

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

**In the Matter of PacifiCorp, dba)
Pacific Power) Docket No. UE-227
2012 Transition Adjustment)
Mechanism)**

Rebuttal Testimony of Kevin C. Higgins

on behalf of

Noble Americas Energy Solutions LLC

August 16, 2011

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

2

3 **Introduction**

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

5 A. Kevin C. Higgins, 215 South State Street, Suite 200, Salt Lake City, Utah,
6 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
9 is a private consulting firm specializing in economic and policy analysis
10 applicable to energy production, transportation, and consumption.

11 **Q. Are you the same Kevin C. Higgins who pre-filed Reply testimony in this**
12 **proceeding on behalf of Noble Americas Energy Solutions (“Noble**
13 **Solutions”)?**

14 A. Yes, I am.

15

16 **Overview and Conclusions**

17 **Q. What is the purpose of your rebuttal testimony?**

18 A. My rebuttal testimony responds to two issues addressed in the rebuttal
19 testimony of PacifiCorp witness Gregory N. Duvall: (1) the Bonneville Power
20 Administration (“BPA”) transmission credit, and (2) comparability in the
21 treatment of line losses between PacifiCorp’s Open Access Transmission Tariff
22 (“OATT”) filed at the Federal Energy Regulatory Commission (“FERC”) and the

1 calculation of the Schedule 294 and 295 transition credits used in implementing
2 Oregon direct access.

3 **Q. What are the primary conclusions of your rebuttal testimony?**

4 A. I continue to recommend that the Schedule 294 and 295 transition
5 adjustment calculations be modified to provide for the inclusion of a credit for the
6 resale of 25 MW of BPA transmission, corresponding to the amount of the load
7 decrement used in computing the transition adjustment. At a minimum, the small
8 BPA credits adopted in the UE-216 Stipulation should continue to be applied in
9 the 2012 TAM.

10 I support PacifiCorp's rebuttal proposal to align Schedule 220 (and the
11 transition adjustments in Schedule 294 and 295) with Schedule 10 of the OATT
12 as being a workable solution to the problem of inconsistent treatment of line
13 losses, even though I believe the preferred solution is to properly structure the line
14 losses in Schedule 10 of the OATT to differentiate between secondary and
15 primary voltage. The approach offered by PacifiCorp in rebuttal will eliminate
16 the problem of an Electric Service Supplier ("ESS") being charged line losses in
17 the OATT at one rate and the ESS's customer being credited with avoiding line
18 losses at a different rate in the transition adjustment. I recommend its adoption
19 by the Commission.

20

1 **BPA Transmission Credit**

2 **Q. What was Mr. Duvall’s response to your proposal to reflect the value in the**
3 **calculation of the Schedule 294 and 295 transition adjustments of BPA**
4 **transmission capacity that can then be freed up by direct access and resold to**
5 **an ESS to reach PacifiCorp load?**

6 A. Although a small BPA transmission credit of \$0.50/MWH is currently
7 recognized in the Schedule 294 and 295 transition adjustments as a result of the
8 Stipulation approved by the Commission in UE-216, PacifiCorp opposes my
9 proposal. Mr. Duvall states that the value of freed up transmission with BPA is
10 minimal, “depending on the location of the lost load and the existing
11 arrangements with BPA and the Company’s transmission function.” Mr. Duvall
12 also states that “the Company may need to acquire additional transmission in
13 order to deliver the freed up generation to market in order to realize the
14 transmission credits determined for the lost load.”¹

15 **Q. What is your response to this argument?**

16 A. Mr. Duvall’s argument ignores the fact that incremental direct access
17 brings with it an incremental demand for transmission on the BPA system to
18 enable ESSs to reach their direct access load in the PacifiCorp territory from Mid-
19 Columbia. As discussed in detail in my direct testimony, the transition
20 adjustment is calculated by assuming 25 MW of incremental direct access load.
21 In the mechanics of this calculation it is reasonable to recognize that the ESSs
22 serving this load will require 25 MW of BPA transmission, and that PacifiCorp,
23 which in the transition adjustment analysis is assumed to experience a load

1 reduction of 25 MW, will have the opportunity to sell to the ESSs the 25 MW of
2 BPA transmission needed to meet this demand. Irrespective of whether
3 PacifiCorp ultimately chooses to liquidate the BPA transmission capacity, the
4 Company has the opportunity to resell this asset in proportion to the amount of
5 load that elects retail choice.

6 **Q. How much does PacifiCorp pay for BPA transmission from Mid-Columbia?**

7 A. According to PacifiCorp's Response to Noble Solutions' Data Request 5,
8 which I have attached at Noble Solutions Exhibit 201, PacifiCorp owns 636 MW
9 of long-term point-to-point ("PTP") BPA transmission from Mid-Columbia,
10 which is billed at the PTP-10 Point-to-Point rate of \$1.298/kW/month. At a 100
11 percent load factor, this rate is equivalent to \$1.778/MWH. In addition,
12 PacifiCorp has a network integration agreement with BPA for 497 MW that
13 allows for delivery to various load pockets on BPA's system at the NT-10
14 Network Integration rate of \$1.298/kW/month, plus a load shaping charge of
15 \$0.367/kW/month. At a 100 percent load factor, this rate is equivalent to
16 \$2.28/MWH. The current BPA transmission credit of \$0.50/MWH recognized in
17 the transition adjustment calculation is just 22% to 28% of these values.

18 **Q. Can PacifiCorp recoup costs associated with freed up BPA transmission?**

19 A. Yes. Mr. Duvall appears to concede that, unlike in UM 1081 where the
20 Commission decided against a BPA transmission credit for BPA transmission
21 which PacifiCorp was contractually precluded from reselling at that time,
22 PacifiCorp may now resell its BPA PTP transmission. Additionally, PacifiCorp's
23 network transmission service agreement read in conjunction with BPA's OATT

¹ Pre-filed rebuttal testimony of Gregory N. Duvall, p. 34, lines 10-14.

1 sections 31.6 and 31.7 expressly require PacifiCorp to update its network loads on
2 a regular basis, and allow PacifiCorp to pay less in network transmission service
3 fees if the network loads decline. When a customer stops taking PacifiCorp's cost
4 of service deliveries and thereby frees up BPA transmission, PacifiCorp can resell
5 associated BPA PTP transmission rights, or it can reduce associated network
6 transmission fees by updating its network load. The cost of freed up transmission
7 is not minimal and it can be recouped by PacifiCorp.

8 **Q. What is your recommendation to the Commission?**

9 A. I continue to recommend that the Schedule 294 and 295 transition
10 adjustment calculations be modified to provide for the inclusion of a credit for the
11 resale of 25 MW of BPA transmission, corresponding to the amount of the load
12 decrement used in computing the transition adjustment. At a minimum, the small
13 BPA credits adopted in the UE-216 Stipulation should continue to be applied in
14 the 2012 TAM.

15

16 **Line Losses**

17 **Q. How has PacifiCorp responded to your concerns that the line losses used in**
18 **the setting of Oregon retail rates, including Schedules 294 and 295, are not**
19 **consistent with the line losses that PacifiCorp charges an ESS serving Oregon**
20 **direct access load for line losses through PacifiCorp's OATT?**

21 A. PacifiCorp does not deny the inconsistency and has responded in two
22 ways. First, Mr. Duvall defends the treatment of line losses in the Company's
23 OATT. Mr. Duvall maintains that Schedule 10 of the OATT (which addresses

1 line losses) “does not differentiate between distribution delivery at primary and
2 secondary voltage because the Company does not provide secondary delivery
3 service under its wholesale transmission rates, so it is not appropriate to include a
4 secondary loss factor in Schedule 10.” Mr. Duvall goes on to state, “Secondary
5 delivery voltage is related to retail service, which is not jurisdictional transmission
6 service provided under the Company’s OATT.”²

7 **Q. What is your response to Mr. Duvall on this point?**

8 A. In sorting through Mr. Duvall’s argument, it is important to recognize that
9 delivery of Oregon Direct Access service is indeed provided pursuant to
10 PacifiCorp’s OATT – Attachment M to be exact. Not only does Attachment M
11 provide for delivery to retail customers, ESSs taking service under this section of
12 the OATT for delivery to retail customers are subject to Schedule 10, which
13 expressly provides a charge for real power losses for “use of any portion of the
14 Distribution System at a voltage of 34.5 kV or less.” I have included Attachment
15 M of PacifiCorp’s OATT as Noble Solutions Exhibit 202.

16 Mr. Duvall’s distinction that PacifiCorp “does not provide secondary
17 delivery service under its wholesale transmission rates” appears to be directed to
18 the fact that reaching direct access customers on the distribution system requires a
19 distribution charge in addition to the Attachment M transmission charge.
20 However, the line loss charge to ESSs for energy delivery to retail customers on
21 the distribution system – which is at issue here – is governed by the OATT. The
22 bottom line is that PacifiCorp’s OATT does not adequately address the line loss
23 distinctions between primary and secondary delivery for the retail customers of

² Ibid., p. 36, lines 7-12.

1 ESSs taking direct access service in Oregon. This inconsistency is at odds with
2 the requirements of Oregon's direct access rules.

3 **Q. Please explain this last point.**

4 A. OAR 860-038-0260 states:

5 (7) An electric company must file direct access tariffs that are practical
6 and workable in combination with tariffs required by the Federal Energy
7 Regulatory Commission (FERC). The electric company must:

8 (a) Ensure the minimization of differences in service definitions between
9 retail direct-access and wholesale open-access;

10 (b) Ensure that services that are permitted to be self-supplied by the FERC
11 are permitted to be self-supplied by the electric company, unless the
12 company obtains an exception from the Commission; and

13 (c) State rates, terms, and conditions in its Oregon tariffs that properly
14 work in conjunction with the electric company's FERC tariffs and, if not
15 identical to, can at least be easily compared with those required by the
16 FERC.

17

18 This rule appears to anticipate that structural differences between the OATT and
19 the state direct access tariffs would create distortions in the economics of direct
20 access service, which is the case here. The rule wisely requires that care be taken
21 to minimize such distortions.

22 **Q. What is the second aspect of PacifiCorp's response on this issue?**

23 A. PacifiCorp proposes that the current OATT-approved loss factors be
24 reflected in Oregon Schedule 220 and also be used to set the transition
25 adjustments in Schedule 294 and 295 until FERC approves an OATT with
26 updated loss factors.³

27 **Q. What is your response to this proposal?**

³ Ibid., p. 37, lines 2-12.

1 A. I believe the preferred solution is to properly structure the line losses in
2 Schedule 10 of the OATT to differentiate between secondary and primary voltage.
3 However, that is a matter to be resolved before FERC. In this proceeding, I
4 support PacifiCorp's proposal to align Schedule 220 (and the transition
5 adjustments in Schedule 294 and 295) with Schedule 10 of the OATT as being a
6 workable solution that can be implemented within the Oregon jurisdiction. This
7 approach will eliminate the problem of an ESS being charged line losses in the
8 OATT at one rate for energy deliveries to their retail customers and the ESS's
9 customer being credited with avoiding line losses at a different rate in the
10 transition adjustment. I recommend its adoption by the Commission.

11 One ambiguity in the Company's proposal should be cleared up, however.
12 Mr. Duvall proposes that the modification to Schedule 220 should be
13 implemented "until FERC approves an OATT with updated loss factors." I am
14 not sure of the purpose of this qualification: even after FERC approves an OATT
15 with updated loss factors it will be necessary for Schedule 220 (and the transition
16 adjustment calculation) to be consistent with Schedule 10 in the OATT.
17 Therefore, the proposed change to Schedule 220 should be adopted on a
18 permanent basis to ensure continued consistency between the line losses charged
19 to an ESS in the OATT and the line losses used in Oregon direct access. Indeed,
20 the proposed tariff change offered by PacifiCorp witness William R. Griffith does
21 just that: it ties the line losses in Schedule 220 directly to Schedule 10 of the
22 OATT.⁴ This is an appropriate treatment.

⁴ See Exhibit PPL/602.

1 **Q. Does this conclude your rebuttal testimony?**

2 A. Yes, it does.

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In the Matter of PacifiCorp, dba)
Pacific Power) **Docket No. UE-227**
2012 Transition Adjustment)
Mechanism)

Noble Americas Energy Solutions LLC

Exhibit 201

**PacifiCorp's Response to Noble Americas Energy Solutions LLC's Data
Request 5**

August 16, 2011

UE-227/PacifiCorp
May 12, 2011
NAES Data Request 5

NAES Data Request 5

When PacifiCorp purchases power from Mid Columbia to serve its retail load please:

- (a) identify the amount of capacity wheeled by BPA from Mid-Columbia on PacifiCorp's behalf;
- (b) fully explain the wheeling arrangement(s);
- (c) identify the rate(s) charged for wheeling; and
- (d) provide a copy of the wheeling contract(s), if applicable.

Response to NAES Data Request 5

- (a) PacifiCorp owns 1,133 MW of transmission capacity from the Mid-Columbia (MIDCREMOTE) to various points within its west main system.
- (b) These reservations facilitate transfer of generation and purchases from the Mid-Columbia transmission bus to PacifiCorp's system.
- (c) PacifiCorp owns 636 MW of long term point-to-point BPA transmission from the Mid-Columbia (MIDCREMOTE) to various locations in the west control area. This transmission is billed at the PTP-10 Point-to-Point rate of \$1,298 /kW/mo. Short distance discounts are applied where necessary and are contract specific.

PacifiCorp has a network integration agreement with Bonneville that allows delivery to various load pockets that are islanded on BPA's transmission system. Current network rights under this agreement total 497 MW. This transmission is billed at the NT-10 Network Integration rate of \$1.298 /kW/month plus a load shaping charge of \$0.367 /kw/month.

- (d) Please refer to Attachment NAES 5.

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Noble Americas Energy Solutions LLC

Exhibit 202

Attachment M to PacifiCorp's OATT in Effect Today

August 16, 2011

ATTACHMENT M

**Special Conditions Associated with Transmission Service
Provided Pursuant to State Mandated Retail Access Programs**

A. Retail Access in the State of Oregon

1. **Oregon Direct Access:** Retail Access shall be provided in the State of Oregon by the Transmission Provider pursuant to the rules and regulations pertaining to such participation as are provided by the Public Utility Commission of Oregon in accordance with Order AR 380.
2. **Eligibility:** Only those Retail End-Users (or their designated agents) qualified and choosing to participate in Oregon Direct Access shall be allowed to purchase Retail Access related Transmission Service from the Transmission Provider. Except in the role of designated agent to a Retail End-User, an Eligible Customer that is (i) a reseller of electric energy, (ii) a wholesale customer of bundled or unbundled electric service taken from the Transmission Provider or any other transmission provider or (iii) a retail customer (or former retail customer) of another transmission provider; shall not be permitted to take Retail Access related Transmission Service from the Transmission Provider. The above exclusion shall in no way limit such customers from seeking eligibility to acquire Point-To-Point Transmission Service under Part II of the Tariff or Network Integration Transmission Service under Part III of the Tariff pursuant to the applicable rules and regulations subject to the jurisdiction of the Commission.
3. **Oregon Direct Access Related Transmission Service:** Participants in Oregon Direct Access shall be required to acquire Network Integration Transmission Service from the Transmission Provider pursuant to Part III of the Tariff and Attachment M. Only a Retail End-User participating in Oregon Direct Access (or an ESS or a Scheduling ESS designated by such Retail End-User) may acquire such Oregon Direct Access Related Transmission Service and only a Scheduling ESS may schedule such transmission service with the Transmission Provider. Any Retail End-User participating in Oregon Direct Access must either be certified as an ESS or have a certified ESS or Scheduling ESS as a designated agent. Any ESS participating in Oregon Direct Access must either be certified as a Scheduling ESS or have a certified Scheduling ESS as a designated agent.

4. **Electric Service Supplier ("ESS"):** An ESS is any person or entity (including any Transmission Provider affiliates) offering to sell electricity services to one or more Retail End-Users in accordance with Oregon Direct Access. Any such entity must be certified by the state of Oregon as an ESS pursuant to Public Utility Commission of Oregon Rule No. 860-038-400.
5. **Scheduling Electric Service Supplier ("SESS"):** A SESS is any ESS certified by the state of Oregon as a Scheduling ESS pursuant to Public Utility Commission of Oregon Rule No. 860-038-410.
6. **Notification:** Any request for Oregon Direct Access related Transmission Service must include copies of any Oregon mandated certification documents. Such documents shall include but shall not be limited to the following:
 - a) If applicable, a signed statement from any Retail End-User participating in Oregon Direct Access authorizing an ESS or a Scheduling ESS to obtain Oregon Direct Access related Transmission Service from the Transmission Provider on its behalf in accordance with the Tariff.
 - b) If applicable, a signed statement from any Retail End-User participating in Oregon Direct Access designating its ESS and/or Scheduling ESS.
 - c) A copy of any Oregon state document certifying an ESS or a Scheduling ESS.
 - d) If applicable, a signed statement from any ESS authorizing a Scheduling ESS to schedule Oregon Direct Access related Transmission Service on its behalf in accordance with the Tariff.
7. **Oregon Direct Access Monthly Demand Charge:** Participants in Oregon Direct Access shall pay the Oregon Direct Access Monthly Demand Charge. The Oregon Direct Access Monthly Demand Charge shall be determined as follows:
 - a) The Oregon Direct Access Monthly Revenue Requirement shall be determined by multiplying the total Oregon Retail Access Load Ratio Share as specified in Attachment R times the Transmission Provider's Annual

PacifiCorp
FERC Electric Tariff
Volume No. 11

Transmission Revenue Requirement specified in Attachment H divided by twelve.

- b) The average monthly non-coincidental peak for all loads participating in Oregon Direct Access shall be added to determine the total Oregon Direct Access Non-Coincidental Peak.
 - c) The Oregon Direct Access Monthly Demand Charge shall be equal to the Oregon Direct Access Monthly Revenue Requirement as calculated in a) above divided by the total Oregon Direct Access Non-Coincidental Peak as calculated in b) above. The current rate is available on PacifiCorp's OASIS at <http://www.oasis.pacificorp.com/oasis/ppw/CurrentLRS.pdf>.
8. **Oregon Direct Access Charge:** For each Retail End-User, ESS or Scheduling ESS taking Oregon Direct Access related Transmission Service, the Transmission Provider shall calculate the sum of the non-coincidental peaks for each of the Retail End-User meters served by such Retail End-User, ESS or Scheduling ESS. Each Retail End-User, ESS or Scheduling ESS shall pay its Oregon Direct Access Charge which shall be equal to the product of the Oregon Direct Access Monthly Demand Charge and its total non-coincidental peak (as measured at the meters).
9. **Oregon Transmission Integration:** To the extent that the Transmission Provider is required under Oregon Direct Access to acquire transmission service from other transmission providers and make such service available to all participants in Oregon Direct Access, Transmission Customers participating in Oregon Direct Access shall share in these third party wheeling costs in proportion to their Oregon Direct Access Load Ratio Share.
10. **Summary of Charge Obligations:** Charges for Oregon Direct Access related Transmission Service provided under this Tariff shall be the obligation of the following party:
- a) Scheduling, System Control and Dispatch Service as described in Schedule 1 shall be the obligation of the Transmission Customer (either the Retail End-User, ESS or the Scheduling ESS).

Issued By: Kenneth T. Houston
Director, Transmission Services

Effective: September 8, 2010

- b) Reactive Support and Voltage Control from Generation Sources as described in Schedule 2 shall be the obligation of the Transmission Customer (either the Retail End-User, ESS or the Scheduling ESS).
- c) Regulation and Frequency Response Service as described in Schedule 3 shall be the obligation of the Transmission Customer (either the Retail End-User, ESS or the Scheduling ESS).
- d) Energy Imbalance Service as described in Schedule 4 shall be the obligation of the designated Scheduling ESS.
- e) Operating Reserves - Spinning Reserve Service as described in Schedule 5 shall be the obligation of the Transmission Customer (either the Retail End-User, ESS or the Scheduling ESS).
- f) Operating Reserves - Supplemental Reserve Service as described in Schedule 6 shall be the obligation of the designated Transmission Customer (either the Retail End-User, ESS or the Scheduling ESS).
- g) Charges for Network Integration Transmission Service shall be the obligation of the Transmission Customer (either the Retail End-User, ESS or the Scheduling ESS).

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 16th day of August, 2011, a true and correct copy of the within and foregoing **REBUTTAL TESTIMONY OF KEVIN HIGGINS FOR NOBLE AMERICAS ENERGY SOLUTIONS, LLC** was served as follows:

G. Catriona McCracken CITIZEN'S UTILITY BOARD OF OREGON catriona@oregoncub.org	<input type="checkbox"/> Hand Delivery <input type="checkbox"/> U.S. Mail, postage pre-paid <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Electronic Mail
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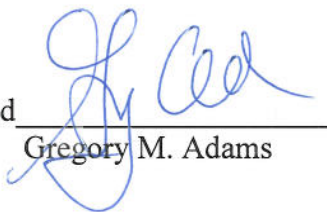
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Signed



Gregory M. Adams