



Oregon

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November 3, 2009

Via Electronic Filing and U.S. Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
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RE: **Docket No. UM 1442** – In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Investigation to determine if PACIFIC POWER's rate revision has been consistent with the methodologies and calculations required by Order No. 05-584.

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff's Opening Testimony.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

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c: UM 1442 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1442

STAFF OPENING TESTIMONY OF

Ed Durrenberger

**In the Matter of
PUBLIC UTILITY COMMISSION OF OREGON
Investigation to determine if PACIFIC POWER's rate
revision has been consistent with the
methodologies and calculations required by Order
No. 05-584.**

November 3, 2009

CASE: UM 1442
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

Direct Testimony

November 3, 2009

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Ed Durrenberger, I am a Senior Utility Analyst in the Electric and
4 Natural Gas Division for the Public Utility Commission of Oregon. My business
5 address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
7 **EXPERIENCE.**

8 A. My Witness Qualification Statement is found in Exhibit Staff/101.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The Commission initiated Docket UM 1442 to investigate whether Pacific
11 Power & Light (PacifiCorp or company) properly calculated its avoided cost
12 prices in the current Schedule 37 using methodologies prescribed in
13 Commission Order No. 05-584. The testimony that follows will discuss my
14 evaluation of the company's avoided cost filing and what conclusions I have
15 drawn about PacifiCorp's avoided cost rate.

16 **Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?**

17 A. No.

18 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

19 A. My testimony is organized to step through the evaluation I made of the avoided
20 cost filing by answering and discussing the following questions.

- 21 • When should avoided costs be updated?
22 • What are avoided cost values based on?

- 1 • Are the prices that have been used to calculate avoided costs consistent
2 with market pricing? and
- 3 • Does the avoided cost rate filing by PacifiCorp in Advice 09-012 follow the
4 methodology adopted by Order 05-584 and has the rate been updated in a
5 manner consistent with the previous avoided cost rate update approved by
6 the Commission?

7 **Q. WHEN DO AVOIDED COSTS NEED TO BE UPDATED?**

8 A. Avoided costs need to be updated within 30 days of the Commission's
9 acknowledgement of a company Integrated Resource Plan (IRP) and at least
10 every two years. Although PacifiCorp has recently filed an updated IRP, it will
11 take several months for the filing to be fully evaluated and receive
12 acknowledgment by the Commission. Avoided costs were last updated in the
13 fall of 2007, so in the absence of a timely acknowledgement of the latest IRP,
14 PacifiCorp filed to update its avoided cost in Advice 09-012 on July 9, 2009, in
15 time to meet the two year update requirement.

16 **Q. WHAT ARE AVOIDED COSTS BASED ON?**

17 A. Avoided costs are the incremental costs to an electric utility of electric energy
18 or capacity, or both, that the utility would incur if it were to generate the
19 energy itself or purchase the power from another source but for the purchase
20 from a Qualifying Facility (QF). To establish what the avoided cost is, the
21 Order methodology requires that PacifiCorp differentiate between times when
22 it has sufficient generation and long and short term firm power purchase
23 agreements to meet all of its retail load and long term sales commitments and

1 the time when it does not have sufficient resources or is deficient and will
2 need to be securing a major resource to meet future load and sales growth.
3 The company develops an action plan based on the IRP projections for loads
4 and resources. The action plan at some point requires that a new major base
5 load resource to be added to accommodate load and sales projections. Up
6 until that point the company is resource sufficient and avoided costs are
7 based on the forward market prices for wholesale electricity. From the point
8 where the company is no longer resource sufficient -- i.e., it is deficient -- the
9 avoided costs are based on the fixed and variable costs of the proxy
10 resource, a natural gas fired combined cycle combustion turbine (CCCT).

11 In this current filing, PacifiCorp used a 2008 IRP load/resource
12 balance, and updated the inputs for known changes to loads and resources
13 available as of May 2009. Based on that forecast, PacifiCorp is currently
14 resource sufficient and remains sufficient for the purposes of setting avoided
15 costs through 2013. Beginning in 2014, the company becomes resource
16 deficient, because it projects the need to add a major resource at that time.
17 With adoption of the new avoided cost rates in Advice 09-012, all eligible QF
18 generators are able to receive avoided cost based power purchase
19 agreements for up to 15 years with prices based on a sufficiency period from
20 2009 through 2013 and a deficiency period from 2014 through 2023.

21 **Q. DID PACIFICORP FOLLOW THE METHODOLOGY REQUIRED BY ORDER**
22 **NO. 05-584?**

1 A. Yes. The Order requires that to determine avoided costs there needs to be a
2 determination of sufficiency and deficiency. Once the sufficiency/deficiency
3 demarcation is determined, rates are calculated based on the forward
4 wholesale electric market during sufficiency periods and the fixed and
5 variable costs of the proxy resource during the deficiency period. PacifiCorp
6 has accurately calculated the avoided costs on the basis of this methodology.

7 **Q. DO THE PRICES USED TO CALCULATE THE COSTS APPEAR**
8 **REASONABLE AND CONSISTENT WITH PRICE ESTIMATES THAT**
9 **WERE AVAILABLE AT THE TIME OF THE FILING?**

10 A. Yes. At the time of the filing, I reviewed the forward wholesale electric price
11 curves furnished with the filing. Even though PacifiCorp performs an
12 adjustment to the prices based on a determination of the effect an assumed
13 50 MW QF would have to power dispatch costs, the prices used are
14 consistent with independent forward electric prices projections from Energy
15 Market Research (EMR) for regional wholesale power. Furthermore, during
16 the deficiency period, when prices are based on the fixed and variable CCCT
17 plant, the projections of natural gas prices going into the future also appeared
18 reasonable as compared to gas price projections from the Northwest Power
19 and Conservation Council's Sixth Power Plan. The CCCT plant fixed costs
20 appeared reasonable for what was known at the time of the filing.

21 **Q. WHAT CONCLUSION DO YOU MAKE ABOUT THE PACIFICORP**
22 **AVOIDED COST RATE FILED IN ADVICE 09-012 AND ADOPTED BY THE**
23 **COMMISSION ON SEPTEMBER 9, 2009?**

1 A. I conclude that PacifiCorp filed its avoided cost rates using the methodologies
2 required by Order No. 05-584. I further conclude that the prices PacifiCorp
3 used to determine the rates were consistent with the projected market prices
4 available to the company at the time they filed the rates. PacifiCorp
5 calculated their rates without making any arithmetical errors, and the rates
6 that were put into effect are reasonable. In addition, the current rates appear
7 to have been calculated using the same methodologies that were used to
8 determine the previous avoided cost rates that had been in place for two
9 years after being approved in Advice No. 07-021.

10
11 **Q. DO YOU HAVE OTHER ISSUES YOU WISH TO DISCUSS?**

12 A. Yes, with this filing PacifiCorp has updated its action plan from the plan that
13 the Commission acknowledged in the company's most recent IRP. The
14 updated plan calls for PacifiCorp to remain resource sufficient until the end of
15 2013 rather than until 2012 as previously planned. I am concerned about this
16 plan change and the fact that it has not yet been fully evaluated by the
17 Commission and other parties in the IRP evaluation process. If the
18 sufficiency/deficiency date is not acknowledged as correct either the QF
19 entering into a long term avoided cost power purchase agreement will receive
20 less than the avoided costs or customers will be paying more than they are
21 required to for the QF power. In addition, there is a possibility that the
22 avoided cost rate could change to the avoided cost rate filing required after

1 IRP acknowledgement. This possibility creates a climate of uncertainty with
2 QF rates that could hinder small renewable power development.

3 **Q. WHAT DO YOU PROPOSE TO RESOLVE THIS ISSUE?**

4 A. I first have to acknowledge that previous avoided cost rate update filings have
5 been adopted using updated actions plans as PacifiCorp proposed in this
6 case. However, I would propose that whenever a significant change to the
7 action plan is proposed, such as the one that PacifiCorp proposes in the
8 avoided cost filing where the sufficiency/deficiency demarcation is shifted a
9 year into the future, that the action plan be first acknowledged by the
10 Commission if it is planned to be used in establishing new long term avoided
11 costs. The IRP Order No. 07-002, guideline 3(f) envisions such an
12 acknowledgement process. In future off cycle avoided cost filings, whenever
13 the action plan changes significantly, such acknowledgement should be
14 required.

15 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

16 A. Yes.

CASE: UM 1442
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

November 3, 2009

WITNESS QUALIFICATION STATEMENT

NAME: Ed Durrenberger

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst

ADDRESS: 550 Capitol St. NE, Ste. 215, Salem, Oregon 97301

EDUCATION: B.S. Mechanical Engineering
Oregon State University, Corvallis, Oregon

EXPERIENCE: I have been employed at the Public Utility Commission of Oregon since February of 2004. My current responsibilities include staff research, analysis and technical support on a wide range of electric and natural gas cost recovery issues including net variable power costs and PURPA Qualifying Facility pricing and interconnection.

OTHER EXPERIENCE: I have over twenty years of engineering, operations and maintenance experience with industrial boiler plants and associated equipment and utilities. I also have project management experience both in industrial chemical and manufacturing environment and in the high tech manufacturing environment.

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CERTIFICATE OF SERVICE

UM 1442

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 3rd day of November, 2009.



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