

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

In the Matter of)	
PORTLAND GENERAL)	Docket No. UE 394
ELECTRIC COMPANY)	
Request for a General Rate Revision)	

Opening Testimony of Kevin C. Higgins

on behalf of

Calpine Energy Solutions, LLC

October 25, 2021

1 **OPENING TESTIMONY OF KEVIN C. HIGGINS**

2

3 **Introduction**

4 **Q. Please state your name and business address.**

5 A. My name is Kevin C. Higgins. My business address is 111 East Broadway, Suite
6 1200, Salt Lake City, Utah, 84111.

7 **Q. By whom are you employed and in what capacity?**

8 A. I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies is a
9 private consulting firm specializing in economic and policy analysis applicable to
10 energy production, transportation, and consumption.

11 **Q. On whose behalf are you testifying in this phase of the proceeding?**

12 A. My testimony is being sponsored by Calpine Energy Solutions, LLC (“Calpine
13 Solutions”). Calpine Solutions is a retail energy supplier that serves commercial
14 and industrial end-use customers in 18 states, the District of Columbia, and Baja
15 California, Mexico. Calpine Solutions serves more than 15,000 retail customer
16 sites nationwide, with an aggregate load in excess of 4,500 MW. Calpine
17 Solutions’ retail customers are located in the service territories of more than 55
18 utilities. In Oregon, Calpine Solutions is an Electricity Service Supplier (“ESS”)
19 serving customers in the service territories of PacifiCorp and Portland General
20 Electric (“PGE”).

21 **Q. Please describe your professional experience and qualifications.**

22 A. My academic background is in economics, and I have completed all coursework
23 and field examinations toward a Ph.D. in Economics at the University of Utah. In

1 addition, I have served on the adjunct faculties of both the University of Utah and
2 Westminster College, where I taught undergraduate and graduate courses in
3 economics. I joined Energy Strategies in 1995, where I assist private and public
4 sector clients in the areas of energy-related economic and policy analysis,
5 including evaluation of electric and gas utility rate matters.

6 Prior to joining Energy Strategies, I held policy positions in state and local
7 government. From 1983 to 1990, I was economist, then assistant director, for the
8 Utah Energy Office, where I helped develop and implement state energy policy.
9 From 1991 to 1994, I was chief of staff to the chairman of the Salt Lake County
10 Commission, where I was responsible for development and implementation of a
11 broad spectrum of public policy at the local government level.

12 **Q. Have you ever testified before this Commission?**

13 A. Yes. I have testified in 32 prior proceedings in Oregon, including six previous
14 PGE general rate cases, UE 335 (2018), UE 283 (2014), UE 262 (2013), UE 215
15 (2010), UE 197 (2008), and UE 180 (2006). In addition, I testified in the PGE
16 New Load Direct Access Case, UE 358 (2019); the PGE Opt-Out case, UE 236
17 (2012); and the PGE restructuring proceeding, UE 115 (2001).

18 I also testified in twelve previous PacifiCorp Transition Adjustment
19 Mechanism (“TAM”) proceedings, UE 390 (2022 TAM), UE 375 (2021 TAM),
20 UE 339 (2019 TAM), UE 323 (2018 TAM), UE 307 (2017 TAM), UE 296 (2016
21 TAM), UE 264 (2014 TAM), UE 245 (2013 TAM), UE 227 (2012 TAM), UE
22 216 (2011 TAM), UE 207 (2010 TAM), and UE 199 (2009 TAM); as well as

1 seven PacifiCorp general rate cases, UE 374 (2020); UE 263 (2013), UE 246
2 (2012), UE 210 (2009), UE 179 (2006), UE 170 (2005), and UE 147 (2003).

3 In addition, I testified in the Investigation into PacifiCorp's Non-Standard
4 Avoided Cost Pricing, UM 1802 (2017); the 2017 Inter-Jurisdictional Allocation
5 proceeding, UM 1050 (2016); Phase II of the Investigation into Qualifying
6 Facility Contracting and Pricing, UM 1610 (2015); and the PacifiCorp Five-Year
7 Opt-Out case, UE 267 (2013).

8 **Q. Have you testified before utility regulatory commissions in other states?**

9 A. Yes. I have testified in approximately 230 proceedings on the subjects of
10 utility rates and regulatory policy before state utility regulators in Alaska,
11 Arizona, Arkansas, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky,
12 Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York,
13 North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas, Utah,
14 Virginia, Washington, West Virginia, and Wyoming. I have also prepared
15 affidavits that have been filed with the Federal Energy Regulatory Commission.

16

17 **Overview and Conclusions**

18 **Q. What is the purpose of your testimony in this proceeding?**

19 A. My testimony focuses on issues pertaining to direct access service, in particular,
20 PGE's proposals for non-bypassable charges.

21 **Q. What are the primary conclusions and recommendations in your testimony?**

22 A. My primary conclusions and recommendations are as follows:

1 (1) I do not oppose assigning a share of the Solar Payment Option subsidy
2 recovered through Schedule 137 to long-term direct access (“LTDA”) and new
3 load direct access (“NLDA”) customers, since the subsidization associated with
4 this program is mandated by statute. However, since the program is also a source
5 of power supply to PGE (albeit small), LTDA and NLDA customers should only
6 be allocated a pro rata share of the subsidy costs (i.e., payments to participants
7 above market prices) and should not be charged for any underlying power supply
8 costs associated with this program.

9 (2) PGE’s proposed Schedule 150, which would recover deferred
10 transportation electrification costs from classes based on *total* revenues, including
11 generation revenues, should be rejected as proposed. Instead, the revenue
12 requirement associated with prudent transportation electrification deferred costs
13 should be recovered from customers in a manner similar to the recovery of
14 distribution costs. To the extent that the deferred costs are specific to a customer
15 class, such costs should be directly assigned to that class and recovered from
16 customers based on their distribution revenue requirement. To the extent that the
17 deferred costs are not specific to a single class, the costs should be allocated to
18 each class in proportion to each class’s distribution revenue requirement.

19 (3) Unless and until it is determined that direct access customers must
20 acquire a resource adequacy product from PGE, LTDA and NLDA customers
21 should not be charged for PGE’s demand response program costs. The
22 beneficiaries of demand response resources are the utility’s bundled service
23 customers who receive their generation service from PGE. LTDA and NLDA

1 customers do not receive their generation supply from PGE and thus are not the
2 beneficiaries of the Company's demand response programs. Consequently,
3 LTDA and NLDA customers should not be charged for this component of PGE
4 generation supply service.

5

6 **Non-Bypassable Charges**

7 **Q. What is a non-bypassable charge?**

8 A. In general, a non-bypassable charge is a charge that must be paid by all
9 customers, including direct access customer, who do not take generation service
10 from the incumbent utility.

11 **Q. Do you have any general recommendations regarding the designation of
12 certain charges as "non-bypassable"?**

13 A. Yes. In general, charges should only be designated as non-bypassable to the
14 extent that: (a) they are associated with services or programs that provide benefits
15 to all classes of customers, including direct access customers, or (b) they are
16 imposed to recover costs of state mandates that require all customers to subsidize
17 certain programs or activities. In determining whether a charge should be
18 designated as non-bypassable, it is particularly important to guard against the
19 subsidization of the incumbent utility's generation supply service by customers
20 who take supply service from non-utility suppliers, i.e., ESSs, so as to avoid an
21 improper cross subsidization of the regulated utility by participants in the
22 competitive market.

23 **Q. What non-bypassable charges does PGE propose in this case?**

1 A. PGE proposes non-bypassable charges for the following programs: (1) Solar
2 Payment Option, Schedule 137; (2) Transportation Electrification, Schedule 150;
3 and (3) Demand Response, Schedule 135. I will address each proposal in turn.

4 **Q. What does PGE propose regarding the Solar Payment Option?**

5 A. The Solar Payment Option is a pilot program mandated by statute, pursuant to
6 which PGE pays extremely high rates for photovoltaic power generated by PGE
7 customers that are enrolled in the program, which is closed to new participants.
8 PGE recovers program costs through Schedule 137. Currently, LTDA and NLDA
9 customers are not subject to the Schedule 137 charge. PGE complains that “it
10 works [sic] a fundamental unfairness that customers on long term and new load
11 opt out, do not contribute to the costs of these mandated programs, thus shifting
12 costs onto cost of service customers.”¹ Although PGE depicts this situation as a
13 “cost shift,” it is obvious that since LTDA and NLDA customers are not involved
14 in the program, they are not causing costs that are shifted onto anyone else; PGE’s
15 real complaint here is that these customers are not on the *receiving end* of the cost
16 shift engendered by this program.

17 **Q. What is your response to PGE’s recommendation to assign Solar Payment
18 Option costs to LTDA and NLDA customers?**

19 A. Since this heavily subsidized program is mandated by statute I do not oppose
20 PGE’s proposal to assign a share of the costs to LTDA and NLDA customers.
21 However, since the program is also a source of power supply to PGE (albeit
22 small), LTDA and NLDA customers should only be allocated a pro rata share of

¹ PGE/1200, Macfarlane-Tang/44.

1 the subsidy costs (i.e., payments to participants above market prices) and should
2 not be charged for any underlying power supply costs associated with this
3 program.

4 **Q. What does PGE propose regarding Transportation Electrification?**

5 A. PGE proposes that costs associated with transportation electrification pilot
6 programs be recovered through a special rider, Schedule 150, which would also be
7 levied on LTDA and NLDA customers. The Company proposes that revenue
8 recovery for this rider be based on total revenues, with generation revenues
9 imputed to direct access customer generation revenues at cost of service levels,
10 similar to the allocation methodology for Schedule 136, Community Solar.²

11 **Q. What is your response to PGE's proposal for Schedule 150?**

12 A. I recommend that PGE's Schedule 150 proposal be rejected as proposed. As a
13 threshold matter, the Company's proposal is complicated by the fact that
14 subsequent to filing its application in this case, and just one business day before
15 this intervenor-opening testimony is being submitted, PGE filed Advice 21-26,
16 seeking to expand its suite of proposed Schedule 150 charges in response
17 provisions adopted in newly enrolled HB 2165. This new legislation amends
18 ORS Chapter 757, which promotes the development of transportation
19 electrification in the state and addresses the considerations for cost recovery. In
20 Advice 21-26, PGE proposes to bifurcate the Schedule 150 charges into two
21 sections: one dealing with the cost recovery authorized by HB 2165 and another
22 to recover the Schedule 150 costs requested in this general rate case. My

² PGE /1200, Macfarlane-Tang/45.

1 testimony in this case is directed to the latter, which hereafter I will refer to as
2 “Schedule 150 (GRC),” in order to avoid confusion with the new Schedule 150
3 component requested in PGE’s advice filing.

4 **Q. Please continue. Why should PGE’s Schedule 150 (GRC) be rejected as**
5 **proposed?**

6 A. PGE’s proposed cost allocation is improper. According to PGE, the costs that the
7 Company seeks to recover via Schedule 150 (GRC) are for its transportation pilot
8 program, which has been subject to a cost deferral since 2018. The accrued
9 deferral appears to be related exclusively to the addition of distribution-related
10 infrastructure, such as charging infrastructure, and related O&M costs, such as
11 charging rebates to customers.³ Indeed, at the time the pilot program costs were
12 incurred, ORS 757.357(5)(a)(B) prescribed that transportation electrification costs
13 be recovered in a manner that is similar to the recovery of *distribution system*
14 investments. This important functionalization distinction notwithstanding, PGE
15 proposes that revenue recovery for Schedule 150 (GRC) be based on *total*
16 revenues, with *generation* revenues imputed to direct access customer generation
17 revenues at cost of service levels. Although HB 2165 modifies ORS 757.357 to
18 give the Commission discretion to determine cost recovery, the principle of
19 properly functionalizing costs should still apply here. PGE’s attempt to allocate
20 cost responsibility for this program in part on class generation revenues is
21 misplaced from a cost causation standpoint.

³ PGE/500, Bekkedahl-Mcfarlane/15-16, especially Table 2.

1 **Q. Please summarize your recommendation regarding PGE’s proposal for**
2 **Schedule 150 (GRC).**

3 A. PGE’s proposed Schedule 150 (GRC) should be rejected as proposed. Instead,
4 the revenue requirement associated with prudent transportation electrification
5 deferred costs should be recovered from customers in a manner similar to the
6 recovery of distribution costs. To the extent that the deferred costs are specific to
7 a customer class, such costs should be directly assigned to that class and
8 recovered from customers based on their distribution revenue requirement. To
9 the extent that the deferred costs are not specific to a single class, the costs should
10 be allocated to each class in proportion to each class’s distribution revenue
11 requirement.

12 **Q. What does PGE propose regarding the recovery of demand response**
13 **program costs?**

14 A. In PGE Exhibit 100, witnesses Pope and Sims indicate that the Company is
15 proposing in this case that the cost of demand response programs “are not
16 bypassed” when customers choose LTDA and NLDA service.⁴ Yet, PGE does
17 not actually include this declared change in its proposed tariff.⁵

18 **Q. Are LTDA and NLDA customers eligible for participation in PGE’s demand**
19 **response programs?**

⁴ PGE/100, Pope-Sims/14-15.

⁵ PGE/1201, Salmi-Koltz/69-70. The costs of PGE’s demand response pilots not otherwise recovered in rates are recovered through Schedule 135, which continues to exclude LTDA and NLDA customers from the charge as presented in the Company’s filed case.

1 A. No. PGE discusses the possibility of LTDA and NLDA customers participating
2 in the programs at some point,⁶ but the Company does not propose to offer any of
3 the demand response programs to direct access customers in this case.

4 **Q. Should LTDA and NLDA customers be charged for the costs of PGE's**
5 **demand response programs?**

6 A. No, certainly not at this time. A well-designed demand response program can be
7 an important tool in a utility's resource mix, but the purpose of acquiring this
8 product is to obtain cost-effective capacity for the Company's generation supply
9 service. The beneficiaries of demand response resources are the utility's bundled
10 service customers who receive their generation service from PGE. Unless and
11 until it is determined that direct access customers must acquire a resource
12 adequacy product from PGE, LTDA and NLDA customers should not be charged
13 for PGE's demand response program costs. These customers do not receive their
14 generation supply from PGE and therefore are not the beneficiaries of the
15 Company's demand response programs.

16 **Q. Would your recommendation change if LTDA and NLDA customers were**
17 **made eligible to participate in the Company's demand response programs?**

18 A. No. If LTDA and NLDA customers were eligible to participate in the Company's
19 demand response programs, then these customers could provide a service to
20 PGE's generation supply customers via their participation in demand response
21 programs. But LTDA and NLDA customers would still not be the beneficiaries

⁶ PGE/601, Salmi-Koltz/92.

1 of this program and should not be charged for this component of PGE *generation*
2 *supply service.*

3 **Q. Does this conclude your opening testimony?**

4 A. Yes, it does.