



Pacific Power | Utah Power  
Rocky Mountain Power  
825 NE Multnomah  
Portland, Oregon 97232

April 14, 2006

***VIA ELECTRONIC FILING***

Oregon Public Utility Commission  
550 Capitol Street NE, Ste 215  
Salem, OR 97301-2551

Attn: Vikie Bailey-Goggins, Administrator  
Regulatory and Technical Support

Re: PacifiCorp's Rebuttal Testimony and Exhibits in Phase II, Off System PPA in Docket No. UM-1129

Enclosed for filing is an original and 5 copies of PacifiCorp's Rebuttal Testimony and Exhibits in Phase II of Docket UM-1129. Copies of this filing have been served on the UM-1129 Service List.

It is respectfully requested that all formal correspondence and staff requests regarding this matter be addressed to:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com).

By Fax: (503) 813-6060

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Informal inquiries may be directed to Laura Beane, Regulatory Manager at (503) 813-5542.

Very truly yours,

  
Andrea L. Kelly  
Vice President, Regulation

cc: Service List  
Enclosures

## CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of April 2006, I caused to be served, via overnight delivery and or electronic mail, a true and correct copy of PacifiCorp's Rebuttal Testimony and Exhibits in Phase II, Off System PPA in Docket No. UM-1129

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

**PACIFICORP**

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**UM 1129  
PHASE II**

In the Matter of Public Utility Commission of Oregon Staff's Investigation  
Relating to Electric Utility Purchases from Qualifying Facilities

Rebuttal Testimony and Exhibits

**April 2006**

Case UM-1129  
Exhibit PPL/409  
Witness: Bruce W. Griswold

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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**Rebuttal Testimony of Bruce W. Griswold**

**Phase II  
Off-System PPA**

**April 2006**

1 **Q. Please state your name, business address and position with PacifiCorp dba**  
2 **Pacific Power & Light Company (the Company).**

3 A. My name is Bruce W. Griswold. My business address is 825 N. E. Multnomah,  
4 Suite 600, Portland, Oregon 97232. I am a Manager in the Origination section of  
5 the Company's Commercial and Trading ("C&T") Department.

6 **Q. Have you previously testified in this proceeding?**

7 A. Yes. I provided rebuttal testimony for Phase I and direct, supplemental, and  
8 rebuttal testimony on Phase II issues.

9 **PURPOSE OF TESTIMONY**

10 **Q. What is the purpose of your testimony?**

11 A. In accordance with the schedule adopted in this case, this rebuttal testimony  
12 addresses only issues regarding the Company's off-system PPA. Specifically, the  
13 only issue I address is Staff's testimony regarding purchases of an off-system  
14 QF's deliveries in excess of net output.

15 **Q. What is Staff's testimony on that issue?**

16 A. Staff witness Stefan Brown testifies that, "while not required by PURPA, I  
17 recommend that PacifiCorp consider modifying its agreement by adding a  
18 provision that states that the company will pay QFs the off-peak price for energy  
19 delivered in excess of actual net output in the settlement period." Staff/2200,  
20 Brown/6.

21 **Q. What is your response to that recommendation?**

22 A. I disagree with this recommendation and ask that the Commission not adopt it.  
23 As Mr. Brown recognizes, PURPA does not require utilities to purchase more

1 than a QF's net output. Indeed, the Commission stated in this case that, "FERC  
2 precedent firmly establishes that a QF may sell no more than "net output" under  
3 PURPA." Order No. 05-584 at 53. While it is my understanding that the changes  
4 to PURPA in the 2005 Energy Policy Act change the foundation for the "net  
5 output" limitation, FERC continues to see the utility's obligation under PURPA  
6 being limited to net output: "What electric utilities are required to purchase is the  
7 'electric energy from such facilities' which the Commission interprets to mean  
8 electric energy produced by the QF and not non-QF electric energy which the QF  
9 has purchased or has produced itself through a process that does not satisfy the  
10 technical requirements for QF status." Revised Regulations Governing Small  
11 Power Production and Cogeneration Facilities, Docket No. RM05-36-000; Order  
12 No. 671 at 53 (February 2, 2006).

13 Further, as Mr. Brown also recognizes, the Company's off-system PPA,  
14 providing that it will not pay for energy deliveries in excess of the QF's net  
15 output, "provides an incentive for a QF to accurately schedule its output across  
16 the settlement period." Staff/2200, Brown/6. Mr. Brown's recommendation  
17 would eliminate that incentive; in fact it provides the QF an opportunity to  
18 schedule more than the hourly generation capability of the QF, which may result  
19 in an economic benefit to the QF at the expense of PacifiCorp's ratepayers.

20 **Q. Please explain.**

21 A. The QF either purchases or sells any excess or deficit energy from or to the  
22 transmitting entity that the QF needs to meet its scheduled delivery to PacifiCorp.  
23 That excess or deficit is priced through the imbalance service per the transmitting



1           entity's OATT. Let's take the easy one first. If BPA is the transmitting entity and  
2           for the month in the on-peak period, the QF has generated 100MWh but  
3           scheduled 90MWh to PacifiCorp then PacifiCorp pays for the scheduled and  
4           physically received deliveries of 90MWh at the appropriate on-peak price and the  
5           QF receives incremental payment from BPA for the net output of 10MWh in  
6           excess of scheduled 90 MWh. In this case, BPA purchases that excess from the  
7           QF at a specified market index per the OATT and the QF is compensated in some  
8           manner for all MWh generated. Now let's consider the case that Mr. Brown  
9           speaks to. PacifiCorp's off-system PPA only requires the purchase of the lower  
10          of net output or scheduled deliveries. Let's use the same example as above but  
11          switch the volumes, so the QF only generated 90MWh but scheduled 100MWh in  
12          the month's on-peak hours. Per PURPA, PacifiCorp would pay for the 90MWh  
13          generated by the QF at on-peak avoided cost prices but the QF per the OATT  
14          must purchase that 10MWh deficit from BPA to meet schedule. This is the  
15          incentive Mr. Brown addresses in his testimony. If the QF is good at scheduling  
16          and generating to that schedule then PacifiCorp is acquiring the appropriate  
17          MWhs, the transmitting entity is indifferent to the excess or deficit energy per its  
18          OATT, and the QF is really incentivized to meet the intended schedule. Now to  
19          Mr. Brown's point suggesting that PacifiCorp pay the QF for scheduled deliveries  
20          even if the scheduled amount is above net output. This would provide the QF the  
21          opportunity to intentionally over schedule (schedule more than it can generate),  
22          purchase the deficit at the OATT price and be compensated at PacifiCorp's off-  
23          peak (non-firm) price. If the market per the transmitting entity's OATT is under

1 PacifiCorp's off-peak price then the QF's intentional over schedule results in an  
2 economic benefit to the QF at PacifiCorp's ratepayer's expense. For these  
3 reasons, the Commission should not adopt Staff's recommendation on such  
4 excess deliveries.

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

6 A. Yes.

