

Exhibit No. ___(GND-1T)
Docket UE-14 ___
Witness: Gregory N. Duvall

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFIC POWER & LIGHT COMPANY,
a division of PacifiCorp

Petitioner,

Petition for an Order Authorizing the Exchange
of Certain Transmission Assets

Docket UE-14 ___

**PACIFIC POWER & LIGHT COMPANY
DIRECT TESTIMONY OF GREGORY N. DUVALL**

December 2014

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INTRODUCTION AND EXPERIENCE

Q. Please state your name and business address.

A. My name is Gregory N. Duvall. My business address is 825 NE Multnomah Street, Suite 600, Portland, Oregon 97232.

Q. In what position are you currently employed?

A. I am the Director, Net Power Costs for PacifiCorp (the Company).

Q. Please describe your education and business experience.

A. I received a degree in Mathematics from the University of Washington in 1976 and a Masters of Business Administration from the University of Portland in 1979. I was first employed by PacifiCorp in 1976 and have held various positions in resource and transmission planning, regulation, resource acquisitions, and trading. From 1997 through 2000 I lived in Australia where I managed the Energy Trading Department for Powercor, a PacifiCorp subsidiary at that time. After returning to Portland, I was involved in direct access issues in Oregon and was responsible for directing the analytical effort for the Multi-State Process. Currently, I direct the work for the load forecasting group, the net power cost group, and the renewable compliance area.

Q. What is the purpose of your testimony?

A. My testimony describes a number of customer benefits provided by PacifiCorp Energy's¹ new firm transmission rights following the close of the asset exchange, as well as other associated benefits.

Q. Please summarize your testimony.

A. My testimony shows that the transaction will result in the following benefits to customers:

¹ PacifiCorp Energy is the merchant function of PacifiCorp.

- 1 • The Company will gain increased Open Access Transmission Tariff (OATT)-
2 based rights and will no longer need to rely on outdated and controversial
3 legacy agreements with Idaho Power Company (Idaho Power). This will
4 provide the Company with greater transparency, flexibility, and reliability
5 with respect to system operations and minimize the potential for disputes;
- 6 • The Company's dynamic transfer rights from PacifiCorp's east Balancing
7 Authority Area (PACE) to PacifiCorp's west Balancing Authority Area
8 (PACW) will increase from 200 megawatts (MW) to 400 MW;
- 9 • The Company will gain increased flexibility in deciding which resources can
10 be transferred across its entire 1,600 MW of east-to-west transmission rights
11 each hour of the year;
- 12 • The Company will gain firm delivery rights to deliver power to the Bonneville
13 Power Administration's (Bonneville) La Grande substation, which in turn will
14 improve the Company's ability to deliver power from the Jim Bridger power
15 plant (Jim Bridger Plant) and other PACE resources to meet its loads in
16 PACW;
- 17 • The Company will gain additional rights to make firm power deliveries to
18 PACW during line outage conditions;
- 19 • The Company will gain more flexibility to meet its Goshen loads with firm
20 service; and
- 21 • The Company will gain all of the above described benefits in a manner that is
22 financially neutral to retail customers.

1 These customer benefits, which will allow the Company to meet its obligations to
2 serve load more efficiently, are in addition to the reliability and other benefits
3 described in the testimony of PacifiCorp witness Mr. Richard A. Vail.

4 **CUSTOMER BENEFITS OF TRANSACTION**

5 **Q. Please describe the proposed transaction.**

6 A. As detailed in the Application of PacifiCorp and in the testimony of Mr. Vail, under
7 the terms of the proposed Joint Purchase and Sale Agreement (JPSA), PacifiCorp and
8 Idaho Power (together, the Parties) will acquire ownership interests in certain existing
9 transmission system assets and reallocate respective ownership interests in certain
10 jointly-owned facilities. In doing so, the Company will retain the same transfer rights
11 it previously possessed from the Jim Bridger Plant to PACW, but those rights will be
12 based on new ownership rights and OATT-based wheeling arrangements, rather than
13 on outdated and frequently problematic legacy agreements.

14 **Q. Please describe the challenges posed by operation under the existing agreements.**

15 A. Currently, the ownership and operation of the jointly owned Transmission Facilities is
16 governed under various separate legacy agreements, a 1969 Jim Bridger Ownership
17 Agreement titled the Restated Transmission Service Agreement (RTSA), and a 1969
18 Jim Bridger Operation Agreement titled the Restated and Amended Transmission
19 Facilities Agreement (RATFA) (collectively the Legacy Agreements). These
20 agreements were entered into over a series of years, many before the advent of the
21 Federal Energy Regulatory Commission's (FERC) open-access policies. They
22 contain terms and conditions that are outdated and frequently difficult to reconcile.

1 PacifiCorp and Idaho Power spend significant time and effort reconciling differing
2 interpretations of the Legacy Agreements to operate their respective systems.

3 **Q. Please describe the benefits associated with the termination of the legacy**
4 **agreements and replacement with OATT-based service.**

5 A. Under the terms of the proposed JPSA, the Parties will replace approximately
6 1,600 MW of transmission services provided under the RTSA and RATFA with asset
7 ownership and purchases of point-to-point transmission services. As part of the
8 JPSA, the Legacy Agreements will be terminated or amended and the ownership and
9 operational provisions of the Legacy Agreements will be modernized and
10 consolidated into a single agreement.² The ongoing maintenance and ownership
11 obligations are established in a single agreement going forward, the Joint Ownership
12 and Operating Agreement (JOOA).

13 Going forward, the Parties will rely on OATT-based transactions, rather than
14 the Legacy Agreements, to define their respective transmission rights. This will
15 increase the consistency and transparency of system operations. Relying on the
16 Parties' respective OATTs, with their transparent, FERC-approved conditions, will
17 permit more flexible, efficient use of assets, and will ensure PacifiCorp is entitled to
18 benefits such as reassignment, redirect, and rollover rights that were not always
19 contemplated by the Legacy Agreements. Reliance on a FERC-approved OATT will
20 ensure operations continue to be governed by current reliability standards. It will also

² The RATFA, RTSA and Interconnection and Transmission Service Agreement (ITSA) are the primary agreements between the parties. There are a number of related agreements which support or are directly connected to the RATFA, RTSA, and ITSA. The RATFA, RTSA, ITSA and remaining agreements are collectively referred to as the "Legacy Agreements." A complete list of the Legacy Agreements that will be replaced, amended, or consolidated by the proposed transaction are identified in Schedules I.1(g) and I.1(h) to the JPSA.

1 ensure that the Parties' respective obligations are written in language that is
2 commonly used in standard industry practice and well understood within the industry,
3 rather than in the antiquated and sometimes disputed language of the Legacy
4 Agreements. The termination of the Legacy Agreements and the move to OATT-
5 based transactions is a significant benefit of the transaction that will limit disputes
6 between the Parties and allow for more efficient operation of the Parties' respective
7 systems.

8 **Q. Please describe how the Company's need to move generation east-to-west will be**
9 **met under the terms of the proposed transaction.**

10 A. PacifiCorp requires the ability to move 1,600 MW of generation east-to-west to serve
11 loads in PACW. This service is currently governed by the RTSA and the RATFA.
12 Under the new arrangements, PacifiCorp will purchase 510 MW of firm transmission
13 service under Idaho Power's OATT, which represents a portion of the 1,600 MW
14 needed to meet the Company's operational needs, in place of the current service
15 under the RTSA and RATFA. This new arrangement will align with FERC's
16 preference for OATT-based transactions, with all of the OATT benefits previously
17 described.

18 As noted in Mr. Vail's testimony, PacifiCorp will meet its remaining capacity
19 needs through acquisition of ownership rights that will allow PacifiCorp to meet its
20 remaining 1,090 MW of capacity needs.

21 **Q. Please describe PacifiCorp's increased right to dynamic service under the**
22 **proposed transaction.**

23 A. As noted previously, PacifiCorp will have 400 MW of dynamic service between

1 PACE and PACW after the close of the transaction, a 200 MW increase in
2 PacifiCorp's current right to dynamic service. The additional 200 MW in dynamic
3 service will allow for increased flexibility in system operations. This dynamic
4 transfer can be used for numerous purposes, including increased system integration
5 between PACE and PACW or for future Energy Imbalance Market transfers.

6 **Q. Please describe current restrictions on east-to-west transfers under the legacy**
7 **agreements.**

8 A. Currently, 1,400 MW of the Company's east-to-west transfer rights are tied
9 specifically to the Jim Bridger Plant generation or other transfers delivered to Idaho
10 Power over the Jim Bridger Plant transmission system.

11 **Q. Please describe the benefit of the proposed transaction on these east-to-west**
12 **transfers.**

13 A. Upon approval of the transaction, PacifiCorp will be able to make these east-to-west
14 transfers without restriction on the source of energy to be transferred. The Company
15 will enjoy a combination of point-to-point transmission service rights over Idaho
16 Power's system and PacifiCorp network transfers on newly owned assets that will
17 allow it to move any available resource east-to-west. The ability to use any resource
18 over these rights will provide expanded, long-term system flexibility and economic
19 service to retail customers and will allow PacifiCorp to more effectively utilize low-
20 cost resource options to serve load.

21 **Q. Please describe PacifiCorp's current ability to make deliveries into the La**
22 **Grande area.**

23 A. Under current arrangements, PacifiCorp has a limited ability to deliver generation to

1 Bonneville at La Grande. Deliveries may only occur when outages restrict
2 scheduling capability at Midpoint and Enterprise. Energy delivered to Bonneville at
3 La Grande is then wheeled by Bonneville to PacifiCorp's Pendleton and Southern
4 Oregon/Northern California load areas.

5 **Q. Please describe the benefits of the proposed transaction on these east-to-west**
6 **transfers.**

7 A. With the combination of the 510 MW of firm transmission and the acquisition of
8 assets, PacifiCorp will be able to more efficiently provide load service to its loads in
9 PACW because it will gain the ability to provide firm delivery of generation to La
10 Grande, in addition to Midpoint and Enterprise. The addition of another point of
11 delivery will better align the Company's service needs with existing useful firm
12 system load delivery capabilities and improve PacifiCorp's ability to serve loads in
13 the west. As noted above, the firm deliveries at La Grande align with PacifiCorp's
14 Bonneville wheeling rights for delivery to Pendleton and Southern Oregon/Northern
15 California. The firm deliveries at Enterprise are wheeled by PacifiCorp to Bonneville
16 at McNary, then Bonneville wheels the energy to PacifiCorp's Albany, Santiam, and
17 Southern Oregon/Northern California load areas.

18 **Q. Please describe PacifiCorp's current east-to-west delivery capability during line**
19 **outage conditions.**

20 A. Under the Legacy Agreements, Idaho Power has a priority right to the first 570 MW
21 of Idaho Power's northwest delivery capability during outage conditions.
22 PacifiCorp's rights to use this delivery capability during outage conditions are
23 therefore limited by Idaho Power's current priority.

1 **Q. Please describe the benefits of the transaction to PacifiCorp's east-to-west**
2 **delivery capability during line outage conditions.**

3 A. Under the terms of the proposed transaction, PacifiCorp will obtain increased firm
4 east-to-west delivery capability during line outage conditions. The new agreements
5 will provide PacifiCorp with firm point-to-point transmission service in accordance
6 with Idaho Power's OATT, which will provide PacifiCorp with a pro rata share of the
7 full northwest delivery capability during outage conditions.

8 **Q. Please describe how the proposed transaction will increase PacifiCorp's east-to-**
9 **west flexibility.**

10 A. Currently, PacifiCorp has 200 MW of east-to-west Idaho Power OATT point-to-point
11 service, with the remainder of its east-to-west deliveries met through Legacy
12 Agreements. The proposed transaction will provide the Company with 1,090 MW of
13 ownership rights, which translate into OATT network service, as well as 510 MW of
14 east-to-west Idaho Power OATT point-to-point service with OATT attributes of
15 reassignment, redirect, definitive term length and rollover rights. These enhanced
16 rights will provide increased short-term utilization and long-term customization for
17 future plans.

18 **WHEELING COSTS**

19 **Q. What impact will the transaction have on PacifiCorp's wheeling and use-of-**
20 **facilities costs?**

21 A. Under the current RTSA, RATFA and other agreements, PacifiCorp has east-to-west
22 rights across the Idaho Power transmission system of up to 1,600 MW and other
23 various rights at a projected 2016 cost of \$20.8 million per year escalating each year

1 thereafter. This is made up of firm and conditional firm service. Under the JPSA,
2 PacifiCorp will have rights under Idaho Power's OATT to use 510 MW of firm point
3 to point east-to-west service across the Idaho Power transmission system with an
4 initial cost of \$17.1 million per year escalating each year thereafter in addition to
5 1090 MW of ownership. Under this new agreement, there will be no use of facility
6 costs, and services will be provided under the terms of Idaho Power's OATT.

7 **CLOSING**

8 **Q. Does this conclude your direct testimony?**

9 **A. Yes.**