

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

<b>In the Matter of</b>	)	
<b>PacifiCorp, dba Pacific Power,</b>	)	<b>Docket No. UE 375</b>
<b>2021 Transition Adjustment</b>	)	
<b>Mechanism</b>	)	

**Opening Testimony and Exhibit of Kevin C. Higgins**

**on behalf of**

**Calpine Energy Solutions, LLC**

**May 15, 2020**

**OPENING 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. Energy Strategies is a  
private consulting firm specializing in economic and policy analysis applicable to  
energy production, transportation, and consumption.

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

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

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

A. My academic background is in economics, and I have completed all coursework  
and field examinations toward a Ph.D. in Economics at the University of Utah. In  
addition, I have served on the adjunct faculties of both the University of Utah and

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

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

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

12 A. Yes. I have testified in twenty-nine prior proceedings in Oregon, including ten  
13 previous PacifiCorp Transition Adjustment Mechanism (“TAM”) proceedings,  
14 UE 339 (2019 TAM), UE 323 (2018 TAM), UE 307 (2017 TAM), UE 296 (2016  
15 TAM), UE 264 (2014 TAM), UE 245 (2013 TAM), UE 227 (2012 TAM), UE  
16 216 (2011 TAM), UE 207 (2010 TAM), and UE 199 (2009 TAM). I have also  
17 participated in six PacifiCorp general rate cases, UE 263 (2013), UE 246 (2012),  
18 UE 210 (2009), UE 179 (2006), UE 170 (2005), and UE 147 (2003), as well as  
19 the PacifiCorp Five-Year Opt-Out case, UE 267 (2013).

20 In addition, I have testified in six previous PGE general rate cases, UE 335  
21 (2018), UE 283 (2014), UE 262 (2013), UE 215 (2010), UE 197 (2008), and UE  
22 180 (2006). In addition, I testified in the PGE New Load Direct Access Case, UE

1 358 (2019); the PGE Opt-Out case, UE 236 (2012); and the PGE restructuring  
2 proceeding, UE 115 (2001).

3 I also 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); and Phase II of the Investigation into Qualifying  
6 Facility Contracting and Pricing, UM 1610 (2015).

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

8 A. Yes. I have testified in approximately 220 proceedings on the subjects of  
9 utility rates and regulatory policy before state utility regulators in Alaska,  
10 Arizona, Arkansas, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky,  
11 Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York,  
12 North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas, Utah,  
13 Virginia, Washington, West Virginia, and Wyoming. I have also prepared  
14 affidavits that have been filed with the Federal Energy Regulatory Commission.

15

16 **Overview and Conclusions**

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

18 A. My testimony focuses on issues pertaining to direct access service, in particular,  
19 the calculation of the Schedule 294 and 296 transition adjustments; the treatment  
20 of Renewable Energy Certificates ("RECs") for direct access service; and the  
21 calculation of the Consumer Opt-Out Charge used in PacifiCorp's five-year opt-  
22 out program.

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

1 A. While I have general concerns about the structure of PacifiCorp's direct access  
2 program and the consequent low level of participation, those concerns lie outside  
3 the scope of this TAM proceeding. Based on my review of the Company's filing  
4 in this docket, I have tentatively concluded that the direct access aspects of the  
5 Company's filing are consistent with prior agreements negotiated between the  
6 Company, Calpine Solutions and other parties, as well as prior Commission  
7 orders. My conclusion is contingent on review of a supplemental discovery  
8 response from PacifiCorp that has not yet been provided. Consistent with my  
9 tentative conclusion, I am not proposing any adjustments to the Company's filing  
10 with respect to direct access service in my opening testimony.

11 In addition, I note that in PacifiCorp's general rate case docket, UE 374,  
12 the Company has proposed consolidating the TAM and Power Cost Adjustment  
13 Mechanism filings into a single annual filing, the Annual Power Cost Adjustment  
14 ("ACPA").<sup>1</sup> As part of that proposal, PacifiCorp has developed proposed  
15 guidelines for the ACPA that generally subsume the current TAM guidelines.<sup>2</sup> As  
16 the current TAM guidelines were developed before adoption of PacifiCorp's five-  
17 year opt-out program, they provide for a sample calculation of the one-year  
18 transition adjustment, Schedule 294, but not the five-year transition adjustment,  
19 Schedule 296, which is applicable to long-term direct access ("LTDA") service.  
20 Going forward, I recommend that a sample calculation for Schedule 296 be  
21 incorporated into the TAM and/or ACPA guidelines, whichever is applicable.

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<sup>1</sup> See UE 374, PAC/500, Direct Testimony of Michael G. Wilding, p. 1.

<sup>2</sup> *Id.*, pp. 9-10.

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2 **PacifiCorp 2021 TAM – Direct Access Issues**

3 **Q. In prior TAM dockets in recent years, there have been disagreements**  
4 **between PacifiCorp and Calpine Solutions regarding the calculation of the**  
5 **Consumer Opt-Out Charge and the treatment of RECs for direct access**  
6 **customers that were ultimately resolved through stipulations approved by**  
7 **the Commission. Is the 2021 TAM filed by the Company consistent with the**  
8 **approved stipulations?**

9 A. Yes, as far as I have been able to determine.

10 **Q. Are there aspects of the Company's 2021 TAM filing that require further**  
11 **review prior to you solidifying your conclusion?**

12 A. Yes. Calpine Solutions' Data Request 1.2 asked PacifiCorp to provide a sample  
13 calculation of the Schedule 296 transition adjustment. Among other things, this  
14 sample calculation would enable me to verify that the Company was calculating  
15 Schedule 296 in the manner previously negotiated and approved by the  
16 Commission. PacifiCorp responded that it had not yet performed a sample study  
17 for Schedule 296, but that it was working on the requested sample calculation and  
18 will provide it in a supplemental response when it has been completed. I expect  
19 that the sample calculation will be provided sometime after I file my opening  
20 testimony.<sup>3</sup>

21 **Q. Do you have good reason to expect that PacifiCorp will calculate Schedule**  
22 **296 in the manner previously negotiated and approved by the Commission?**

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<sup>3</sup> See PacifiCorp Response to Calpine Solutions 1.2, included in Calpine Solutions/101.

1 A. Yes. PacifiCorp verified that is the Company's intention in its Response to  
2 Calpine 1.1.<sup>4</sup> In that response, the Company confirmed that it will calculate the  
3 Consumer Opt-Out Charge consistent with the Stipulation approved by the  
4 Commission in UE 356 (2020 TAM). That Stipulation reconfirmed the  
5 compromise adopted in the 2019 TAM that resolved a multi-year disagreement  
6 between Calpine Solutions and PacifiCorp regarding the most appropriate  
7 treatment for the projection of Schedule 200 costs in years 6 through 10 following  
8 the inception of LTDA service for any customer, as used in the calculation of the  
9 Consumer Opt-Out Charge.

10 Prior to the Stipulation in the 2019 TAM (UE 339), PacifiCorp's  
11 calculation of the Consumer Opt-Out Charge used a projection of Schedule 200  
12 charges that *increased* in years 6 through 10 at the rate of inflation. In contrast,  
13 the position of Calpine Solutions has been that Schedule 200 projections in years  
14 6 through 10, as used in the calculation of the Consumer Opt-Out Charge, should  
15 *decline* each year consistent with the effects of accumulated depreciation on a  
16 fixed pool of assets. Under the UE 356 Stipulation, the Consumer Opt-Out  
17 charge is calculated holding fixed generation costs *flat* in nominal terms in years  
18 six through 10, without an inflation escalator. Further, the stipulating parties  
19 agreed to remove a qualifier from the UE 339 Stipulation that the stipulated  
20 approach was non-precedential. Calpine Solutions supports the continued use of  
21 the approach stipulated in UE 356 in this case.

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<sup>4</sup> See PacifiCorp Response to Calpine Solutions 1.1, included in Calpine Solutions/101.

1   **Q.    Is the treatment of RECs for direct access customers being addressed**  
2       **satisfactorily?**

3    A.    Yes. The current stakeholder-developed process for transferring RECs from  
4       PacifiCorp to Electricity Service Suppliers (“ESSs”) to account for the migration  
5       of direct access customers reflects a constructive resolution of a previous dispute  
6       over the problem of direct access customers paying twice for Renewable Portfolio  
7       Standard (“RPS”)-related resources: once from their ESS and a second time from  
8       PacifiCorp through the transition adjustment. The REC transfer process  
9       reasonably resolves this problem by transferring RECs from PacifiCorp to ESSs  
10      for the benefit of their direct access customers.

11   **Q.    Please elaborate on your recommendation to include a sample calculation of**  
12       **Schedule 296 as part of the TAM (or, if applicable, ACPA) guidelines.**

13   A.    The current TAM guidelines require that PacifiCorp provide a sample calculation  
14      for the one-year transition adjustment, Schedule 294, for two rate schedules, 30-  
15      Secondary and 48-Primary. However, the calculation of the rates for Schedule  
16      296, the five-year program, are materially different, particularly because it  
17      includes the Consumer Opt-Out Charge. Consequently, the sample calculation for  
18      Schedule 294 does not fully inform how the five-year program’s rates will be  
19      calculated. Because the current TAM guidelines predate the adoption of  
20      PacifiCorp’s five-year opt-out program, the current TAM guidelines do not  
21      include a requirement that PacifiCorp supply parties with a sample calculation for  
22      the five-year program. Instead, the Schedule 296 calculation must be requested in  
23      discovery, which can impede full and prompt investigation of the case in the

1 expedited TAM format. Going forward, it would be helpful to the process if a  
2 sample calculation relevant to LTDA, i.e., a sample calculation of Schedule 296,  
3 would be included as part of the Company's TAM (or ACPA) filing. Such a  
4 filing would preempt the need for specific discovery requests regarding a sample  
5 Schedule 296 calculation, as Calpine Solutions has made in this and previous  
6 TAM dockets. My proposed filing requirement is reasonable considering that the  
7 original purpose of the TAM is to calculate the transition adjustment for direct  
8 access service.

9 **Q. What is your recommendation regarding the TAM guidelines?**

10 A. I recommend that the TAM guidelines be modified to include a sample  
11 calculation of Schedule 296 as applicable to customers currently served under rate  
12 schedules 30-Secondary and 48-Primary. In the alternative, if the ACPA  
13 proposed by PacifiCorp in docket UE 374 is adopted, I recommend that this  
14 provision be included in the ACPA guidelines.

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

16 A. Yes, it does.

**Docket No. UE 375**

**EXHIBIT**

**Calpine Solutions 101**

**PacifiCorp Responses to Data Requests Referenced  
in Testimony**

**Calpine Data Request 1.1**

Please refer to the UE 356 Stipulation. Please confirm that the Consumer Opt-Out Charge for Schedule 296 will be calculated consistent with Paragraph 23 of that stipulation. If not, please clarify.

**Response to Calpine Data Request 1.1**

Confirmed.

### **Calpine Data Request 1.2**

Please provide a sample Schedule 296 calculation (transition adjustments and opt-out charge) that would be applicable to Schedule 30-Secondary customers and Schedule 48-Primary customer based on the best current information available to the Company. Please provide the supporting work papers for this calculation in Excel format with formulas intact.

### **Response to Calpine Data Request 1.2**

This data request is for a sample study not yet performed by the company. The company is working on the requested sample Schedule 296 calculation, and will provide in a supplemental response to this data request when it has been completed.