

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 227

In The Matter:

PACIFICORP, dba PACIFIC POWER 2012
Transition Adjustment Mechanism Schedule
200, Cost-Based Supply Service

STAFF-PACIFICORP-CUB-NOBLE SOLUTIONS

JOINT TESTIMONY IN SUPPORT OF STIPULATION

WITNESSES: ED DURRENBERGER, GREG DUVALL, STEFAN BIRD,
BOB JENKS, GORDON FEIGHNER AND KEVIN C. HIGGINS

September 20, 2011

1 **INTRODUCTION**

2 **Q. Who is sponsoring this testimony?**

3 A. This testimony is jointly sponsored by Staff of the Public Utility Commission of
4 Oregon (Staff), PacifiCorp (or the Company), the Citizens' Utility Board of
5 Oregon (CUB), and Noble Americas Energy Solutions LLC (Noble Solutions).

6 **Q. Please state your names.**

7 A. Ed Durrenberger, Greg Duvall, Stefan Bird, Bob Jenks, Gordon Feighner, and
8 Kevin C. Higgins. All of us have previously filed testimony in this proceeding.
9 Mr. Durrenberger's qualifications are set forth in Exhibit Staff/101,
10 Durrenberger/1; Mr. Duvall's qualifications are set forth in Exhibit PPL/100,
11 Duvall/1; Mr. Bird's qualifications are set forth in Exhibit PPL/400, Bird/1; Mr.
12 Jenks' and Mr. Feighner's qualifications are set forth in Exhibit CUB/101, Jenks-
13 Feighner/1; and Mr. Higgins' qualifications are set forth in Noble Solutions/200,
14 Higgins/1.

15 **Q. What is the purpose of this Joint Testimony?**

16 A. This Joint Testimony describes and supports the stipulation filed in this
17 proceeding on September 20, 2011 (Stipulation), among Staff, CUB, Noble
18 Solutions, and PacifiCorp (referred to hereinafter jointly as the "Parties" and
19 individually as a "Party").

20 **Q. Does the Stipulation resolve all contested issues in this proceeding?**

21 A. Yes. The Stipulation is a comprehensive settlement of all issues in the
22 Company's 2012 Transition Adjustment Mechanism (TAM) filing. The purpose
23 of the TAM filing is to update net power costs (NPC) for 2012 and to set

1 transition adjustments for Oregon customers who choose direct access in the
2 November 2011 open enrollment window.

3 **Q. Have all Parties to the proceeding signed on to the Stipulation?**

4 A. No. ICNU, the only other party to this docket, participated in the settlement
5 conferences but declined to join the settlement.

6 **Stipulated 2012 NPC Increase**

7 **Q. What was the Company's proposed increase to NPC in its Initial Filing in**
8 **this case?**

9 A. The March 17, 2011 TAM filing (Initial Filing) reflected a total forecasted
10 normalized system-wide NPC for the test period (12 months ending December 31,
11 2012) of approximately \$1.56 billion. On an Oregon-allocated basis, the
12 forecasted normalized NPC in the Initial Filing were approximately \$382.3
13 million. This amount is approximately \$79.0 million higher than the \$303.3
14 million included in rates through the NPC baseline established in the 2011 TAM
15 (Docket UE 216), or \$61.6 million adjusting for the forecasted load increase in
16 2012.

17 **Q. What was the proposed overall increase to Oregon rates that would have**
18 **resulted from the Initial Filing?**

19 A. The Initial Filing would have resulted in an overall increase to Oregon rates of
20 approximately 5.2 percent.

21 **Q. Did other parties to the docket respond to the Company's Initial Filing?**

22 A. Yes. Staff, CUB, Noble Solutions, and ICNU filed opening testimony responding
23 to the Company's Initial Filing on June 24, 2011. In addition, ICNU filed

1 supplemental testimony on the issue of hourly scalars for forward price curves on
2 July 5, 2011. Staff, CUB, and ICNU proposed a number of adjustments to the
3 Company's Initial Filing and Noble Solutions raised issues related to direct
4 access.

5 **Q. What was the Company's response to these filings?**

6 A. The Company filed reply testimony on July 29, 2011 (Rebuttal Filing). In the
7 Rebuttal Filing, the Company updated NPC from the Initial Filing consistent with
8 the TAM Guidelines and accepted certain adjustments proposed by Staff and
9 intervenors. These changes resulted in 2012 Oregon-allocated NPC of \$384
10 million, or a \$1.8 million increase to Oregon-allocated NPC included in the Initial
11 Filing.

12 **Q. Did the parties to this docket have an opportunity to respond to the**
13 **Company's Rebuttal Filing?**

14 A. Yes. Staff and intervenors responded to the Company's Rebuttal Filing in
15 rebuttal testimony on August 16, 2011.

16 **Q. What was the Company's response to these filings?**

17 A. The Company filed surrebuttal testimony on August 30, 2011. The Company's
18 surrebuttal testimony reflected Staff's proposal to update the load forecast based
19 on the Company's July 2011 forecast, which reduced the Oregon-allocated NPC
20 included in the surrebuttal filing by \$15.9 million. The surrebuttal filing reflected
21 2012 Oregon-allocated NPC of \$374.4 million, or a \$7.9 million decrease to
22 Oregon-allocated NPC included in the Initial Filing. The requested TAM increase
23 included in the Company's surrebuttal filing was \$58.7 million.

1 **Q. Were hearings held in this proceeding?**

2 A. Yes. A hearing was held before Administrative Law Judge Lisa Hardie on
3 September 8, 2011.

4 **Q. When were settlement conferences held?**

5 A. Prior to the hearing in this docket, all parties to the docket participated in
6 settlement conferences on July 14, 2011 and August 5, 2011. In addition, all
7 parties to the docket participated in an additional settlement conference on
8 September 14, 2011.

9 **Q. What was the result of the September 14, 2011 settlement conference?**

10 A. At the September 14, 2011 settlement conference, the Parties were able to reach a
11 comprehensive settlement of all issues raised in this case. The settlement
12 establishes the baseline 2012 TAM NPC in rates, subject to the TAM Final
13 Update, and addresses various TAM-related policy issues. While ICNU
14 participated in this settlement conference, ICNU did not reach agreement with the
15 Parties.

16 **Q. What do the Parties agree with respect to the Company's proposed 2012**
17 **TAM NPC revenue increase?**

18 A. The Parties agree that the total-Company NPC for 2012 will be \$1.46 billion,
19 subject to the Final Update described later in this testimony. The Parties agree
20 that this is an Oregon-allocated NPC of \$366.4 million or a TAM increase of
21 \$50.7 million, including the load change adjustment, as shown in Exhibit A to the
22 Stipulation.

1 **Q. How much does the Parties' agreement reduce the proposed Oregon-**
2 **allocated NPC that was included in the Company's surrebuttal filing?**

3 A. The Parties agreed to an \$8.0 million reduction to Oregon-allocated NPC
4 presented in the surrebuttal filing.

5 **Q. What is the overall price increase resulting from the Stipulation?**

6 A. The Oregon-allocated NPC agreed to by the Parties results in an overall price
7 increase of 4.4%, as shown in Exhibit B to the Stipulation. Exhibit B also details
8 the impact of the Stipulation by rate schedule.

9 **Q. Does the \$8.0 million reduction resolve all issues related to the Company's**
10 **2012 TAM filing among the Parties?**

11 A. Yes. The \$8.0 million reduction takes into account the issues raised in the
12 testimony of Staff, CUB, and Noble Solutions. The adjustment resolves all issues
13 related to PacifiCorp's 2012 TAM filing among the Parties.

14 **Q. Will the stipulated increase be subject to the update to NPC scheduled to be**
15 **filed in this proceeding on November 8, 2011 and November 15, 2011?**

16 A. Yes. The Company will file its Indicative Filing on November 8, 2011 and the
17 Final Update on November 15, 2011 (collectively the Indicative Filing and the
18 Final Update are referred to as the Final Update), consistent with the schedule
19 adopted in this proceeding and as specified in the TAM Guidelines, adopted in
20 Order No. 09-274 and modified in Order No. 09-432. The Final Update will
21 reflect the \$8 million decrease in Oregon-allocated NPC by using a base Oregon
22 allocated NPC of \$50.7 million, and the update may increase or decrease the base

1 NPC. The Final Update will also be used for purposes of calculating the
2 transition adjustments.

3 **Q. Does the \$8.0 million reduction in baseline NPC indicate the Parties'**
4 **agreement on the merits of their proposed adjustments or the elements of the**
5 **Company's NPC study?**

6 A. No. The Parties agree that the stipulated \$8 million reduction to the baseline NPC
7 is for settlement purposes only and does not imply agreement on the merits of any
8 adjustment, nor does it imply that the Parties have accepted any elements of the
9 Company's NPC study.

10 **Q. How will PacifiCorp implement the rates resulting from the Stipulation?**

11 A. Upon approval of this Stipulation and concurrent with the filing of the Final
12 Update, PacifiCorp will file revised Schedule 201 rates, new Schedule 205,
13 Schedule 220 consistent with the Final Update and Exhibit C to the Stipulation
14 and revised transition adjustment Schedules 294 and 295. The Company will file
15 these as a compliance filing in Docket UE 227 to be effective January 1, 2012,
16 reflecting rates as agreed in this Stipulation.

17 **Q. Do the redlines in Exhibit C address the concerns Noble Solutions raised**
18 **with respect to line losses used for purposes of direct access as compared**
19 **with the Company's Federal Energy Regulatory Commission (FERC) Open**
20 **Access Transmission Tariff (OATT)?**

21 A. Yes. Exhibit C shows the revisions to Schedule 220 agreed to by the Parties. The
22 Stipulation provides that the line losses in Schedule 220 which are used in
23 calculating the Schedule 294 and 295 transition adjustments will be consistent

1 with the Real Power Losses that appear in Schedule 10 of PacifiCorp's OATT for
2 the PacifiCorp Zone that are approved to be in effect for the test year.

3 **Resolution of Other Issues**

4 **Q. In addition to the monetary settlement discussed above, which relates to past**
5 **issues, does the Stipulation specifically address any going-forward issues**
6 **raised by the Parties to this Stipulation?**

7 A. Yes. CUB proposed adjustments to NPC based on the Company's natural gas
8 hedging. PacifiCorp agrees to enter into a series of workshops with interested
9 parties to review PacifiCorp's going-forward hedging policy in detail. In these
10 workshops, PacifiCorp will seek input from the interested parties on how the
11 policy is implemented and whether the policy should be revised to better reflect
12 customer risk tolerances and preferences. While all Parties agree that this is not,
13 and will not be, stated to be a pre-approval process in any future prudence review,
14 the Company agrees to implement appropriate policy changes on a going-forward
15 basis that result from agreement in the collaborative process.

16 **Q. Did the Parties specifically address any other issues in the Stipulation?**

17 A. Yes. The Parties addressed the Bonneville Power Administration (BPA)
18 transmission credit for Direct Access. PacifiCorp agrees to increase the Schedule
19 294 transition adjustment by \$(0.75)/MWh for the 2012 TAM for Schedule 747
20 and 748 customers to reflect the potential value associated with reselling BPA
21 Point-to-Point wheeling rights from Mid-C to the Company's Oregon service
22 territory that are freed-up as a result of customers choosing direct access. The

1 Stipulation specifies it does not obligate PacifiCorp to sell any transmission rights
2 to an electricity service supplier.

3 **Reasonableness of the Stipulation**

4 **Q. Have the Parties evaluated the overall fairness of the Stipulation?**

5 A. Yes. Each Party has reviewed the calculation of the 2012 NPC revenue increase
6 and the rates resulting from this increase. The Parties agree that the rates
7 resulting from the Stipulation are fair, just, and reasonable based on their
8 respective case positions, and the discovery produced in this proceeding by the
9 Company. The Parties also agree that the results of the other issues resolved in
10 the Stipulation are fair and reasonable and should be adopted.

11 Because this Stipulation was reached after the hearing, the record in this
12 case is well developed. The Parties agree that this record provides support for the
13 compromises reached in the Stipulation and for the Stipulation's overall result.

14 **Q. What do the Parties recommend regarding the Stipulation?**

15 A. The Parties recommend that the Commission adopt the Stipulation as the basis for
16 resolving issues in this proceeding and include the terms and conditions of the
17 Stipulation in its order in this case.

18 **Q. Does this conclude your Joint Testimony?**

19 A. Yes.