

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

In the Matter of
PACIFICORP d/b/a PACIFIC POWER
Request for a General Rate Revision.

Docket No. UE 374

Rebuttal and Cross-Answering Testimony of Kevin C. Higgins

on behalf of

Calpine Energy Solutions, LLC

July 24, 2020

REBUTTAL AND CROSS-ANSWERING TESTIMONY OF KEVIN C. HIGGINS

Introduction

Q. Please state your name and business address.

A. My name is Kevin C. Higgins. My business address is 215 South State Street,
Suite 200, Salt Lake City, Utah, 84111.

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

A. I am a Principal in the firm of Energy Strategies, LLC.

Q. Are you the same Kevin C. Higgins who pre-filed Opening Testimony in this proceeding on behalf of Calpine Energy Solutions, LLC (“Calpine Solutions”)?

A. Yes, I am.

Overview and Conclusions

Q. What is the purpose of your Rebuttal Testimony in this proceeding?

A. My Rebuttal and Cross-Answering Testimony responds to the proposal of Citizens’ Utility Board (“CUB”) witness Bob Jenks concerning his proposal to allocate certain coal decommissioning costs to Direct Access customers through a non-bypassable charge.

Additionally, although there is another rate design issue that I would ordinarily address at this time as well, parties to the case have reached a settlement in principle that resolves that issue. However, per agreement of the

1 parties, I reserve the right to submit testimony later in this proceeding on the issue
2 if the settlement is not finalized and filed with the Commission.

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

4 A. The question of allocating decommissioning costs to Direct Access customers
5 does not strike me as simple or clear-cut. This issue is better addressed in Docket
6 No. UM 2024, where it can be assessed in the larger context of Direct Access
7 issues particular to that proceeding.

8

9 **Response to Mr. Jenks**

10 **Q. Please describe Mr. Jenks' proposal regarding the allocation of**
11 **decommissioning costs to Direct Access customers.**

12 A. Mr. Jenks suggests that decommissioning costs should be differentiated into two
13 basic categories: current decommissioning costs and historical under-collection or
14 over-collection of decommissioning costs. Mr. Jenks opines that current
15 decommissioning costs should be recovered from current customers, but that
16 historical under-collection or over-collection of decommissioning costs should be
17 recovered (or credited) through a non-bypassable charge that includes Direct
18 Access customers. Mr. Jenks reasons that customers who utilized the Company's
19 coal fleet before departing for Direct Access service should not be exempt from
20 the impact of historical under-collection.¹

21 **Q. Did PacifiCorp respond to Mr. Jenks' proposal in its Reply Testimony?**

¹ CUB/100, Jenks/10, 27-29

1 A. Yes. The Company stated it does not oppose Mr. Jenks' recommendation for a
2 non-bypassable charge to recover (or credit) historical under-collection or over-
3 collection of decommissioning costs. In his Reply Testimony, PacifiCorp witness
4 Michael G. Wilding agrees with CUB that decommissioning costs should fall on
5 those customers who have benefited from the plants, as the Company has been
6 collecting estimated decommissioning costs as part of depreciation expense.²

7 **Q. What is your response to Mr. Jenks' proposal?**

8 A. This issue does not strike me as simple or clear cut. A PacifiCorp customer who
9 signs up for long-term direct access ("LTDA") service must pay for ten years of
10 fixed cost recovery – including decommissioning expense – associated with
11 generation service that the customer no longer utilizes. A portion of that fixed
12 cost recovery is a projection of fixed costs in years 6 through 10 (after departure
13 for LTDA), but which are paid in advance by the customer as part of the
14 Consumer Opt-Out Charge in years 1 through 5.

15 Aside from questions of retroactive ratemaking for customers who have
16 already opted for LTDA, one concern that arises is the extent to which a LTDA
17 customer who is paying decommissioning costs in advance through the Consumer
18 Opt-Out Charge would be unreasonably overcharged if a new, non-bypassable
19 decommissioning charge is added. For a LTDA customer, none of the
20 decommissioning costs embedded in the transition charge reflects the LTDA
21 customer's "current" usage of the coal fleet, but rather is a contribution from that
22 customer to the societal cost of decommissioning the fleet that others continue to

² PAC/2000, Wilding/27

1 use. Whether ten years of making such contributions is sufficient is a policy
2 determination for the Commission to make. Similarly, the Commission should
3 consider the implications of CUB's proposal for New Load Direct Access
4 ("NLDA") customers, who, by definition, have not used the coal fleet at all. I
5 suggest that the issue of allocating coal decommissioning costs to Direct Access
6 customers is better addressed in UM 2024, where it can be assessed in the larger
7 context of Direct Access issues particular to that proceeding.

8 **Q. Does this conclude your rebuttal and cross-answering testimony?**

9 A. Yes, it does.