifiCorp Responses to SVEC DR 8.1, Supp. 8.1, 8.11).

³⁰ SVEC/203, Culp/206-17, 220-21 (PacifiCorp Responses to SVEC DR 12.7(b), 12.8(b), 12.9(b), 12.10(b), 12.11(b), 12.12(b), 12.13(b), 12.16(b)). We note that there is no reason 15 minute scheduling could not be used, and PacifiCorp has in fact already agreed to accept deliveries under Addendum W under a 15-minute schedule from two QFs. SVEC/203, Culp/14 (PacifiCorp Response to SVEC DR Supp. 1.9). Also, if Surprise Valley was outside of PacifiCorp's balancing authority, then a pseudo tie could be used. There is no reason a similar arrangement could not be used for Surprise Valley.

1 monthly net output on a Heavy Load and Light Load Hour basis. Over the course
2 of the month, Surprise Valley would attempt to balance the amount of scheduled
3 energy with the amount of energy actually generated in both the Heavy Load
4 Hour period and the Light Load Hour Period in order to be paid the avoided costs
5 for all of its monthly net output under Addendum W's monthly settlement
6 procedures. Under Addendum W, PacifiCorp will not pay for energy delivered on
7 a monthly basis that exceeds the monthly net output. Additionally, any monthly
8 differences between the scheduled and generated amounts would result in charges
9 by PacifiCorp Transmission to Surprise Valley under the imbalance energy
10 service provisions.

11 It may be possible to intentionally under and over schedule the Paisley
12 Project's actual output in a fashion described above so as to not generally incur a
13 significant amount of imbalance energy charges. If the generation were precisely
14 under and over scheduled on a monthly basis, there would likely be little or no
15 costs associated with imbalance service. Surprise Valley has spent months
16 conducting discovery on this and other points, and it is still unclear if this
17 arrangement would be acceptable to PacifiCorp, or which ancillary services
18 PacifiCorp believes are necessary. PacifiCorp has, to date, refused to provide the
19 "Ancillary Services Agreement" that it states Surprise Valley must execute with
20 PacifiCorp Transmission, or to even identify clearly the terms and services that
21 must be contained such an agreement.³¹

³¹ SVEC/203, Culp/174-75, 177, 193, 204-17, 220-21 (PacifiCorp Responses to SVEC DR 9.2, 9.6, 11.1, 12.7, 12.8, 12.9, 12.10, 12.11, 12,12, 12.13, 12.16).

1 Despite years of negotiations and numerous rounds of data requests,
2 PacifiCorp has still not provided information regarding what metering or
3 transmission arrangements would be acceptable.

4 **Q. Did PacifiCorp ever communicate its expectations regarding how Addendum**
5 **W might apply to Surprise Valley in this unique circumstance where the**
6 **generator is located within PacifiCorp's Balancing Authority?**

7 **A.** It is our understanding that prior to Surprise Valley's Complaint, PacifiCorp *never*
8 communicated to Surprise Valley that it would need to acquire ancillary services
9 from PacifiCorp. In the Response to SVEC Data Request 9.2, PacifiCorp asserts
10 that it was Surprise Valley's responsibility to either provide or to make
11 arrangements with PacifiCorp Transmission to provide ancillary services.³²

12 Given the huge gulf in bargaining strength between the two utilities in terms of
13 size, regulation, business structure and experience with PURPA power purchase
14 agreements, and the fact that PacifiCorp is the Balancing Authority for Surprise
15 Valley, it was reasonable for Surprise Valley to expect PacifiCorp to at least
16 explain its preferences for deliveries to be made to PacifiCorp's system under this
17 unique circumstance. Leaving Surprise Valley to guess as to PacifiCorp's
18 preferred arrangements for this transaction created a barrier that contributed to the
19 extensive delays in a transaction that should have been simple and straightforward
20 – just as was the case in the analogous transaction consummated by Kootenai
21 Electric and Avista.

22 In fact, on December 13, 2013, Lynn Culp (Surprise Valley) sent an email
23 to John Younie asking for a clarification on the scheduling implications of

³² SVEC/203, Culp/174-75 (PacifiCorp Response to SVEC DR 9.2).

1 Addendum W, and there was no response to Surprise Valley.³³ This email did,
2 however, prompt the December 16, 2013, email from John Younie to Bruce
3 Griswold referenced above that included a question as to whether Surprise Valley
4 would need to schedule deliveries with PacifiCorp's transmission division.³⁴ If
5 Mr. Younie received a response to this question, it was never communicated to
6 Surprise Valley. Given that discussions turned to displacement and the metering
7 solution to ensure that the appropriate tracking of power for BPA deliveries to
8 PacifiCorp on behalf of Surprise Valley were made, it was reasonable for Surprise
9 Valley to conclude that there would be no need to schedule the power and secure
10 ancillary services from PacifiCorp in order to deliver power to PacifiCorp.

11 If it is determined that Surprise Valley is required to purchase ancillary
12 services from PacifiCorp as a precondition to selling the Paisley Project's entire
13 net output to PacifiCorp under PURPA, PacifiCorp as the Balancing Authority
14 has the obligation to provide such services under its OATT. PacifiCorp itself has
15 attested to this fact in the Response to SVEC Date Request 9.1.³⁵ However, this
16 should not impact the ability to secure the Schedule 37 rates that were in place
17 prior to August of 2014 given the fact that Surprise Valley reasonably relied upon
18 communications with PacifiCorp that no such transmission arrangements would
19 need to be made.

20 To date, PacifiCorp Transmission has failed to provide any proposed
21 contract by which it would sell the scheduling and ancillary services listed in

³³ SVEC/202, Culp/17.

³⁴ SVEC/202, Culp/17.

³⁵ SVEC/203, Culp/172-73 (PacifiCorp Response to SVEC DR 9.1).

1 Addendum W of the standard off-system contract to Surprise Valley.³⁶ If
2 PacifiCorp intended to pursue that form of transaction, it should have provided a
3 proposed arrangement long ago during negotiations. Surprise Valley has asked
4 that PacifiCorp describe the proposed transaction in discovery in this contested
5 case proceeding, but to date, we have received no clear description from
6 PacifiCorp. PacifiCorp Transmission has failed to provide even a proposed
7 contract by which it would be willing to sell the scheduling and ancillary services
8 to Surprise Valley that PacifiCorp ESM claims are necessary.

9 **Q. You mentioned earlier that PacifiCorp has an agreement with Surprise**
10 **Valley to wheel power across Surprise Valley's system. Does that agreement**
11 **impose a requirement for scheduling and ancillary services upon PacifiCorp?**

12 A. No. Surprise Valley and PacifiCorp have an agreement to wheel PacifiCorp's
13 power across a portion of Surprise Valley's system to PacifiCorp loads at the
14 Cedarville Substation.³⁷ This is a simple and straightforward agreement to wheel
15 power and since the transaction all occurs within PacifiCorp's Balancing
16 Authority, there is no requirement for PacifiCorp to schedule the deliveries in
17 whole MW blocks each hour, and no requirement for PacifiCorp to ensure that the
18 transfers are supported by energy imbalance or any other ancillary services. This
19 arrangement differs from that proposed for the Paisley Project because it is not
20 related to a specific generating project and power flows from PacifiCorp to
21 Surprise Valley rather than from Surprise Valley to PacifiCorp. However, the two
22 delivery scenarios are similar because: they both involve the transfer of power
23 within a single Balancing Authority; they both would use Surprise Valley's

³⁶ SVEC/203, Culp/174-75, 177-78, 193 (PacifiCorp Responses to SVEC DR 9.2, 9.6, 11.1).

³⁷ SVEC/102.

1 system to deliver power; and they both have a comparable peak capacity in the
2 range of 2.5 MW. PacifiCorp's wheeling agreement states that the associated
3 demand and energy will be determined from measurements made at one particular
4 meter point. There is no corresponding provision to provide schedules or
5 imbalance service to enable the transaction. Given the similarities, we do not see
6 why the transmission arrangements that Surprise Valley may use for deliveries
7 across its own system from the Paisley Project should require something different
8 than what PacifiCorp itself is allowed to use to transfer PacifiCorp's own power
9 across Surprise Valley's system.

10 **Q. In your opinion does PacifiCorp have any valid reasons not to proceed with the**
11 **purchase of power from the Paisley Project at avoided cost rates in effect prior to**
12 **August 2014?**

13 **A.** No. As previously discussed, there is metering in place to sufficiently track all of
14 the various transactions. Surprise Valley has the appropriate interconnections with
15 PacifiCorp to deliver power from the Paisley Project, and Surprise Valley has
16 always been willing and able to provide the firm wheeling on its system that
17 PacifiCorp is requesting, without the need for a separate tariff or contract with
18 itself.

19 **VI. SUMMARY AND CONCLUSION**

20 **Q. Based on your expert opinion as outlined in your testimony, what conclusions have**
21 **you reached regarding the proposed QF sale from Surprise Valley to PacifiCorp?**

22 **A.** It is our conclusion that PacifiCorp has an obligation to purchase the entire net
23 output of the Paisley Project at the Schedule 37 rates in place prior to August of
24 2014. Surprise Valley has a firm transmission path to deliver the Paisley
25 Project's entire net output to PacifiCorp on a contractual basis while displacement

1 will be used to deliver the entire net output on a physical basis. Metering will
2 allow for the necessary tracking of power flows for both the contract between
3 BPA and Surprise Valley and between Surprise Valley and PacifiCorp. BPA will
4 still be obligated to provide Surprise Valley with power to meet its entire system
5 load requirements as if the Paisley Project did not exist. PacifiCorp has presented
6 technical arguments that are in error to create roadblocks to completing the PPA,
7 causing an unnecessary delay in the process. PacifiCorp should be ordered to
8 complete the PPA with Surprise Valley to fulfill its obligation.

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

10 **A.** Yes.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1742

Surprise Valley Electrification Corp.,)
Complainant,)
)
v.)
)
PacifiCorp, dba Pacific Power,)
Defendant.)
)
_____)

**EXHIBIT SVEC/301
QUALIFICATIONS OF GARY SALEBA**

March 15, 2016

PROFESSIONAL EXPERIENCE AND BACKGROUND OF

GARY S. SALEBA

EDUCATION

MBA, Finance
Butler University
Indianapolis, Indiana

BA, Economics and Mathematics
Franklin College
Franklin, Indiana

EMPLOYMENT

October 1978 to Present
EES Consulting, Inc.
570 Kirkland Way, Suite 100
Kirkland, Washington 98033
Registered Professional Engineering and Management
Consulting Firm

Position: President

Responsibilities: Overall supervision for all of EES Consulting's electric, water, wastewater and natural gas engagements in the areas of strategic planning, financial analysis, cost of service, valuations, mergers and acquisitions, rate design, engineering, load forecasting, load research, management evaluation studies, bond financing, integrated resource planning and overall utility operations. Overall responsibility for firm's offices in Kirkland, and Portland.

Activities: Numerous testimony presentations before regulatory bodies on utility economics, strategic planning, finance, utility operations and requests for proposals. Supervised several integrated resource planning studies, average embedded and marginal cost of service studies, RFPs, technical assessments and financial planning studies for electric, water, gas and wastewater utility clients. Participated in comprehensive resource acquisition, strategic planning and demand side management analyses. Developed and verified interclass usage data. Conceptualized and implemented compliance programs for the Public Utility Regulatory Policies Act and the Energy Policy Act of 1992. Contract negotiation and energy conservation assessments. Presentation of management audit, forecasting, cost of service, integrated resource planning, financial management, and rate design seminars for the American Public Power Association, Electricity Distributors Association of Ontario, American Water

Works Association, and Northwest Public Power Association. Past Board member of Northwest Public Power Association and ENERconnect, Ltd. Past Chairman of Financial Management Committee and Management Division of the American Water Works Association. Project manager for construction of 248 MW gas turbine, and acquisition of over \$500 million of utility service territory and equipment. Supervised engineer's report for over \$5 billion in revenue bonds.

October 1977 to
October 1978

National Management Consulting Firm

Position:

Supervising Economist

Responsibilities:

Analyzed various energy related topics to determine economic impacts. Reviewed utility financial activities.

Activities:

Participated in several utility rate/financial regulatory proceedings. Provided clients with critique of issues, position papers and expert testimony on the topics of cost of service, rate design, utility finance, automatic adjustment factors, sales perspectives and class load characteristics. Conceptualized load forecasting models and assisted in economic and environmental impact analyses.

June 1972 to
October 1977

Indianapolis Power & Light Company
P.O. Box 1595 B
Indianapolis, Indiana 46206
Investor-owned Utility

Position:

Economist, Department of Rates and Regulatory Affairs

Responsibilities:

Provided general economic and rate expertise in Rates, Regulatory Affairs, Customer Service and Engineering Design Departments.

Activities:

Calculated retail and wholesale electric and steam class revenue requirements and rates. Prepared expert testimony and exhibits for state and federal agencies regarding rate design theory, application of rates and revenues generated from rates. Determined long range revenue and peak demand projections. Supervised comprehensive load research program. Supported thermal plant Environmental Impact Statements. Provided industrial liaison.

**PARTIAL LIST OF CLIENTS FOR WHOM FINANCIAL, OPERATIONAL AND STRATEGIC
PLANNING PROJECTS THAT
HAVE BEEN PERFORMED BY GARY S. SALEBA**

UNITED STATES OF AMERICA

Alabama

City of Birmingham Water and Wastewater

Alaska

City of Barrow

City of Wrangell

*Alaska Public Service Commission

*Municipal Light and Power

Alaska Village Electric Cooperative

Arizona

*Tucson Electric Power

City of Dodge

City of Page

Navopache Electric Cooperative

Arkansas

City of North Little Rock

California

City of Indian Wells

City of Palm Desert

City of Moreno Valley

*City of Corona

City of Redding

*Sacramento Municipal Utilities Board

City of Burbank

*State of California - Department of Water Resources

*Turlock Irrigation District

*City of Palo Alto

City of Anaheim

El Dorado Irrigation District

City of Glendale

*City of Pasadena

City of Roseville

Yucaipa Valley Water District

*Los Angeles Department of Water and Power

Nor-Cal Electric Authority

California (cont'd)

Jefferson JPA
City of San Marcos
City of Cerritos
Coachella Valley Association of Governments
California Power Authority
Santa Clara Valley Water District

Colorado

*CFI Steel
*Moon Lake Electric Association
City of Denver - Wastewater
*Denver Water Board

Connecticut

City of Groton

Florida

City of Pompano Beach
Florida Public Service Commission
Dade County Water and Wastewater Utilities

Idaho

Kootenai Electric
*Northern Lights
Salmon River Cooperative
Prairie Power and Light
*Department of Energy
City of Moscow
Fall River Cooperative
Lower Valley Power & Light
*Industrial Customers of Idaho Power
Clearwater Power & Light
City of Heyburn

Illinois

*City of Highland
City of Collinsville
City of Peru
City of Winnetka

Indiana

*Indianapolis Power & Light Company

Iowa

*City of Iowa City

Kentucky

*Kentucky-American Water Company

Minnesota

Polk-Burnett Electric Coop

Missouri

*General Motor, Inc.

Montana

*Beartooth Electric Cooperative

*PPL Montana

Montana Associated Cooperatives

Sun River Electric Cooperative

*Montana Power Company

Colstrip Community Center

Flathead Electric Cooperative

Glacier Electric Cooperative

Vigilante Electric Cooperative

Montana Electric Cooperative Association

Western Montana G&T

*Northwestern Energy, Inc.

Yellowstone Valley Electric Cooperative

North Dakota

City of Watford City

Garrison Diversion Conservancy District

Oregon

*Emerald PUD

Clackamas Water District

Central Lincoln PUD

*Springfield Utility Board

Tri-Cities Service District

City of Portland

City of Gladstone

City of West Linn

City of Oregon City

*Public Power Council

Central Electric Cooperative

Warm Springs Energy Cooperative

Oregon (cont'd)

Northern Wasco PUD
West Oregon Cooperative

South Dakota

Black Hills Electric Cooperative

Texas

City of League City
City of Brownsville
*City of Lubbock
Pedernales Electric Cooperative
City of San Antonio
*Texas Municipal Power Agency

Utah

*Moon Lake Electric Association
Utah Association of Municipal Power Systems

Washington

*Western Public Agencies Group
TrendWest Resorts
Weyerhaeuser Corporation
Costco
*Pend Oreille County PUD
City of Richland
Industrial Customers of Grant County
*Benton REA
Seattle City Light
*Clark Public Utilities
City of Blaine
*Snohomish County PUD
*City of Port Angeles
*Clallam County PUD
Chelan County PUD
*City of Tacoma Electric, Water and Rail Utilities
*Mason County PUD No. 3
*Peninsula Light Company
Washington Utilities and Transportation Commission
*Grays Harbor County PUD
*Pacific County PUD
City of Gig Harbor
Ferry County PUD
*City of Ellensburg
City of Redmond
Grant County PUD
*Klickitat County PUD

Washington (cont'd)

Cascade Natural Gas

*Building Owner's Management Association
City of Kennewick
Daishowa Corporation
Seattle Water Department
*Building Management Owners Association
City of Bellingham
*US Ecology, Inc.
*Avista Corporation
*Cowlitz County PUD
*City of Cheney
*City of Yakima
City of Bellevue
City of Shoreline
*Douglas County PUD
AT&T
WorldCom
City of Toppenish
City of Shoreline

Wisconsin

*Wisconsin Manufacturing Association
Polk-Burnett Cooperative

Wyoming

*Lower Valley Power and Light

CANADA

Alberta

*University of Alberta
*City of Lethbridge
*City of Red Deer
City of Medicine Hat
Ocelot Chemicals
Aqualta
City of Calgary—Water and Wastewater Utilities

British Columbia

*Fortis, BC
Alcan, Ltd.
*Princeton Power & Light
*West Kootenay Power
*Ministry of Fisheries
Crows Nest Resources
Highland Valley Cooperative

British Columbia (cont'd)

*Council of Forest Industries
Crestbrook Industries

Royal Oak Mines
UtiliCorp Canada
*Joint Industrial Electric Steering Committee
*British Columbia Transmission Corporation
*Terasen Gas

Manitoba

*Manitoba Legal Aid

Northwest Territories

*Northwest Territories Power Corporation

Ontario

ENERconnect, Inc.
Ontario Hydro
*Municipal Electric Association
North York Hydro
Toronto Hydro
*Ottawa Hydro
Electricity Distributors Association
Ontario Energy Board
*Association of Major Power Companies (AMPCO)

OTHERS

American Public Power Association
American Water Works Association
California Municipal Utilities Association
Northwest Public Power Association

*Prepared Expert Testimony

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1742

Surprise Valley Electrification Corp.,)
Complainant,)
)
v.)
)
PacifiCorp, dba Pacific Power,)
Defendant.)
)
_____)

**EXHIBIT SVEC/302
QUALIFICATIONS OF GAIL TABONE**

March 15, 2016

PROFESSIONAL EXPERIENCE AND BACKGROUND OF

GAIL D. TABONE

EDUCATION

M.S., Agricultural and Applied Economics
University of Minnesota
St. Paul, MN (1984)

B.S., Economics
University of Minnesota
Minneapolis, MN (1982)

EMPLOYMENT

August 1988 to Present EES Consulting
570 Kirkland Way, Suite 100
Kirkland, Washington 98033
Registered Professional Engineering and Management
Consulting Firm

Position: Senior Associate

Responsibilities: Management of projects including cost of service studies, rate designs, load forecasting, load research, least cost planning and financial analyses. Provide expert testimony on least cost planning, forecasting and cost of service analysis.

Activities: Design and implement computer based cost of service models for electric, natural gas and water/wastewater utilities. Prepare rate design for utilities using cost of service results and marginal cost pricing. Provide research, support and analysis related to regulatory filings. Prepare end-use and econometric load forecasts for electric utilities. Prepare statistical design for load research programs and analyze resulting load data. Conduct integrated resource plans and least cost planning for utilities, including research on generation technologies, demand-side management options, cost estimation of alternatives, and economic evaluations.

Evaluation of resource and power contract proposals and assistance with contract negotiations. Conduct analysis related to mergers and acquisitions of utilities, including pro forma financial analysis, power supply alternatives and operating strategies.

January 1986 to
June 1988

United Power Association
Elk River, MN
Generation and Transmission Cooperative

Position: Power Requirements Analyst

Responsibilities: Preparation of end-use forecast for 15 member cooperatives.

Activities: Design end-use forecasting model and prepare forecasts of specific end-uses of electricity. Conduct load pattern analysis and weather normalization. Analyze data on load management programs.

**PARTIAL LIST OF CLIENTS FOR WHOM FINANCIAL, OPERATIONAL, STRATEGIC
PLANNING AND ALLOCATIONAL/RATE ANALYSES PROJECTS
HAVE BEEN PERFORMED BY GAIL D. TABONE**

UNITED STATES OF AMERICA

Alaska

*Municipal Light and Power

Arizona

*Tucson Electric Power

California

*Northern California Generation Coalition
*Turlock Irrigation District
City of Anaheim
*Los Angeles Department of Water and Power
Nor-Cal Electric Authority
City of San Marcos
City of Cerritos
Coachella Valley Association of Governments

Florida

Dade County Water and Wastewater Utilities

Idaho

Idaho Falls Power
Kootenai Electric
*Northern Lights
Fall River Cooperative
Lower Valley Power & Light
*Industrial Customers of Idaho Power

Illinois

City of Winnetka

Minnesota

Polk-Burnett Electric Coop

Montana

*Beartooth Electric Cooperative
Montana Associated Cooperatives
Flathead Electric Cooperative
Vigilante Electric Cooperative
Montana Electric Cooperative Association
*Northwestern Energy, Inc.

Oregon

*Emerald PUD
*Springfield Utility Board
Northern Wasco PUD

Texas

*Texas Municipal Power Agency

Utah

Utah Association of Municipal Power Systems

Washington

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TrendWest Resorts
Weyerhaeuser Corporation
Costco
*Pend Oreille County PUD
City of Richland
Industrial Customers of Grant County
*Benton REA
Seattle City Light
*Clark Public Utilities
*Snohomish County PUD
*Clallam County PUD
Chelan County PUD
*City of Tacoma Electric, Water and Rail Utilities
*Mason County PUD No. 3
*Peninsula Light Company
*Grays Harbor County PUD
*Pacific County PUD
*City of Ellensburg
Grant County PUD
*Klickitat County PUD
*Building Owner's Management Association
Seattle Water Department
*Building Management Owners Association
*Avista Corporation
City of Shoreline
*Douglas County PUD

AT&T
WorldCom
City of Toppenish
*City of Shoreline

Wyoming

*Lower Valley Power and Light

CANADA

Alberta

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*City of Lethbridge
*City of Red Deer
City of Medicine Hat
City of Calgary—Water and Wastewater Utilities

British Columbia

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*West Kootenay Power
*Council of Forest Industries
Royal Oak Mines
UtiliCorp Canada
*Joint Industrial Electric Steering Committee
*Terasen Gas

Northwest Territories

*Northwest Territories Power Corporation

Ontario

ENERconnect, Inc.
*Municipal Electric Association

*Prepared Expert Testimony