

Exhibit No.\_\_\_\_(GND-11T)  
Docket UE-130043  
Witness: Gregory N. Duvall

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP d/b/a  
Pacific Power & Light Company

Respondent.

Docket UE-130043

**PACIFICORP**

**SUPPLEMENTAL REBUTTAL TESTIMONY OF GREGORY N. DUVALL**

**August 6, 2013**

1 **Q. Are you the same Gregory N. Duvall that previously provided testimony on**  
2 **behalf of PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or**  
3 **Company) in this case?**

4 A. Yes.

5 **Q. What is the purpose of your supplemental testimony?**

6 A. The Company recently discovered additional evidence regarding the history and  
7 purpose of the Direct Current (DC) Intertie contract. In response testimony, Staff and  
8 Boise White Paper LLC propose disallowing the DC Intertie contract. My  
9 supplemental testimony presents the recently discovered evidence and explains its  
10 significance in evaluating the adjustments proposed by Staff and Boise.

11 **Q. Please describe the additional evidence provided with your supplemental**  
12 **testimony related to the DC Intertie.**

13 A. Exhibit No.\_\_\_\_(GND-12) is a Letter of Understanding (LOU) that was executed on  
14 May 28, 1993.<sup>1</sup> This LOU documents a settlement agreement between PacifiCorp  
15 and the Bonneville Power Administration (BPA). In anticipation of the expansion of  
16 the Alternating Current (AC) Intertie to 4,800 megawatts (MW), the settlement  
17 resolved outstanding issues between PacifiCorp and BPA about the right to use the  
18 AC and DC Interties and the Midpoint-Medford transmission line.

19 As a result of the LOU, PacifiCorp received 400 MW of bidirectional rights  
20 on the AC Intertie, priority rights to an additional 125 MW of southbound  
21 transmission, four additional delivery points to the AC Intertie, and 200 MW of  
22 northbound rights on the DC Intertie. BPA received rights to up to 400 MW of

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<sup>1</sup> Although the LOU is marked “confidential,” the Company is not asserting that this document is confidential under the protective order in this docket.

1 eastbound transmission on PacifiCorp's Summer Lake-Midpoint line, rights to certain  
2 unused PacifiCorp transmission, and the option to take energy under spring and  
3 summer exchanges. The LOU states that the DC Intertie contract term will be equal  
4 to the term of the AC Intertie agreement, and that the AC Intertie agreement is  
5 extended for the life of the facilities it covers. These rights are functionally  
6 equivalent to ownership. As described in my rebuttal testimony, the DC Intertie  
7 contract was later executed on May 26, 1994; signing the contract was a result of the  
8 LOU with BPA.

9 **Q. Why is this additional background important?**

10 A. It is important because under the LOU, BPA and PacifiCorp agreed that the  
11 provisions of the LOU are interdependent and not severable.<sup>2</sup> In other words, an  
12 analysis of the DC Intertie cannot be conducted without addressing all of the other  
13 rights and obligations PacifiCorp agreed to in the LOU.

14 **Q. How has the Company used its DC Intertie rights?**

15 A. The DC Intertie was first used to provide deliveries of 200 MW of power from  
16 Southern California Edison at the Nevada Oregon Border (NOB) under Amendment 1  
17 to the Winter Power Sales Agreement (WPSA). The WPSA was executed on  
18 December 14, 1993, and provided up to 422 MW of power to be delivered to PACW.  
19 At the time the WPSA was executed, the Company had sufficient transmission rights  
20 to import 222 MW of power into PACW. The DC Intertie agreement allowed the  
21 Company to import the remaining 200 MW to its system.

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<sup>2</sup> Exhibit No.\_\_\_\_(GND-12) at page 7.

1 **Q. What present benefits do customers receive from the DC Intertie since the**  
2 **WPSA has terminated?**

3 A. The DC Intertie remains a valuable transmission asset to the Company and its  
4 customers. The contract provides a means to secure capacity and energy from  
5 California sources in order to reliably meet retail loads. The transmission rights take  
6 advantage of the load diversity between summer-peaking California and the winter-  
7 peaking Pacific Northwest and represent an integral piece of the transmission network  
8 necessary to maintain reliability in PACW. The DC Intertie contract is the only  
9 PacifiCorp contract that provides firm import rights from the NOB market, thereby  
10 providing unique market diversity to the Company for the benefit of retail customers.

11 **Q. You stated in your rebuttal testimony that the Company cannot resell the rights**  
12 **to the DC Intertie contract. Is that true?**

13 A. Yes. The contract is a formula power tariff transmission (FPT) agreement; BPA's  
14 business practices only allow for the resale of transmission rights for point-to-point  
15 service but not for FPT service. Renegotiating the DC Intertie contract would likely  
16 open up all of the issues that were agreed to by BPA and the Company under the  
17 LOU because the premise of the LOU was that the multiple parts of the LOU are  
18 interdependent and not severable.

19 **Q. You also mentioned in your rebuttal testimony that termination of the DC**  
20 **Intertie contract is tied to the AC Intertie agreement with BPA. Is that true?**

21 A. Yes. Consistent with the LOU, the life of the DC Intertie contract is tied to the AC  
22 Intertie agreement and the life of the underlying facilities. The ability to terminate  
23 the DC Intertie contract is tied to termination of the Company's AC Intertie

1 agreement. If this were to occur, the Company would no longer have the ability to  
2 sell wholesale power over the AC Intertie. This outcome would certainly increase  
3 NPC.

4 **Q. Does the LOU support the prudence of the DC Intertie contract when executed**  
5 **and support the conclusion that the contract is currently used and useful in**  
6 **Washington?**

7 A. Yes. The LOU illustrates that the DC Intertie is an integral piece of the Company's  
8 transmission network in the west control area necessary to meet load and provide  
9 access to wholesale power over the DC Intertie, as well as the AC Intertie.

10 **Q. What is your recommendation regarding the DC Intertie contract?**

11 A. I recommend that the Commission consider the LOU and other evidence provided by  
12 the Company demonstrating that the DC Intertie is both prudent and used and useful,  
13 and allow the costs of the DC Intertie contract in Washington rates.

14 **Q. Does this conclude your supplemental rebuttal testimony?**

15 A. Yes.