



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

2

3    **Introduction**

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

5    A.     My name is Kevin C. Higgins. My business address is 111 East Broadway, Suite  
6           1200, Salt Lake City, Utah, 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 is a  
9           private consulting firm specializing in economic and policy analysis applicable to  
10          energy production, transportation, and consumption.

11   **Q.     Are you the same Kevin C. Higgins who pre-filed opening testimony on**  
12       **behalf of Calpine Solutions in this proceeding?**

13   A.     Yes.

14

15   **Overview and Conclusions**

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

17   A.     My rebuttal testimony addresses the topic of non-bypassable charges and  
18          responds to the reply testimony of Portland General Electric (“PGE”) and the  
19          opening testimonies of witnesses for Staff and the Alliance of Western Energy  
20          Consumers (“AWEC”) concerning this topic.

21   **Q.     What are the primary conclusions and recommendations in your rebuttal?**

22   A.     My primary conclusions and recommendations are as follows:

1           (1) I continue to recommend that Schedule 150, which would recover  
2           deferred transportation electrification costs from classes based on *total* revenues,  
3           including generation revenues, should be rejected *as proposed* by PGE. Instead,  
4           the revenue requirement associated with prudent transportation electrification  
5           deferred costs should be recovered from customers in a manner similar to the  
6           recovery of distribution costs. To the extent that the deferred costs are specific to  
7           a customer class, such costs should be directly assigned to that class and  
8           recovered from customers based on their distribution revenue requirement. To the  
9           extent that the deferred costs are not specific to a single class, the costs should be  
10          allocated to each class in proportion to each class's distribution revenue  
11          requirement.

12          (2) Unless and until it is determined that direct access customers must  
13          acquire a resource adequacy product from PGE, long-term direct access  
14          ("LTDA") and new load direct access ("NLDA") customers should not be  
15          charged for PGE's demand response program costs. The beneficiaries of demand  
16          response resources are the utility's bundled service customers who receive their  
17          generation service from PGE. LTDA and NLDA customers do not receive their  
18          generation supply from PGE and thus are not the beneficiaries of the Company's  
19          demand response programs. Consequently, LTDA and NLDA customers should  
20          not be charged for this component of PGE generation supply service.

21          (3) In my opening testimony, I stated that I do not oppose assigning a  
22          share of the Solar Payment Option subsidy recovered through Schedule 137 to  
23          long-term direct access ("LTDA") and new load direct access ("NLDA")

1 customers, since the subsidization associated with this program is mandated by  
2 statute. I noted though, that since the program is also a source of power supply to  
3 PGE, LTDA and NLDA customers should only be allocated a pro rata share of  
4 the subsidy costs (i.e., payments to participants above market prices) and should  
5 not be charged for the non-subsidized portion of power supply costs associated  
6 with this program. Based on my subsequent review of PGE's workpapers  
7 associated with the implementation of Schedule 137, I have concluded that the  
8 costs recovered for this program are limited to the subsidy. Therefore, I confirm  
9 my non-objection to the recovery of Schedule 137 costs from LTDA and NLDA  
10 customers.

11 (4) There is no reason in this case for the Commission to act on PGE's  
12 sweeping assertion in its reply filing that its "Flexible Load" costs should be non-  
13 bypassable. The programs described in PGE's Flexible Load Plan are directly  
14 related to PGE's provision of generation service to its cost-of-service customers.  
15 Therefore, it is neither appropriate nor reasonable for LTDA and NLDA  
16 customers to fund these programs. Moreover, PGE is not proposing any specific  
17 costs for recovery associated with its Flexible Load Plan in this proceeding. The  
18 Company's claim that costs associated with its Flexible Load Plan should be non-  
19 bypassable does not warrant action by the Commission in this case, unless it is to  
20 reject PGE's assertion outright.

21

1 **Response to Parties Regarding Non-Bypassable Charges**

2 **Q. How has PGE responded to the recommendations in your opening testimony**  
3 **regarding non-bypassable charges?**

4 A. PGE responded only briefly with general statements along the lines that direct  
5 access customers should “pay their fair share of system costs, including costs  
6 related to public policy directives.” Similarly, PGE asserts that “investments in  
7 load-stabilizing and system reliability efforts, such as Demand Response, will  
8 provide future benefits/cost avoidance to all users of PGE’s distribution system  
9 and as such should be funded by all customers, regardless of energy supplier.”

10 In particular, PGE did not respond directly to my recommendation that  
11 deferred Schedule 150 costs should be recovered from customers in a manner  
12 similar to the recovery of distribution costs.<sup>1</sup> PGE simply asserted that  
13 transportation electrification costs should be recovered from all customers in  
14 support of statewide decarbonization goals and long term load growth.<sup>2</sup>

15 **Q. Did any other parties comment regarding the allocation of deferred Schedule**  
16 **150 costs?**

---

<sup>1</sup> As noted in my opening testimony, PGE’s Schedule 150 proposal is complicated by the fact that subsequent to filing its application in this case, PGE filed Advice 21-26, seeking to expand its suite of proposed Schedule 150 charges in response provisions adopted in newly enrolled HB 2165. This new legislation amends ORS Chapter 757, which promotes the development of transportation electrification in the state and addresses the considerations for cost recovery. In Advice 21-26, PGE proposed to bifurcate the Schedule 150 charges into two sections: one dealing with the cost recovery authorized by HB 2165 and another to recover the Schedule 150 costs requested in this general rate case. My testimony in this case is directed to the latter, which, in my opening testimony I referred to as “Schedule 150 (GRC),” in order to avoid confusion with the new Schedule 150 component requested in PGE’s advice filing. In this rebuttal testimony I also refer to the Schedule 150 costs at issue in this docket as “deferred Schedule 150 costs.”

<sup>2</sup> PGE/2200, Macfarlane-Tang/14.

1 A. Yes. Staff witness Scott Gibbens testified that the appropriate venue for  
2 discussion of the proper allocation method for non-bypassable charges is Docket  
3 No. UM-2024. However, for the purposes of this case, Staff indicated it is  
4 willing to accept PGE's proposal.

5 AWEC witness Lance Kaufman challenges PGE's cost allocation proposal  
6 stating that "PGE has once again failed to identify a single benefit or rationale for  
7 its cost allocation proposal." Dr. Kaufman concludes that "without an  
8 explanation for why PGE has proposed the allocation method it has and how that  
9 method is consistent with the costs and benefits from the program, AWEC cannot  
10 support PGE's proposal, or indeed any allocation method, at this time."<sup>3</sup>

11 **Q. What is your response to the positions of these other parties?**

12 A. Dr. Kaufman's criticism of PGE's cost allocation proposal is well-founded.  
13 There is not a good rationale for recovering deferred Schedule 150 costs from  
14 customers based on *total* revenue (with an imputation of generation revenues to  
15 LTDA and NLDA customers) because the deferred costs are *distribution*-related.  
16 And while I do not disagree with Staff that the allocation of Schedule 150 costs  
17 can be considered in Docket No. UM-2024, I disagree with Staff's willingness to  
18 accept PGE's proposed allocation in this case.

19 **Q. What is your recommendation regarding the allocation of deferred Schedule**  
20 **150 costs?**

21 A. As I stated in my opening testimony, PGE's proposed cost allocation of deferred  
22 Schedule 150 costs based on class total revenues should be rejected. The

---

<sup>3</sup> AWEC/200, Kaufman/58.

1 deferred transportation electrification costs that would be recovered from this  
2 rider are distribution-related. Therefore, the revenue requirement associated with  
3 prudent transportation electrification deferred costs should be recovered from  
4 customers in a manner similar to the recovery of distribution costs. To the extent  
5 that the deferred costs are specific to a customer class, such costs should be  
6 directly assigned to that class and recovered from customers based on their  
7 distribution revenue requirement. To the extent that the deferred costs are not  
8 specific to a single class, the costs should be allocated to each class in proportion  
9 to each class's distribution revenue requirement.

10 **Q. Does your proposed allocation method assign to LTDA and NLDA customers**  
11 **their “fair share” of deferred Schedule 150 costs?**

12 A. Yes. Under my proposal, both cost-of-service and direct access customers would  
13 be charged in a comparable manner, based on their respective class's distribution  
14 revenue requirement.

15 **Q. Turning to demand response, did PGE respond directly to your argument**  
16 **that unless and until it is determined that direct access customers must**  
17 **acquire a resource adequacy product from PGE, LTDA and NLDA**  
18 **customers should not be charged for PGE's demand response program**  
19 **costs?**

20 A. No. PGE simply makes the blanket assertion that its investments in demand  
21 response will provide future benefits/cost avoidance to all users of PGE's  
22 distribution system and therefore should be funded by all customers, regardless of

1 energy supplier.<sup>4</sup> Since it is has not been established that direct access customers  
2 must acquire a resource adequacy product from PGE, the Commission should  
3 reject any attempt by PGE in this case to require direct access customers to  
4 underwrite the costs of the Company's generation service other than approved  
5 transition adjustment charges.

6 **Q. Did PGE respond to your observation that even though the Company said it**  
7 **was proposing that demand response programs would be non-bypassable for**  
8 **LTDA and NLDA customers, the Company did not actually include this**  
9 **declared change in its proposed tariff?**

10 A. No. PGE did not respond to my observation on this point. Thus, in addition to  
11 PGE's proposal being improper and unreasonable, it is also confusing. In any  
12 event, PGE's proposal that demand response programs should be non-bypassable  
13 for LTDA and NLDA customers should be rejected by the Commission in this  
14 case. This issue is more appropriately considered in Docket No. UM-2024.

15 **Q. In your opening testimony, you addressed PGE's proposal to make Schedule**  
16 **137, Solar Payment Option, non-bypassable. Do you have any updates to**  
17 **your position on this proposal?**

18 A. Yes. In my opening testimony, I stated that do not oppose assigning a share of the  
19 Solar Payment Option subsidy recovered through Schedule 137 to long-term  
20 direct access ("LTDA") and new load direct access ("NLDA") customers, since  
21 the subsidization associated with this program is mandated by statute. I noted  
22 though, that since the program is also a source of power supply to PGE, LTDA

---

<sup>4</sup> PGE/2200, Macfarlane-Tang/14.



1 and NLDA customers should only be allocated a pro rata share of the subsidy  
2 costs (i.e., payments to participants above market prices) and should not be  
3 charged for the non-subsidized portion of power supply costs associated with this  
4 program. Subsequently, I have had the opportunity to review PGE's workpapers  
5 associated with the implementation of Schedule 137. Based on that review, I  
6 have concluded that the costs recovered for this program are indeed limited to the  
7 subsidy. Consequently, I confirm my non-objection to the recovery of Schedule  
8 137 costs from LTDA and NLDA customers.

9 **Q. What has PGE proposed regarding the costs of its Flexible Load Plan?**

10 A. PGE has submitted a Flexible Load Plan that would augment its provision of  
11 generation service. In its reply filing, PGE states that it introduced its Flexible  
12 Load Plan in this docket at the request of other parties, but based on Staff's  
13 comments and PGE's own observations, the Flexible Load Plan is most  
14 appropriately addressed in Dockets UM 2141 and/or UM 2005.<sup>5</sup> This disclaimer  
15 notwithstanding, elsewhere in its reply filing, PGE contends that it is proposing  
16 non-bypassable charges for its Flexible Load Plan.<sup>6</sup>

17 **Q. What is your response to PGE's proposal to adopt a non-bypassable charge  
18 for its Flexible Load Plan in this docket?**

19 A. The Commission should either reject or ignore PGE's contention that its Flexible  
20 Load Plan costs should be non-bypassable. The programs described in PGE's  
21 Flexible Load Plan are directly related to PGE's provision of generation service to

---

<sup>5</sup> PGE/1400, Tooman-Batzler/46.

<sup>6</sup> PGE/2200, Macfarlane-Tang/14.

1 its cost-of-service customers. Therefore, it is neither appropriate nor reasonable  
2 for LTDA and NLDA customers to fund these programs. Moreover, PGE is not  
3 proposing any specific costs for recovery associated with its Flexible Load Plan in  
4 this proceeding. The Company's assertion that costs associated with its Flexible  
5 Load Plan should be non-bypassable does not warrant action by the Commission  
6 in this case, unless it is to reject PGE's assertion outright.

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

8 A. Yes, it does.