

August 22, 2013

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Attn: Steven V. King
Executive Director and Secretary

RE: UE-130043 – Errata Pages for Rebuttal Testimony Exhibit No. ___ (GND-7CT)

PacifiCorp d/b/a Pacific Power & Light Company (Company) submits for filing revised pages in the rebuttal testimony of Company witness Gregory N. Duvall, Exhibit No. ___ (GND-7CT). The Company has included the revised pages for Mr. Duvall’s rebuttal testimony in red-line and clean format with pages marked as “REVISED 8/20/13.”

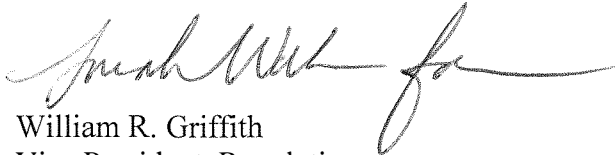
The following pages have been revised as noted:

Company Witness Gregory N. Duvall

Exhibit No. ___ (GND-7CT) – page 4, line 6 and 15
Exhibit No. ___ (GND-7CT) – page 5, line 2
Exhibit No. ___ (GND-7CT) – page 20, line 1 and footnote 40
Exhibit No. ___ (GND-7CT) – page 42, line 4
Exhibit No. ___ (GND-7CT) – page 44, line 19
Exhibit No. ___ (GND-7CT) – page 61, line 6

Please direct any informal inquiries regarding this filing to Bryce Dalley, Director, Regulatory Affairs & Revenue Requirement, at (503) 813-6389.

Sincerely,



William R. Griffith
Vice President, Regulation

Enclosures

cc: Service List UE-130043

1 standard. The Company has also demonstrated why, given the increased business risk
2 caused by enactment of Washington's Energy Independent Act (EIA) and
3 Greenhouse Gas Emissions Performance Standard (EPS), a PCAM without a
4 deadband and sharing bands is reasonable. While none of the parties support
5 adoption of a PCAM for PacifiCorp, none squarely address the Company's evidence
6 of NPC under-recovery, variability, and symmetrical risk distribution that supports its
7 PCAM proposal. Based upon this evidence, the Commission should adopt
8 PacifiCorp's PCAM as proposed.

9 **UPDATED RECOMMENDATION FOR NET POWER COST**

10 **Q. Have you updated the Company's recommended pro forma NPC for calendar**
11 **year 2014?**

12 A. Yes. The Company has decreased its recommended west control area NPC from
13 \$580.6 million to approximately \$570.3 million, a reduction of \$10.3 million. On a
14 Washington-allocated basis, NPC decreases by approximately \$2.3 million to
15 \$129.1 million. The NPC report for the Company's Rebuttal filing is presented in
16 Exhibit No. ___(GND-8).

17 **Q. Why has the Company decreased its west control area NPC recommendation?**

18 A. The decrease is predominantly due to updates for new information, including the
19 most recent forward price curve and corrections identified after the Company's initial
20 filing. I describe the Company's updates and corrections in the next section of my
21 testimony. The Company has also accepted and incorporated the NPC-related impact
22 of certain adjustments proposed by Staff, Public Counsel, and Boise. I will describe
23 these adjustments in further detail later in my testimony.

1 **Q. Have you provided an exhibit that summarizes the change in NPC from your**
2 **direct testimony on a west control area basis?**

3 A. Yes. Exhibit No.__(GND-9) summarizes the cost impact of the updates,
4 corrections, and adopted adjustments on west control area NPC.

5 **Q. Before the parties filed response testimony, did the Company provide discovery**
6 **reflecting updated and corrected NPC?**

7 A. Yes. In its response to Public Counsel Data Request 120,¹ the Company updated
8 NPC to include all known corrections and to also:

- 9 • Reflect the Company's Official Forward Price Curve (OFPC) as of
10 March 29, 2013;
- 11 • Remove four terminated Oregon Qualifying Facility (QF) contracts;
- 12 • Add two Washington QF contracts;
- 13 • Update the Chehalis pipeline and Portland General Electric Company
14 Cove contract expenses; and
- 15 • Update the loss factor for the Seattle City Light Stateline Storage and
16 Integration Agreement under the Company's current tariff rates recently
17 approved by FERC.

18 **Q. Does the Company's rebuttal NPC include additional updates?**

19 A. Yes. The Company's rebuttal NPC study now reflects:

- 20 • The Company's June 28, 2013 OFPC;

¹ A copy of the Company's written response to Public Counsel Data Request 120 and the correction and update summary file provided with the response are attached as Exhibit No.__(GND-10). The complete attachments provided in the Company's response to the data request are voluminous and are included in Mr. Duvall's workpapers.

1 included in this case, over 74 percent is from contracts entered in the last five years.⁴⁰

2 The vast majority of the contracts that are included in NPC in this case have been in
3 place five years or less.

4 **Q. Does Boise identify any specific state policies from Oregon and California that it
5 claims are in conflict with Washington policies?**

6 A. Yes. Boise claims that Oregon and California have fixed price standard offer
7 contracts for QFs, but Washington does not.⁴¹ Boise claims that Washington
8 customers should not be exposed to the risk associated with these types of policy
9 decisions made in other states.

10 **Q. Does this argument have merit?**

11 A. No. Boise's argument is premised on an incorrect understanding of Washington's
12 implementation of PURPA. As described earlier, the Company's Schedule 37 tariff
13 in Washington provides a fixed price standard offer option for QFs up to 2 MW of
14 capacity.

15 **Q. Other than the incorrect reference to the lack of a fixed price contract in
16 Washington, does Boise provide any other examples of QF policies in Oregon or
17 California that differ from those in Washington?**

18 A. No. Boise's claims that Washington customers are exposed to harm caused by
19 decisions made by the states of Oregon and California are unsubstantiated.

20 **Q. Are Washington customers harmed by other states' determination of QF prices?**

21 A. No. As I described in my direct testimony, prices paid to QFs are determined based

⁴⁰ This includes the impact of removing the terminated Butter Creek wind QFs. Before removing the Butter Creek QFs, 76 percent of the Company's expected QF generation in the Company's initial filing was from contracts entered in the last five years.

⁴¹ Exhibit No. ___ (MCD-1CT) at page 6.

1 of annual costs of the transmission resource. Second, Staff argues that Washington
2 customers should not pay for a resource that serves Oregon loads.⁷⁶

3 **Q. Please provide some background on the DC Intertie contract.**

4 A. The DC Intertie contract was executed 19 years ago on May 26, 1994, to provide
5 deliveries of 200 MW of power from Southern California Edison at the NOB market
6 hub under Amendment 1 to the Winter Power Sales Agreement (WPSA). The WPSA
7 was executed on December 14, 1993, and provided up to 422 MW of power to be
8 delivered to the west control area. At the time the WPSA was executed, the
9 Company had sufficient transmission rights to import 222 MW of power into the west
10 control area. The agreement provided that if the Company procured additional
11 transmission rights by June 1, 1993, then it could import the remaining 200 MW to its
12 system. The Company secured the remaining 200 MW of transmission rights by
13 acquiring 200 MW of transmission capacity on the DC Intertie. The Company
14 terminated the WPSA effective January 1, 2002, but the DC Intertie contract
15 remained effective by its terms.

⁷⁶ Exhibit No. ___ (DCG-1CT) at pages 20-21.

1 **Q. Is there evidence that the Company can reasonably expect to use the DC Intertie**
2 **in the rate effective period?**

3 A. Yes. The Company made power purchase transactions at NOB each year for the past
4 five years and similar transactions are included in calendar year 2014 in this
5 case. The DC Intertie is used to transfer this power to load. There is no reason to
6 believe these transactions will not continue into the future.

7 **Q. What would be the result if the DC Intertie were not available to the Company?**

8 A. If the DC Intertie were not available to the Company, then it would have to be
9 replaced with a new resource. Without a new resource, the Company could not serve
10 peak loads. In addition, the capacity value of the DC Intertie is reflected in the
11 Company's latest Integration Resource Plan as part of the preferred portfolio
12 expansion plan that allows the Company to defer the need for alternative capacity
13 resources.

14 **Q. If the contract costs more than the dollar benefit of the transactions that use the**
15 **contract, as Staff argues, why is it appropriate to include the full costs of the DC**
16 **Intertie agreement in rates?**

17 A. Staff's proposal is based solely on energy deliveries under the contract rather than the
18 capacity deferral and diversity benefits of the contract. It would be inappropriate to
19 penalize the Company for prudently acquiring transmission rights 19 years ago by
20 disallowing costs today based on hindsight and only looking at the energy value of a
21 resource that can facilitate the delivery of both capacity and energy. By purchasing
22 these transmission rights, the Company purchased assurance that it can reliably serve
23 its retail customers loads. Staff's proposal is based on a limited energy-only view of

1 according to the 2012 Wind Study. Figure 1 in my direct testimony illustrated the
2 different shapes of actual wind generation and the normalized forecast included in
3 GRID. Table 2 also demonstrated the potential swings in value related to changes in
4 wind generation that would not be captured in the GRID NPC. The combined impact
5 of variances in wind generation and market prices over the historical period from
6 2007 to 2011 ranges from \$1.5 million to \$44.9 million on a west control area basis.

7 **Q. Boise argues that the Company's claim of increased NPC variability due to**
8 **increased renewable development is unsupported because actual NPC has been**
9 **decreasing since 2007. How do you respond?**

10 A. In support of its wind modeling adjustment, Boise argues that "wind generation
11 exhibits a significant degree of inter-annual variability in output" and that "variation
12 in production at wind power plants between years was most comparable to run-of-
13 river hydro."⁹⁵ Boise thus acknowledges that wind generation is expected to vary
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16 **Q. Please describe the components of Boise's proposed alternative PCAM design.**

17 A. In the event the Commission approves a PCAM for the Company, Boise recommends
18 adoption of a PCAM with a structure similar to the one recently adopted by the
19 OPUC for PacifiCorp, but with wider sharing bands. Boise's proposal includes a
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served this document upon all parties of record in this proceeding by electronic mail.

Washington Utilities & Transportation Commission

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DATED at Portland, OR this 22nd day of August 2013.



Amy Eissler
Coordinator, Regulatory Operations