



Oregon

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Public Utility Commission

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June 24, 2011

Via Electronic Filing and U.S. Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

**RE: Docket No. UE 227 – In the Matter of PACIFICORP, dba PACIFIC
POWER 2012 Transition Adjustment Mechanism.**

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: UE 227 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UE 227

**STAFF REPLY TESTIMONY OF
ED DURRENBERGER**

**In the Matter of
PACIFICORP, dba PACIFIC POWER
2012 Transition Adjustment Mechanism.**

June 24, 2011

CASE: UE 227
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

Reply Testimony

June 24, 2011

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

3 A. My name is Ed Durrenberger. I am a Senior Utility Analyst in the Electric &
4 Natural Gas Division of the Public Utility Commission of Oregon. My business
5 address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
7 **EXPERIENCE.**

8 A. My Witness Qualification Statement is found in Exhibit Staff/101.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my testimony is to discuss and analyze PacifiCorp's 2012
11 Transition Adjustment Mechanism ("TAM") filing. I propose Staff's initial
12 adjustments to the net variable power costs as filed in UE 227, as described in
13 Exhibit PPL/101 Duval/1.

14 **Q. HAVE YOU PREPARED ANY EXHIBITS IN SUPPORT OF YOUR**
15 **TESTIMONY?**

16 A. Yes. I have prepared Exhibit Staff/ 102, which consists of non-confidential
17 material that supports my testimony.

18 **Q. PLEASE PROVIDE A SUMMARY OF YOUR PROPOSED ADJUSTMENTS**
19 **TO PACIFICORP'S TAM FILING.**

20 A. PacifiCorp requests an Oregon allocated net power increase of
21 \$61,627,572 for 2012 which is an average rate increase of 5.2 percent to
22 Oregon ratepayers. In response, Staff recommends the following adjustments:

23

- 1 1. Remove the modeled increase in Bonneville Power Administration's
2 (BPA) wind integration charges for rate increases not yet known and
3 measurable. This proposed adjustment would decrease power costs
4 by approximately \$21 thousand by applying the current rate to the
5 projected integration charges rather than the projected but not yet
6 adopted rate
7
- 8 2. Restore the previously approved market caps modeling for off-peak
9 hour short term firm power sales rather than the proposed market
10 depth modeling for all hours proposed in the filing This reduces net
11 power costs by \$1.4 million.
12
- 13 3. Reverse the "must-run" requirements for Current Creek and Gatsby
14 combustion turbines, which a Wind Study says is necessary to provide
15 for reserves used to follow load changes due to the variability of wind
16 generation output. The gas fired generation units do not currently
17 operate in this manner. Based on figures from the 2010 Wind Study
18 eliminating this requirement reduces net power costs by approximately
19 \$290 thousand.
20
- 21 4. Include the flood control years in the normalized generation for the
22 Bear River hydro system when modeling the normalized output. This

1 modeling change increases hydro output and reduces net power costs
2 by \$130 thousand.

3
4 5. Remove expenses associated with the maintaining a Cal ISO
5 Transmission contract, which is not modeled to be used for the 2012
6 test period. This proposed adjustment reduces power costs by \$1.1
7 million, which is calculated as the projected wheeling costs on a
8 system-wide basis times the Oregon transmission allocation factor.

9
10 6. Remove the DC Intertie wheeling expenses, which are not used to
11 serve customer loads or reduce costs in the test year. This would
12 reduce net variable power costs by \$1.2 million as calculated by
13 applying the Oregon allocation factor to the system-wide DC intertie
14 costs.

15
16 7. PacifiCorp's forecast of the retail load modeled in the 2012 TAM is
17 overstated. The IRP projects load growth for the 2011 to 2012 period
18 at 2.3 percent¹. While I have performed initial discovery on this issue, I
19 have been unable to determine the reasons for the 7.5 percent retail
20 load increase the Company is modeling since the last TAM filing. I
21 propose load growth to be modeled at 2.3 percent, consistent with the
22 IRP projections. I am currently unable to determine the effect, if any,

¹ See PacifiCorp -2011 IRP, Appendix A- Load Forecast Details, page 1

1 the load adjustment proposed would have on power costs, but will
2 provide an update on the effect in my next round of testimony.

3
4 The first six adjustments total approximately \$4.32 million² and, if adopted,
5 would reduce PacifiCorp's Oregon allocated total TAM increase for 2012 by
6 approximately 7 percent.

7 **Q. PLEASE MORE FULLY DESCRIBE YOUR FIRST PROPOSED**
8 **ADJUSTMENT REGARDING THE BPA WIND INTEGRATION CHARGES.**

9 A. PacifiCorp, at PPL/100, Duvall/7, line 15, indicates that the TAM filing
10 incorporates a rate increase that has been proposed, but not yet adopted, by
11 BPA for wind integration charges. Staff does not oppose including approved
12 rate increases in net power cost forecasts. However, this increase is only
13 proposed, not approved, and is not yet known and measurable. Should the
14 rate change be adopted during the course of the TAM Staff will revise this
15 adjustment accordingly. Staff determined the size of the downward adjustment
16 by reducing the Oregon allocated "Other Generation" expenses by a factor
17 representing the percentage change from the current rate to the proposed rate
18 in the included in PacifiCorp's testimony.

19 **Q. PLEASE DISCUSS YOUR SECOND PROPOSED ADJUSTMENT**
20 **REGARDING CHANGES TO THE MARKET CAPS MODELED FOR SHORT**
21 **TERM POWER SALES IN GRID.**

² See Exhibit Staff/ 102, Durrenberger/1

1 A. In previous TAM filings, the parties had agreed to limit the amount of off-peak
2 hour short-term wholesale power sales from Company generated resources
3 that could be modeled by using a market cap approach. PacifiCorp previously
4 has argued that market caps were necessary and an agreement was reached
5 to limit surplus sales during off-peak hours only when there was not a great
6 deal of depth to the market. With this filing PacifiCorp now desires to extend
7 market depth analysis to all hours and limit surplus sales based on this
8 analysis in more than just the off-hours as had been previously agreed to in
9 other stipulated dockets.

10 This is a substantial alteration to the modeling of surplus sales that does not
11 comport with the narrowly focused and limited evaluation that happens in a
12 TAM filing. In addition, PacifiCorp did not adequately demonstrate that the
13 new modeling produced a more reasonable and accurate representation of the
14 actual surplus sales and operation of their low cost generation. If PacifiCorp
15 wants to propose an alternative to the currently accepted market caps
16 approach to limiting short term surplus power sales, it would need to propose
17 such a change in the context of a general rate proceeding, not an annual TAM
18 filing.

19 **Q. PLEASE EXPLAIN YOUR THIRD PROPOSED ADJUSTMENT TO THE**
20 **CURRENT CREEK AND GADSBY MUST-RUN ADJUSTMENT?**

21 A. The TAM filing incorporates additional expenses to net variable power costs
22 that are proposed as a result of the outcome of a 2010 Wind Study performed
23 by PacifiCorp. In particular, the Wind Study determined that some of the gas

1 generating plants needed to be able to quickly respond to load changes and
2 provide regulating services requiring them to run when their operation would
3 otherwise be uneconomic. (See PPL/100, Duvall/11- 14 (discussing the 2010
4 Wind Study findings). In this TAM filing, PacifiCorp modeled the Current Creek
5 and Gadsby units 4, 5, and 6 as must-run units meaning that they no longer
6 were subject to the GRID commitment logic that they only operate when
7 economic. PacifiCorp has provided no evidence that these units currently
8 operate in this manner to provide the regulating reserves for their existing wind
9 generation fleet or that they will actually operate in this manner during the 2012
10 power cost year. I propose that until the findings of the Wind Study have been
11 evaluated and acknowledged by the Commission, no changes to the
12 commitment logic in GRID related to the must run operation of these units be
13 included in the TAM.

14 **Q. PLEASE EXPLAIN YOUR FORTH ADJUSTMENT. WHY SHOULD**
15 **PACIFICORP MODEL THE NORMALIZED BEAR RIVER HYDRO SYSTEM**
16 **OUTPUT TO INCLUDE FLOOD CONTROL YEARS?**

17 A. The Bear River hydro system normalized generation has previously been
18 modeled to exclude all the flood control years, which is an exception to how
19 PacifiCorp models hydro generation for GRID input (normally all available
20 years are modeled). PacifiCorp had argued that the system was experiencing
21 a long-term drought and operational constraints, based on the level of Bear
22 Lake, made it unlikely that the high flood year generation output would be

1 achieved, which allowed PacifiCorp to successfully argue that the flood control
2 years actually overstated normalized generation.

3 This year the region is experiencing above normal snow pack and runoff and
4 there is a high likelihood that the Bear River system will have another flood
5 control year generation level. This adjustment has been proposed by parties in
6 rate proceedings in other PacifiCorp jurisdictions and I have reviewed and
7 agrees with the logic underlying this proposal and support such an adjustment
8 for Oregon customers.

9 **Q. PLEASE DISCUSS YOUR FIFTH ADJUSTMENT, WHICH IS THE CAL ISO**
10 **TRANSMISSION CONTRACT ADJUSTMENT.**

11 A. PacifiCorp has included an expense for wheeling and fees related to the use of
12 the Cal ISO transmission system capability. PacifiCorp does not, however,
13 model using the transmission capability to balance and optimize the system for
14 Oregon customers during the test year. In other words, Cal ISO costs do not
15 provide offsetting benefits to Oregon customers because there are no
16 California market transactions modeled in the 2012 TAM. The Cal ISO costs
17 should be removed because they are not used and useful for the 2012 TAM
18 period.

19 **Q. PLEASE DISCUSS YOUR SIXTH ADJUSTMENT NUMBER 6 TO THE DC**
20 **INTERTIE WHEELING EXPENSE.**

21 A. As in adjustment 5, the DC intertie wheeling expense does not contain any
22 corresponding benefits for Oregon customers and, therefore, should be
23 disallowed because it is not used and useful for the 2012 TAM period.

1 **Q. DO YOU HAVE AND OTHER ADJUSTMENTS TO PROPOSE?**

2 A. No, not at this time other than Issue 7, as noted above.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 A. Yes.

CASE: UE 227
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

June 24, 2011

WITNESS QUALIFICATION STATEMENT

NAME: Ed Durrenberger

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst, Electric and Natural Gas Division

ADDRESS: 550 Capitol St. NE, Ste. 215, Salem, Oregon 97301

EDUCATION: B.S. Mechanical Engineering
Oregon State University, Corvallis, Oregon

EXPERIENCE: I have been employed at the Oregon Public Utility Commission of since February of 2004. My current responsibilities include staff research, analysis and technical support on a wide range of electric and natural gas cost recovery issues with an emphasis on electricity and fuel costs.

OTHER EXPERIENCE: I worked for over twenty years in industrial boiler plant engineering, maintenance and operations. In this capacity I managed plant operations, fuel supplies and utilities, environmental compliance issues and all aspects of boiler machinery design, installation and repair. I have also worked as a production manager and machine shop manager for an ISO certified high tech equipment manufacturer servicing the silicon wafer fabrication and biomedical business sectors.

CASE: UE 227
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION
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STAFF EXHIBIT 102

**Exhibit in Support
Of Reply Testimony**

June 24, 2011

No.	Adjustment Description	Oregon Allocated Adjustment
1	BPA wind integration charge increase proposal	\$22 thousand
2	Market Caps modeling change disallowance	\$1.545 million
3	CT must-run integration modeling disallowance	\$267 thousand
4	Bear Creek hydro project modeling change	\$120 thousand
5	Cal ISO Transmission cost disallowance	\$1.117 million
6	DC Intertie wheeling cost	\$1.249 million
7	Load Growth Adjustment	
	Total	\$4.32 million

UE 227
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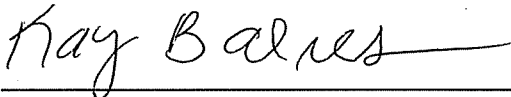
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CERTIFICATE OF SERVICE

UE 227

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 860-001-0180, to the following parties or attorneys of parties.

Dated this 24th day of June, 2011 at Salem, Oregon.



Kay Barnes
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