

**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

Opening Testimony of Kevin C. Higgins

on behalf of

Calpine Energy Solutions, LLC

June 4, 2020

1 **OPENING 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 215 South State Street,
6 Suite 200, 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. On whose behalf are you testifying in this proceeding?**

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

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

22 A. My academic background is in economics, and I have completed all coursework
23 and field examinations toward a Ph.D. in Economics at the University of Utah. In

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

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

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

13 A. Yes. I have testified in thirty prior proceedings in Oregon, including six previous
14 PacifiCorp general rate cases, UE 263 (2013), UE 246 (2012), UE 210 (2009), UE
15 179 (2006), UE 170 (2005), and UE 147 (2003), as well as the PacifiCorp Five-
16 Year Opt-Out case, UE 267 (2013). I also testified in eleven PacifiCorp
17 Transition Adjustment Mechanism (“TAM”) proceedings, UE 375 (2021 TAM),
18 UE 339 (2019 TAM), UE 323 (2018 TAM), UE 307 (2017 TAM), UE 296 (2016
19 TAM), UE 264 (2014 TAM), UE 245 (2013 TAM), UE 227 (2012 TAM), UE
20 216 (2011 TAM), UE 207 (2010 TAM), and UE 199 (2009 TAM).

21 In addition, I have testified in six PGE general rate cases, UE 335 (2018),
22 UE 283 (2014), UE 262 (2013), UE 215 (2010), UE 197 (2008), and UE 180
23 (2006). In addition, I testified in the PGE New Load Direct Access Case, UE 358

1 (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 the TAM guidelines, which
19 PacifiCorp proposes to replace with its Annual Power Cost Adjustment ("APCA")
20 guidelines.¹

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

¹ PAC/500, Direct Testimony of Michael G. Wilding, pp. 9-10.

1 A. PacifiCorp has proposed to consolidate the TAM and Power Cost Adjustment
2 Mechanism (“PCAM”) filings into a single annual filing, the APCA. As part of
3 that proposal, PacifiCorp has developed proposed guidelines for the APCA that
4 generally subsume the current TAM guidelines.² As the current TAM guidelines
5 were developed before adoption of PacifiCorp’s five-year opt-out program, they
6 provide for a sample calculation of the one-year transition adjustment, Schedule
7 294, but not the five-year transition adjustment, Schedule 296, which is applicable
8 to long-term direct access (“LTDA”) service. Going forward, I recommend that
9 the TAM or APCA guidelines, whichever are applicable, require PacifiCorp to
10 provide a sample calculation of Schedule 296 in its annual TAM/APCA filings.

11

12 **Response to PacifiCorp APCA Proposal**

13 **Q. Please describe PacifiCorp’s APCA proposal.**

14 A. According to the Direct Testimony of Michael G. Wilding, the Company
15 proposes to combine the TAM and PCAM into a single net power cost (“NPC”)
16 mechanism, the APCA, that would be filed on May 15th of every year. The
17 APCA would replace the TAM that is typically filed on April 1st and the PCAM
18 that is filed on May 15th. The first APCA would be filed on May 15, 2021, with
19 an NPC forecast for calendar year 2022 and a true-up of calendar year 2020.
20 PacifiCorp created a set of APCA guidelines that are presented in Mr. Wilding’s
21 Exhibit PAC/501.³

² *Id.*

³ *Id.*

1 **Q. What aspect of the TAM/APCA guidelines do you address?**

2 A. I propose a modification to the TAM guidelines or APCA guidelines, whichever
3 are ultimately applicable, regarding the sample transition adjustment calculation
4 requirements included in the guidelines. The current TAM guidelines, established
5 in Order No. 09-274, require that PacifiCorp provide a sample calculation for the
6 one-year transition adjustment, Schedule 294, for two rate schedules, 30-
7 Secondary and 48-Primary. This requirement is included in Attachment B to the
8 current guidelines, which describes the TAM workpapers and supporting
9 documents to be provided by the Company.⁴ This same provision is included in
10 Attachment A to the APCA guidelines proposed by PacifiCorp.⁵

11 However, the calculation of the rates for Schedule 296, the five-year
12 program, are materially different than Schedule 294, particularly because it
13 includes the Consumer Opt-Out Charge. Consequently, the sample calculation for
14 Schedule 294 does not fully inform how the five-year program's rates will be
15 calculated. Because the current TAM guidelines predate the adoption of
16 PacifiCorp's five-year opt-out program, the current TAM guidelines do not
17 include a requirement that PacifiCorp supply parties with a sample calculation for
18 the five-year program.

19 Instead, the Schedule 296 calculation must be requested in discovery in
20 the TAM proceedings, which can impede full and prompt investigation of the case

⁴ *In the matter of PacifiCorp dba Pacific Power 2009 Transition Adjustment Mechanism*, Docket No. UE 199, Order No. 09-274, Pacific Power Oregon TAM Agreement of the Parties on General Guidelines, Attachment B, § A. 3. m) (Appendix A at 18).

⁵ Exhibit PAC/501 Attachment A, § A. 3. m).

1 in the expedited TAM format. Going forward, it would be helpful to the process
2 if a sample calculation relevant to LTDA, i.e., a sample calculation of Schedule
3 296, would be included as part of the Company's TAM (or APCA) filing. My
4 proposed filing requirement is reasonable considering that the original purpose of
5 the TAM is to calculate the transition adjustment for direct access service.

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

7 A. I recommend that the TAM guidelines be modified to require PacifiCorp to
8 provide a sample calculation of Schedule 296 as applicable to customers currently
9 served under rate schedules 30-Secondary and 48-Primary. In the alternative, if
10 the APCA is adopted, I recommend that this provision be included in the APCA
11 guidelines.

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

13 A. Yes, it does.