



Oregon

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May 12, 2009

Via Electronic Filing and U.S. Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
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RE: Docket No. UM 1396 – In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Investigation into determination of resource sufficiency, pursuant to Order No. 06-538.

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff's Reply Testimony.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

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c: UM 1396 Service List (parties)



CASE: UM 1396
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 200

Reply Testimony

May 12, 2009

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Ed Durrenberger. I am a Senior Utility Analyst employed by the
4 Public Utility Commission of Oregon (Commission). My business address is
5 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

6 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS MATTER?**

7 A. Yes, I submitted Direct Testimony on behalf of Commission Staff as Exhibit
8 Staff/100, Durrenberger/1-12. My Witness Qualification Statement was
9 submitted as Exhibit Staff/101.

10 **Q. WHAT IS THE PURPOSE OF YOUR REPLY TESTIMONY?**

11 A. I will discuss three key concepts raised in my previous testimony on the
12 sufficiency/ deficiency issue. I also comment on the direct testimony of other
13 parties to this docket.

14 **Q. WHAT ARE THE KEY CONCEPTS IN THIS DOCKET?**

15 A. The key concepts with resource sufficiency are:
16 1. The meaning of resource sufficiency/ deficiency;
17 2. The importance of resource sufficiency/ deficiency for setting Quality Facility
18 (QF) rates; and.
19 3. The determination of a utility's resource sufficiency/ deficiency.

20 **Q. WHAT DOES RESOURCE SUFFICIENCY/ DEFICIENCY MEAN?**

21 A. Resource sufficiency and resource deficiency are concepts related to whether
22 or not a particular utility has access to enough resources to supply all the
23 electrical needs of its customers. For the purposes of this docket, the concept

1 of resource sufficiency/ deficiency is to be made prospectively. In other words,
2 the important issue is whether or not a utility has enough resources on a going-
3 forward basis to service its load obligations.

4 **Q. WHAT IS THE IMPORTANCE OF RESOURCE SUFFICIENCY IN THIS**
5 **DOCKET?**

6 A. The question of resource sufficiency is important because it is used to
7 determine avoided costs. Avoided costs are used to set the rates a Qualifying
8 Facility is able to receive for the power it produces and sells to the utility.
9 Avoided costs are lower during the period of resource sufficiency than during
10 the period of resource deficiency. If avoided costs and QF rates are set too
11 high, then the utilities' retail customers pay more than is necessary for the QF
12 electricity. Alternatively, if avoided costs and QF rates are set too low, then the
13 utilities' retail customers are not paying enough for the QF power. Every two
14 years the utilities' make avoided cost filings with the Commission. These filings
15 include the companies' best estimates of their resource positions on a going-
16 forward basis.. Commission Staff and other parties have the opportunity to
17 weigh in on the matter. However, the Commission ultimately makes the final
18 sufficiency/ deficiency determination for purposes of setting QF rates.

19 **Q. HOW SHOULD RESOURCE SUFFICIENCY BE DETERMINED?**

20 A. The utilities already have a thorough planning tool that they are required to
21 develop and file with the Commission. It is the Integrated Resource Plan (IRP).
22 Utility IRP's receive a lot of scrutiny by the Commission, customer groups, and
23 the public. I recommend that the IRP be used to inform the resource

1 sufficiency/ deficiency determination when setting QF rates. Load growth
2 predictions should be consistent with the utilities most recent IRP. Supply-side
3 factors, such as changes to plant outputs and power market purchases should
4 be evaluated consistent with the most recent IRP. Much of the direct testimony
5 by Staff and other parties in this docket addressed which resources count
6 toward sufficiency and which do not (see: Staff/100 Durrenberger/ 9-10 lines
7 22-23 and 1-3). Rather than simply summarizing previous testimony, I think it
8 is important to state two basic tenants:

- 9 1. if a utility can service its forecasted load with the resources it expects to
10 have under normal conditions, including market power purchases, then it is
11 resource sufficient.
- 12 2. If the utility cannot either generate or reliably secure resources from the
13 market to service its expected load it should be considered resource
14 deficient.

15 **Q. WOULD YOU LIKE TO RESPOND TO ISSUES RAISED BY OTHER**
16 **PARTIES IN THEIR DIRECT TESTIMONY?**

17 A. Yes. I would like to respond to:

- 18 1. ICNU's testimony regarding utility acquisition of new resources;
- 19 2. PGE's testimony regarding capacity deficiency; and
- 20 3. PacifiCorp's testimony regarding the link between IRP modeling and the
21 determining of resource sufficiency/ deficiency.

22 **Q. PLEASE RESPOND TO THE ICNU TESTIMONY.**

1 A. Mr. Falkenberg, testifying on behalf of The Industrial Customers of Northwest
2 Utilities (ICNU), stated that if a utility is acquiring new resources it should be
3 considered resource deficient (see: ICNU/100 Falkenberg/ 2 lines 4-6). This is
4 not necessarily the case; a utility adds resources for other reasons not
5 associated with their resource position. For instance, renewable resources
6 may need to be added in response to an RPS requirement, or to displace a
7 higher cost inefficient plant which may no longer be economical to operate.

8 **Q. PLEASE RESPOND TO THE PGE TESTIMONY.**

9 A. I agree with the statement of PGE witnesses Kuns and Drennan that a
10 resource sufficiency/ deficiency standard based on a capacity deficiency
11 standard would tend to price avoidable costs higher than necessary and does
12 not reflect how a utility makes the decision to acquire new resources (see: PGE
13 100 Kuns-Drennan/ 12 lines 7-11).

14 **Q. PLEASE RESPOND TO THE PACIFICORP TESTIMONY.**

15 A. PacifiCorp draws a link between IRP load/ resource balances and resource
16 sufficiency/ deficiency determinations for QF purposes (see: PPL/ 100
17 Warnken/ 3 lines 17-23). To paraphrase the PacifiCorp testimony:, the utility's
18 load/ resource balance is a primary driver of the IRP and the determination of
19 resource sufficiency/ deficiency should be an outcome of the IRP process. I
20 agree with this statement. The utility IRP should play a pivotal roll in the
21 determination of resource sufficiency/ deficiency when setting QF rates.

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

23 A. Yes.

**UM 1396
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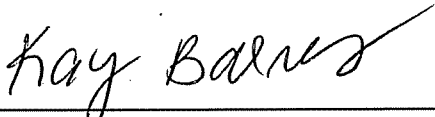
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CERTIFICATE OF SERVICE

UM 1396

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 12th day of May, 2009.



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