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February 3, 2011

Via Email and U.S. Mail

Patricia Clark
Administrative Law Judge
Washington Utilities and Transportation Commission
PO Box 47250
1300 S Evergreen Park Drive, SW
Olympia WA 98504-7250

Re: In the matter of WUTC v. PacifiCorp
Docket No. UE-100749

Dear Judge Clark:

During the evidentiary hearing on January 27, 2011, Commissioner Jones asked Mr. Falkenberg to explain the modeling of the Colstrip Unit 3 and Bridger Generation Resources in ICNU's East Control Areas Sales Power Cost Adjustments 3 and 4 ("Adjustment 4"). Mr. Falkenberg was unable to fully answer Commissioner Jones' question at that time, but ICNU was asked to provide a more complete answer in a letter format. This letter is intended to answer Commissioner Jones' question.

In Adjustment 3, all transfers of Colstrip 3 and Bridger energy from PacifiCorp's western system ("PACW") to its eastern system ("PACE") were directly included and modeled exactly as in the Company's modeling of the Eastern Market Sale, but done on an hourly basis.

In the modeling of Adjustment 4, generation from resources that are located in PacifiCorp western system ("PACW") but are allocated to PacifiCorp's eastern system ("PACE") such as Colstrip 3 and Bridger were not transferred to PACE. If Adjustment 4 had included the Colstrip 3 and Bridger transfers to the PACE, then this would reduce imbalances in PACE by 39% as compared to the level of imbalances assumed in ICNU Adjustment 4. Including the Colstrip 3 and Bridger to PACE transfers would reduce the original adjustment of \$290,523 by \$116,700 on a Washington revenue requirements basis.

While ICNU's Adjustment 4 does not directly include Colstrip 3 or Bridger transfers to PACE, it does recognize them indirectly. The value of ICNU's Adjustment 4 is already discounted by 50%, which more than compensates for the exclusion of those transfers.

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Please let us know if additional information is needed or if the information should be provided in a different format.

Sincerely yours,

/s/ Irion A. Sanger
Irion A. Sanger

/s/ Randall Falkenberg
Randall Falkenberg

cc: Service List (via electronic mail)