

Exhibit No. RAV-3T
Docket UE-152253
Witness: Richard A. Vail

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFIC POWER & LIGHT
COMPANY,

Respondent.

DOCKET UE-152253

**PACIFIC POWER & LIGHT COMPANY
REBUTTAL TESTIMONY OF RICHARD A. VAIL**

April 2016

1 **Q. Are you the same Richard A. Vail who submitted direct testimony in this case on**
2 **behalf of Pacific Power & Light Company (Pacific Power or Company), a**
3 **division of PacifiCorp?**

4 A. Yes.

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

6 A. The purpose of my rebuttal testimony is to respond to the direct testimony of
7 Mr. Jason L. Ball on behalf of Staff of the Washington Utilities and Transportation
8 Commission (Commission) regarding issues related to the exchange of certain
9 transmission assets (Exchange Assets) between Idaho Power Company and
10 PacifiCorp (Idaho Power Asset Exchange) and inclusion of certain other assets in
11 Washington rates (Reassigned Assets).

12 **Q. Please summarize Staff's testimony regarding the Exchange Assets and**
13 **Reassigned Assets.**

14 A. Staff agrees with the manner in which the Company presents the results of the Idaho
15 Power Asset Exchange and recognizes the challenging nature of assigning assets
16 between jurisdictions. Staff recommends, however, that the Commission not include
17 the Exchange Assets and Reassignment Assets in Washington rates. Specifically,
18 Staff claims that the Company failed to demonstrate that the costs of these assets are
19 commensurate with the benefits they provide.

20 **Q. Do you agree with Staff's recommendation that the assets involved in the Idaho**
21 **Power Asset Exchange and the addition of the Reassigned Assets be rejected?**¹

22 A. No. The Exchange Assets and Reassigned Assets are beneficial to Washington

¹ Ball, Exh. No. JLB-1T 63:6-7.

1 customers and are used to provide reliable utility service. Staff's proposal to exclude
2 these assets would deny the Company an opportunity to appropriately reflect the costs
3 of serving its customers. All of the assets identified in Ms. McCoy's direct testimony
4 are used to serve the Company's Washington customers and provide increased
5 reliability and flexibility during outage conditions compared to the ownership
6 arrangement before the transaction with Idaho Power.² The Idaho Power Asset
7 Exchange was approved by the Commission and transferred ownership interest in
8 certain facilities to provide capacity rights across all three of the 345 kilovolt (kV)
9 transmission lines west of the Jim Bridger generating plant, including the Goshen–
10 Kinport 345 kV line. The Company has not increased its overall capacity rights on
11 the three 345 kV transmission lines or across any of the lines used to deliver energy to
12 Pacific Power's customers in its western service territories. Accordingly, when the
13 entire net output of the Jim Bridger generating plant is required to serve Pacific
14 Power's customers in its west balancing authority area (PACW), including the
15 Company's Washington customers, all of Pacific Power's capacity rights and all of
16 the facilities identified in Ms. McCoy's testimony will be used to serve those
17 customers.

18 **Q. Do you believe the benefits of the increased reliability and flexibility provided by**
19 **the Idaho Power Asset Exchange provide benefits that are commensurate with**
20 **the costs?**

21 A. Yes. The benefits of increased reliability are not easily quantifiable given the number
22 of variables, such as the availability of alternative transmission capacity at any given

² McCoy, Exh. No. SEM-1T 9:21-11:6.

1 time. However, the Idaho Power Asset Exchange as a whole provides significant
2 benefits to Washington customers as the Company has more flexibility to provide
3 load service to these customers.

4 **Q. Please describe the ownership arrangements before the Idaho Power Asset
5 Exchange.**

6 A. There are four 345 kV transmission lines included in the exchange that connect the
7 Jim Bridger power plant to Idaho Power and PacifiCorp's transmission system:
8 (1) the Jim Bridger–Three Mile Knoll–Goshen line; (2) the Jim Bridger–Populus–
9 Borah line; (3) the Jim Bridger–Populus–Kinport line; and (4) the Goshen–Kinport
10 line. Under the legacy agreements, PacifiCorp owned three of the four 345 kV
11 transmission lines that connect the Jim Bridger plant to the transmission system and
12 two-thirds of the total capacity, and Idaho Power owned one of the transmission lines
13 and one-third of the total capacity. The legacy agreements dictated how the Jim
14 Bridger transmission system was operated, how capacity and ownership was divided
15 between PacifiCorp and Idaho Power, and other system protocols. PacifiCorp and
16 Idaho Power recognized that exchanging ownership interests would better align with
17 the current configuration of their respective transmission systems and load
18 obligations, and allow for the elimination of the legacy agreements. This in turn
19 would transform and modernize PacifiCorp's relationship with Idaho Power, making
20 it simpler and more transparent, in addition to being more consistent with current
21 regulatory requirements.

22 **Q. Can you describe the Idaho Power Asset Exchange?**

23 A. PacifiCorp received capacity and ownership rights in the following substations and

1 transmission lines:

SUBSTATIONS	TRANSMISSION LINES
Kinport	Jim Bridger–Three Mile Knoll–Goshen
Borah	Goshen–Jefferson–Big Grassy
Adelaide	Midpoint–Kinport
Midpoint	Midpoint–Adelaide–Borah #1
	Midpoint–Adelaide–Borah #2

2 PacifiCorp also acquired 510 megawatts of firm point-to-point transmission service
3 across the Idaho Power 230 kV transmission system with delivery to PacifiCorp’s
4 Hurricane and Bonneville Power Administration’s La Grande substations. The firm
5 service replaced the legacy conditional transmission service that was contingent on
6 system conditions where, under certain outage conditions, Idaho Power had first
7 rights to the system capacity and had the right to curtail PacifiCorp service. Under
8 this scenario, the loss of service to Hurricane or La Grande required PacifiCorp to
9 replace the resource planned for deliveries to PACW across the Jim Bridger and
10 Idaho Power transmission system with market purchases, or to dispatch generation in
11 PACW, or to purchase transmission service across other transmission provider’s
12 systems for delivery into PACW. Under the new agreement PacifiCorp has firm
13 point-to-point transmission rights that are managed under the rules of Idaho Power’s
14 Open Access Transmission Tariff (OATT) where firm point-to-point service is the
15 last type of service curtailed. This provides more certainty in providing deliveries
16 from PacifiCorp’s east balancing authority area (PACE) to PACW.

1 **Q. Has the acquisition of the Jim Bridger–Goshen 345 kV line provided benefits to**
2 **the Washington customers?**

3 A. Yes. The ownership on the Jim Bridger–Goshen line, in conjunction with the
4 Goshen–Kinport 345 kV line, has provided Pacific Power with additional
5 transmission lines that can support deliveries of resources into PACW during certain
6 outage conditions. This benefit did not exist under the legacy agreements, and would
7 have required additional transmission service purchases from Idaho Power that would
8 have been dependent on capacity availability. To facilitate this, however, *both* the
9 Jim Bridger–Goshen and Goshen–Kinport 345 kV line segments are required.

10 **Q. Can the assets be used to move resources other than Jim Bridger?**

11 A. Yes. Under the new agreement there are no restrictions on resources that can move
12 across the system, nor restrictions under OATT service. This provides additional
13 flexibility of the generation resources that can serve PACW, particularly as states
14 move towards higher-percentage renewable portfolio standards.

15 **Q. Please provide an explanation of the difference between the legacy conditional**
16 **service and the new point-to-point transmission service.**

17 A. The conditional service provided under the legacy agreements allowed the
18 transmission service to be curtailed when Idaho Power determined a need for the
19 transmission capacity required to serve their loads. Under this scenario, PacifiCorp's
20 rights could be the first rights curtailed ahead of any rights others had under OATT
21 service and was at the sole discretion of the system operator. The legacy agreements
22 did not provide for protection of rights the way firm point-to-point service does.
23 Under the OATT, firm point-to-point rights are the last rights to be curtailed.

1 Thus, under the new transmission service agreement, PacifiCorp's rights are protected
2 under the OATT, providing for added reliability in moving resources across Idaho
3 Power's system to serve load in PACW.

4 **Q. Does the new service provide other benefits?**

5 A. Yes, under the OATT, firm transmission service can be redirected to other points of
6 delivery, such as directing delivery to Midpoint substation with deliveries across the
7 PacifiCorp system to PACW, or assignment of differing levels of deliveries between
8 Hurricane and La Grande substations. This provides flexibility in how resources are
9 delivered into PACW from PACE.

10 **Q. The new agreement also provided 200 megawatts of additional dynamic service.
11 Is there a benefit to this type of service?**

12 A. Yes. One of the biggest benefits is the additional capacity that can be provided to
13 support the Energy Imbalance Market (EIM). Additionally this service provides a
14 benefit by increasing transfers from PACE to PACW in support of PACW under
15 conditions when PACW is capacity restrained. The benefits associated with
16 participation in the EIM are provided to Washington customers as part of the
17 Company's recently approved power cost adjustment mechanism.

18 **Q. Do the new OATT-based agreements address FERC rate case risks associated
19 with the legacy agreements?**

20 A. Yes. Before the Idaho Power Asset Exchange, there was a risk if the legacy contracts
21 were not terminated and replaced with OATT-based agreements that there could be
22 negative impacts to both companies' transmission rates associated with imputed

1 revenue, which would in turn result in lower transmission credits flowing back to
2 retail customers.

3 **Q. In Staff’s testimony there is reference to the main driver of the Idaho Power**
4 **Asset Exchange being load-serving improvements in the Goshen area.³ Was this**
5 **the only reason for moving forward with the Idaho Power Asset Exchange?**

6 A. No. Although this was one of the main drivers, it was not the only driver. The range
7 of benefits to Pacific Power’s operations was thoroughly assessed by the
8 Commission.⁴ Under the legacy agreements, PacifiCorp did not own capacity on the
9 transmission line from Jim Bridger to the Goshen substation—this was 100 percent
10 owned by Idaho Power. Under certain outage conditions, PacifiCorp was required to
11 purchase transmission service from Idaho Power at their OATT rate to maintain the
12 same level of service. This could only be accomplished if Idaho Power had capacity
13 to sell and at a cost above payments to Idaho Power under the legacy agreements.
14 Staff acknowledged this benefit, but also stated that the Idaho Power Asset Exchange
15 would reduce the risks for Washington customers in two ways: (1) by reducing the
16 impact of line outages; and (2) by reducing the need for wheeling.⁵ Other issues were
17 also identified as reasons for moving forward with the Idaho Power Asset Exchange,
18 such as discontinuation of conditional transmission service, elimination of outdated
19 legacy agreements that were replaced with OATT-based service or ownership under
20 the new agreements based on each party’s OATT, and bringing the agreements under

³ Ball, Exh. No. JLB-1T 69:12-14, 73:4-14.

⁴ *In the Matter of the Petition of Pacific Power & Light Co. for an Order Approving the Exchange of Certain Transmission Assets with Idaho Power Co.*, Docket UE-144136, Exh. No. RAV-1T 7:5-11:17 (Dec. 19, 2014); see also Docket UE-144136, Open Meeting Memo for September 24, 2015 Open Meeting at 3-7 (Sept. 24, 2015).

⁵ Docket UE-144136, Open Meeting Memo for September 24, 2015 Open Meeting at 4, 7.

1 FERC jurisdiction eliminating the risk of FERC complaints associated with the
2 outdated legacy agreements that did not support either party's needs.⁶

3 **Q. Does Staff's testimony correctly reflect ownership and use of the Reassigned**
4 **Assets?**

5 A. No. Under the legacy agreements PacifiCorp did not own any portion of the Jim
6 Bridger–Goshen 345 kV line; PacifiCorp did own the Goshen–Kinport 345 kV line.
7 Without PacifiCorp ownership of the line between Jim Bridger and Goshen,
8 PacifiCorp could not use the Goshen–Kinport 345 kV line to move resources from
9 PACE to PACW. With a percentage ownership of the Jim Bridger-Goshen 345 kV
10 line, PacifiCorp can now use the transmission line in conjunction with the Goshen–
11 Kinport 345 kV line to move resources from PACE to PACW. This provides benefits
12 because one or two of the other 345 kV transmission lines from Jim Bridger can be
13 used to continue service to PACW under outage conditions, which was not available
14 under the legacy agreements.

15 **Q. Are both the Reassigned Assets and Exchange Assets used to serve Washington**
16 **customers?**

17 A. Yes. As Staff correctly points out, the Idaho Power Asset Exchange has not changed
18 PacifiCorp's total capacity or paths to serve PACW.⁷ Accordingly, the Company will
19 use all of the capacity across the Exchange Assets when the entire output of the Jim
20 Bridger power plant is needed to serve customers in PACW. Transfers across the
21 Exchange Assets, however, cannot be delivered to PACW without using the

⁶ *Id.*, 6-7.

⁷ Ball, Exh. No. JLB-1T 72:7-9.

1 Reassigned Assets identified by Staff. Accordingly, all of these assets are used to
2 serve Washington customers.

3 **Q. Does the Idaho Power Asset Exchange enhance service to the PACW?**

4 A. Yes. The Company, through the Idaho Power Asset Exchange, removed uncertain
5 and inflexible service associated with legacy agreements, provided for additional
6 assets that can be used to service PACW, and moved transmission service away from
7 legacy agreements to OATT-based service. Additionally, as stated above, the change
8 from conditional to firm transmission service and the addition of transmission lines
9 used to move resources into PACW provide enhanced ability to transfer resources
10 across the system from PACE to serve customers in PACW. Additionally without the
11 Idaho Power Asset Exchange the change from conditional service to firm
12 transmission service would not have been facilitated.

13 **Q. Are there other potential issues with Staff's recommendation?**

14 A. Yes. In addition to discounting the increased reliability of service, practically
15 speaking, Staff's recommendation would result in the Company including assets no
16 longer owned by the Company in customer rates, while excluding assets owned by
17 the Company and used to serve Washington customers.

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

19 A. Yes.