

**BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION
COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP d/b/a PACIFIC POWER
AND LIGHT COMPANY,

Respondent.

DOCKET UE-090205

SETTLEMENT STIPULATION

1 As described below, all parties to this docket, *i.e.*, PacifiCorp d/b/a Pacific Power & Light Company (“PacifiCorp” or “the Company”), Staff of the Washington Utilities and Transportation Commission (“Staff”), the Public Counsel Section of the Office of the Attorney General (“Public Counsel”), the Industrial Customers of Northwest Utilities (“ICNU”) and The Energy Project¹ (individually, “Party”; collectively, “Parties”) have reached an agreed resolution of issues in this docket, subject to Commission approval. Consequently, this Settlement Stipulation (“Stipulation”) is being filed with the Commission as a “full settlement” pursuant to WAC 480-07-730(1). The Stipulation consists of this document, entitled “Settlement Stipulation,” Appendix A, Appendix B, Appendix C, and Appendix D attached hereto.

¹ Comprised of The Energy Project, Opportunity Council, Northwest Community Action Center, and Industrialization Center of Washington.

2 The Parties understand that this Stipulation is not binding on the Commission or any
Party unless and until the Commission approves it.²

I. PARTIES

3 This Stipulation is entered into by the Company, Staff, Public Counsel, ICNU, and
The Energy Project regarding PacifiCorp's pending general rate filing in the above docket.
These are all the parties to this docket.

II. RECITALS

4 On February 9, 2009, PacifiCorp filed with the Washington Utilities and
Transportation Commission ("Commission") revisions to its currently effective Tariff WN
U-74, designed to effect a general rate increase for electric service. The filing was based on
an historical twelve-month period ending June 30, 2008, adjusted for known and measurable
changes. In the filing, the Company requested a revenue increase of \$38.5 million, or 15.1
percent.

5 The Company's filing included an increase to the Washington-allocated net electric
plant in service of more than \$125 million since the Company's last general rate case ("2008
Rate Case"). These capital additions are primarily related to the addition of the Chehalis natural
gas plant and the Marengo II wind resource located in Washington. The new capital costs in this
case also reflect a full year of the Goodnoe Hills wind resource and the Marengo wind resource,
both of which are located in Washington and were found to be prudent resources in the 2008
Rate Case. In connection with the new resources, the Company's filing also included additional
depreciation and O&M expenses. Washington-allocated O&M expenses, excluding net power
costs, were approximately \$2.8 million higher than the 2008 Rate Case. Washington-allocated
depreciation and amortization expenses were approximately \$2.9 million higher than the 2008

² The exception is that prior to the Commission's approval of the Stipulation, the Parties agree to support the Stipulation before the Commission. ¶ 31, *infra*.

Rate Case and net power costs were projected to increase approximately \$10 million on a Washington-allocated basis as compared to amounts included in the 2008 Rate Case.³ The filing was suspended by a Commission order dated February 26, 2009.⁴

6 In addition, the Company's filing requested Commission authorization to begin amortization of costs associated with PacifiCorp's new ownership interest in the Chehalis generating plant pursuant to RCW 80.80.060(6).⁵ See also WAC 480-100-435(1). The Company requested an amortization of approximately \$2 million per year, to be recovered in rates through a continuation of the Hydro Deferral Amortization (which the Commission authorized in Docket UE-080220) until the Hydro Deferral amounts and the Chehalis deferral amounts were completely amortized.⁶

7 By an order dated March 2, 2009, presiding Administrative Law Judge Patricia Clark granted the petition to intervene of ICNU.⁷ At the Prehearing Conference on March 23, 2009, The Energy Project was also granted intervention in this proceeding.

8 Subsequent to the Prehearing Conference, Staff, Public Counsel, ICNU, and The Energy Project conducted extensive discovery on the Company's direct testimony.

9 The Parties participated in a settlement conference on August 3, 2009. At the settlement conference and over subsequent days, the Parties presented proposals and counter-proposals that resulted in agreement among all Parties on a resolution of this proceeding.

³ See Dalley, Exh. ____ (RBD-1T) at 7-8.

⁴ *Wash. Utilities and Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-090205, Order 01 (Feb. 26, 2009).

⁵ See *Pacific Power Notice of Deferred Accounting for Chehalis Generating Plant*, Docket UE-082252, Notice of Deferred Accounting (Dec. 18, 2008).

⁶ Dalley, Exh. ____ (RBD-1T) at 35, ll. 4-18.

⁷ *Wash. Utilities and Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-090205, Order 02 (March 2, 2009).

10 The Parties have reached an agreed resolution of this proceeding and wish to present
their agreement for the Commission's consideration. The Parties therefore adopt the
following Stipulation, which is entered into by the Parties voluntarily to resolve matters in
dispute among them in the interest of expediting the orderly disposition of this proceeding.

III. AGREEMENT

A. Rate Increase and Rate Effective Date

11 The Parties agree that PacifiCorp shall be authorized to implement rate changes
designed to increase its annual revenues from Washington customers by \$13.5 million (or
5.3 percent). The Parties agree that the agreed rate changes identified herein will be
effective with service on and after January 1, 2010. The suspension period in this case ends
on January 11, 2010.

B. Recovery of the Chehalis Regulatory Asset

12 The Parties agree that the Commission should make the following conclusion of law
and/or finding related to the Greenhouse Gas Emissions Performance Standard:

The Company's acquisition of the Chehalis generating plant complies with
the Greenhouse Gases Emissions Standard in RCW 80.80.040(1) and
therefore, the Company was allowed to defer certain costs related to that
plant, per RCW 80.80.060(6).

13 As part of the increase to base rates, the Parties agree that the Commission should
authorize the Company to establish a Washington-jurisdictional regulatory asset of \$18.0
million for Washington-allocated costs associated with PacifiCorp's acquisition of the
Chehalis generating plant. The costs deferred are: operating and maintenance costs,
depreciation, taxes, and cost of invested capital. The Company will begin amortization of

the regulatory asset on January 1, 2010; coincident with the proposed rate increase effective date. The Company will amortize the Chehalis deferral at \$3.0 million per year over a six-year period. The 2010 amount (\$3.0 million) is reflected in the annual revenue increase agreed to in Section III.A above. The Company agrees not to seek recovery for any costs deferred in excess of the \$18.0 million associated with Docket UE-082252 in which PacifiCorp deferred costs related to its ownership of the Chehalis generating plant under RCW 80.80.060(6). The deferral period is between September 15, 2008, and the effective date of the final decision by the Commission in this proceeding.

C. Rate Spread

14 The Parties agree that the increase will be spread to all rate schedules on an equal percentage of revenue basis. Appendix A to this Stipulation shows the results of the agreed rate spread by rate schedule.

D. Rate Design

15 The Parties agree that the Commission should accept the Company's rate design proposals as set forth in the Company's direct testimony in this proceeding⁸ with one exception: the residential basic charge will remain at \$6.00 per month.⁹ Appendix B contains the proposed tariff schedules and workpapers reflecting the proposed rates designed to collect the \$13.5 million rate increase.

E. Authorized Return on Rate Base

16 The Parties agree that the Company's authorized overall rate of return will remain at 8.060 percent. The parties have explicitly not agreed on the appropriate capital ratios or the cost of any capital structure component. However, the Parties agree that, if needed for

⁸ Griffith, Exh. ____ (WRG-1T) at 4, l. 3-7, l. 22.

⁹ Schedule 16 Residential Service.

reporting and/or accounting purposes, the Company may use the authorized return on equity from the Company's last fully litigated rate case before the Washington Utilities and Transportation Commission.¹⁰

F. Low Income Bill Assistance

17 The Parties agree that the Low Income Bill Assistance ("LIBA") Program credit, available through Schedule 17, and funded by other customers through Schedule 91, will be increased by a percentage amount equal to the overall percentage change in residential rates. One-hundred percent of the increase will be applied to increase the Schedule 17 energy credit to partially offset the impact of the rate increase on those customers who are able to participate in the Schedule 17 rates. The Schedule 91 surcharge will be increased to recover the increase to the Schedule 17 credit. Changes to Schedule 17 and Schedule 91 are presented in Appendix B.

G. Pension Curtailment

18 The Parties agree to support the following resolution of PacifiCorp's Petition for an Accounting Order Regarding Pension Curtailment, Docket UE-081997, currently before the Commission: the Commission should authorize the Company to defer and amortize the Washington-allocated portion of the pension curtailment gain over a three-year period beginning January 1, 2010. Specifically, the Commission should authorize \$2,901,000 to be recorded as a reduction to the existing pension regulatory asset. The \$2,901,000 should be amortized over three years. The 2010 amount of this gain is reflected in the annual revenue increase agreed to in Section III.A above. Upon Commission approval of the regulatory

¹⁰ In *Wash. Utilities and Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-061546, Order 08 (June 21, 2007), the Commission determined PacifiCorp's cost of equity to be 10.2 percent.

treatment for pension curtailment described in this section, PacifiCorp will seek to withdraw the petition filed in Docket UE-081997.¹¹

H. Temperature Normalization Methodology

19 The Parties accept the temperature normalization methodology as proposed by the Company in this filing. The Parties, however, reserve the right to propose changes to that methodology or propose a new methodology in future rate cases if they believe the underlying data is insufficient, or if a Party believes new information comes to light. In addition, the Parties agree to convene discussions prior to the Company's filing of its next general rate case in an effort to reach resolution of outstanding concerns regarding data sufficiency, or other issues that may exist at that time. All parties to this docket will be invited to participate in such discussions.

I. Reporting Related to Renewable Energy Credits

20 The Company agrees to provide a report prior to January 1, 2010 that includes: (1) an explanation of how Renewable Energy Credits ("RECs") and associated costs and/or revenues are allocated among PacifiCorp's six states; (2) an explanation of how the Company determines proper disposition of RECs on a total-company and state-by-state basis; and, (3) a detailed accounting of the total-company RECs that were sold and the total-company RECs that were retained for each year from calendar year 2005 through June 2009.

21 Beginning with the quarter ending March 31, 2010, and subject to the terms of the protective order in this proceeding, the Company agrees to provide to Staff, Public Counsel, and ICNU a quarterly report related to the Company's management of RECs from June 2009 forward. The quantitative aspects of the report are intended to be presented

¹¹ If the Commission approves PacifiCorp's request to withdraw its petition, a result of the withdrawal will be to withdraw PacifiCorp's request for the Commission to authorize deferred accounting treatment related to the impact of the measurement date change.

substantially in the form shown in Appendix C, but may be revised and updated based on further discussions among the Parties. The spreadsheet provides on a total-company, west control area and Washington-allocated basis: the total monthly generation of RECs by resource, the estimated and actual level of REC transactions on a megawatt-hour basis, and the actual level of REC-related revenues. The Company also agrees to hold periodic meetings as requested by any Party to provide additional details on the report.

22

The Parties agree to reach a mutually agreeable approach for treatment of information that the Company considers to be commercially sensitive and highly confidential, subject to WAC 480-07-160. The Parties agree that the quarterly reporting will continue at least through December 31, 2012. Prior to January 1, 2013, the Parties agree to meet and agree on appropriate changes, if any, to the content or frequency of reports once the Renewable Portfolio Standard is in effect with associated reporting under WAC 480-109-040. Nothing in this Stipulation limits or expands the ability of any Party to file for deferred accounting or request that the Commission take any other action regarding PacifiCorp's Washington-allocated RECs. For purposes of any such filing, the Parties agree that this case includes \$657,755 in Washington-allocated REC revenues for the 2010 rate effective period.

J. Discovery and Procedural Schedule

23

The Parties agree to suspend all discovery in this proceeding pending filing and consideration of this Stipulation. In the event the case resumes, the Parties agree to work cooperatively to develop a new schedule taking into consideration the delay associated with this settlement.

K. Net Power Costs Workpapers and Supporting Documentation

24

PacifiCorp and ICNU agree to the terms outlined in Appendix D regarding the net power cost workpapers and supporting documents provided in the Company's general rate cases or any other future power cost related case. If the documents identified in Appendix D include confidential material, the confidential material will be provided pursuant to a confidentiality agreement with the Company or pursuant to a protective order applicable to the relevant proceeding or general rate case. The Company will coordinate with ICNU and/or make any necessary requests to the Commission for a protective order in advance of the filing so that the Company provides confidential material under Section A(1) of Appendix D concurrent with the Company's filing. This paragraph does not affect the Parties' obligations to comply with the filing requirements in WAC 480-07-510, or any applicable Commission order.

L. Next General Rate Case

25

The Company will not file a general rate case before January 11, 2010.

M. Request for Prudence Findings

26

The Parties agree that the Commission should make the following prudence findings as part of an order accepting this Stipulation:

27

The Company was prudent in acquiring the Marengo II wind project and the Chehalis generating plant, and these facilities are used and useful for service to Washington customers.

28

The Parties agree that these findings do not limit a Party's right to argue in a future proceeding that the Marengo II wind project or the Chehalis generating plant are no longer used and useful for service to Washington customers based on a change in circumstances.

N. General Provisions

29 1. The Parties agree that this Stipulation is in the public interest and would produce rates for the Company that are fair, just, reasonable, and sufficient. The Parties agree to support this Stipulation as a settlement of all contested issues in this proceeding. The Parties further agree that this Stipulation, upon its approval by the Commission, resolves and concludes this proceeding. The Parties understand that this Stipulation is not binding on the Commission or any Party unless and until it is approved.

30 2. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding.

31 3. The Parties agree this Stipulation represents the entire agreement of the Parties, and it supersedes any and all prior oral or written understandings or agreements related to this docket or this settlement, if any, and no such prior understanding, agreement or representation shall be relied upon by any Party. Parties have negotiated this Stipulation as an integrated document. Accordingly, the Parties recommend that the Commission adopt this Stipulation in its entirety.

32 4. The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and cooperate in supporting this Stipulation throughout the Commission's consideration of this Stipulation. In particular, each Party shall cooperate in developing a narrative and presenting supporting witnesses, and/or presenting supporting testimony, as described in WAC 480-07-740(2)(a) and (b). The Parties agree to support the Stipulation throughout the Commission's consideration of this Stipulation, and abide by the procedures determined by the Commission for its review of this Stipulation. If necessary,

each Party will provide witnesses to sponsor and support this Stipulation at a Commission hearing. If the Commission decides to hold such a hearing, each Party will recommend that the Commission issue an order adopting the Stipulation. In the event the Commission rejects this Stipulation, the provisions of WAC 480-07-750(2)(a) shall apply. In the event the Commission accepts the Stipulation upon conditions not proposed herein, the provisions of WAC 480-07-750(2)(b) shall apply. In the event the Commission accepts the Stipulation upon conditions not proposed herein, or approves resolution of this proceeding through provisions that are different than recommended in this Stipulation, each Party reserves the right, upon written notice to the Commission and all parties to this proceeding within seven (7) days of the Commission's order, to state its rejection of the conditions. If any Party rejects a proposed new condition, the Parties will: (1) request the prompt reconvening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case pursuant to WAC 480-07-750(2)(a); and, (2) cooperate in development of a schedule that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in participating in hearings and preparing briefs.

33 5. In the event the Commission determines that it will reject the Stipulation or accept the Stipulation upon conditions not proposed herein, the Parties request that the Commission issue an order as soon as possible so that the Parties may promptly invoke the provisions of WAC 480-07-750.

34 6. The Parties enter into this Stipulation to avoid further expense, inconvenience, uncertainty, and delay. By executing this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of this Stipulation, nor shall any Party be deemed

to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except to the extent expressly set forth in the Stipulation, including but not limited to prudence of new resources, the cap on costs deferred for the Chehalis resource under RCW 80.80.060(6), the GRID and workpaper filing requirements, and the earliest filing date for the next general rate case.

35 **7.** This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document. A Party may authorize another Party to sign on the first Party's behalf. A signed signature page that is faxed or emailed is acceptable as an original signature page signed by that Party.

36 **8.** This Stipulation is the product of negotiation and no part shall be construed against any Party on the basis that it was the drafter.

37 **9.** Each Party agrees to provide all other Parties the right to review in advance of publication any and all announcements or news releases that any other Party intends to make about the Stipulation (with the right of review to include a reasonable opportunity to request changes to the text of such announcements). Each Party also agrees to include in any news release or announcement a statement to the effect that the Commission Staff's recommendation to approve the Stipulation is not binding on the Commission itself.

38 **10.** The effective date of this Stipulation is the date of the Commission order approving it, subject to the procedures of Part III.N.4 (¶ 31) above.¹²

39 This STIPULATION is entered into by each Party as of the date entered below.

DATED: August 25, 2009.

¹² The effective date of the provisions wherein the Parties agree to support the Stipulation is the date of the latest dated signature to the Stipulation.

PacifiCorp

By _____
Andrea L. Kelly
Vice President, Regulation

Date: _____

**Staff of the Washington Utilities and
Transportation Commission**

By Donald T. Trotter
Donald T. Trotter
Senior Counsel
Jennifer Cameron-Rulkowski
Assistant Attorney General

Date: 8/25/09

**Public Counsel Section of the Office of the
Attorney General**

By _____
Sarah A. Shifley
Assistant Attorney General

Date: _____

**Industrial Customers of Northwest
Utilities**

By _____
Melinda J. Davison
Attorney for ICNU

Date: _____

The Energy Project

By Brad Purdy by Donald T. Trotter
Brad Purdy per telephone authorization
Attorney for The Energy Project on 8/24/09

Date: 8/25/09

PacifiCorp

By Andrea L. Kelly
Andrea L. Kelly
Vice President, Regulation

Date: 8/25/09

**Staff of the Washington Utilities and
Transportation Commission**

By _____
Donald T. Trotter
Senior Counsel
Jennifer Cameron-Rulkowski
Assistant Attorney General

Date: _____

**Public Counsel Section of the Office of the
Attorney General**

By _____
Sarah A. Shifley
Assistant Attorney General

Date: _____

**Industrial Customers of Northwest
Utilities**

By _____
Melinda J. Davison
Attorney for ICNU

Date: _____

The Energy Project

By _____
Brad Purdy
Attorney for The Energy Project

Date: _____

Witness: Richard P. Reiten
Page 15 of 16

PacifiCorp

**Staff of the Washington Utilities and
Transportation Commission**

By _____
Andrea L. Kelly
Vice President, Regulation

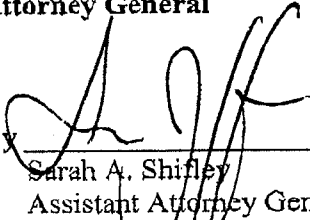
By _____
Donald T. Trotter
Senior Counsel
Jennifer Cameron-Rulkowski
Assistant Attorney General

Date: _____

Date: _____

**Public Counsel Section of the Office of the
Attorney General**

**Industrial Customers of Northwest
Utilities**

By  FOR _____
Sarah A. Shifley
Assistant Attorney General

By _____
Melinda J. Davison
Attorney for ICNU

Date: 8/25/09

Date: _____

The Energy Project

By _____
Brad Purdy
Attorney for The Energy Project

Date: _____

PacifiCorp

Staff of the Washington Utilities and Transportation Commission

By _____
Andrea L. Kelly
Vice President, Regulation

By _____
Donald T. Trotter
Senior Counsel
Jennifer Cameron-Rulkowski
Assistant Attorney General

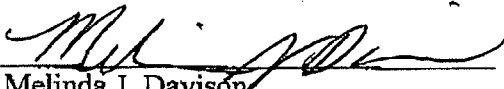
Date: _____

Date: _____

Public Counsel Section of the Office of the Attorney General

Industrial Customers of Northwest Utilities

By _____
Sarah A. Shifley
Assistant Attorney General

By 
Melinda J. Davison
Attorney for ICNU

Date: _____

Date: August 25, 2009

The Energy Project

By _____
Brad Purdy
Attorney for The Energy Project

Date: _____