

Dalley, Bryce

From: Bird, Carla
Sent: Friday, April 13, 2012 9:04 AM
To: abuckley@utc.wa.gov; Bird, Stefan; Daeschel, Lea (ATG); Dalley, Bryce; Dickman, Brian; 'Don Schoenbeck'; Duvall, Greg; ffitch, Simon (ATG); Foisy, Michael (UTC); Griffith, Bill; Kelly, Andrea; Martin, Roland (UTC); Mickelson, Christopher (UTC); mjd@dvclaw.com; Schooley, Thomas (UTC); Wallace, Sarah
Subject: Confirmation and Final Schedule
Attachments: Minutes for April 5 2012 FINAL.docx

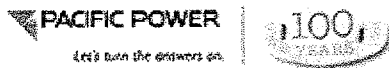
All,

Attached please find the final minutes, action items and schedule for the Washington Collaborative Process. Please note that the phone discussion related to AURORA and power cost issues is confirmed for April 18th at 9:30 am.

Please feel free to contact me if you have any questions.
Thank you.

Carla Bird
PacifiCorp • State Manager, Regulatory Affairs
825 NE Multnomah, Suite 2000 • Portland, OR 97232
503-813-5269 office • 503-341-8800 cell • 503-813-6060 fax

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WASHINGTON COLLABORATIVE PROCESS
APRIL 5, 2012
Meeting Minutes – Action Items – Schedule for Workshops

On April 5, 2012, representatives from PacifiCorp (Company), Commission Staff (Staff), Public Counsel, and the Industrial Customers of Northwest Utilities (ICNU) convened for the first meeting of the collaborative process. The first topic of discussion was primarily focused on the West Control Area (WCA) allocation methodology.

The following is a brief list of discussion highlights:

- Is the WCA methodology working?
 - The Company expressed concern that the WCA methodology is not based on actual system planning and operations, which is not sustainable in the long-term given the inability to reconcile to the Company's financial books and results.
 - Parties expressed an interest in understanding which aspects of the Company's costs tie to the Company's accounting records and which do not.
- Parties expressed an interest in learning about any system changes that have occurred since the implementation of the WCA methodology.
- Parties indicated a preference to avoid significant overhauls to the allocation method if operational changes on the horizon will lead to a system-wide allocation approach.
- Parties agreed that working toward identification of a set of triggers that, if occurred in the future, would lend to use of a system approach.
- Is a power cost mechanism possible under the WCA methodology?
 - How would a true-up to actuals work when net power costs are modeled by GRID?
 - The Company communicated an interest in understanding how AURORA works for state specific utilities since it's a WECC based model.
 - How would AURORA work for PacifiCorp?
- Parties discussed the Commission statement noted in Order 06 in Docket UE-100749, "We expect the review to greatly refine the WCA to produce results that more closely represent Washington-only cost and revenues."
 - The question was posed to the Company as to what a more situs allocation methodology would look like.

Next Steps:

Arrange a phone call between ICNU, Staff, Public Counsel and the Company to discuss AURORA/GRID/WECC.

The Company is to provide updated schedule for workshops, meeting minutes and action items.

Provide an Agenda for the next workshop no less than one week prior to next workshop on April 24, 2012.

ACTION ITEMS		
April 5, 2012 - Collaborative Workshop		
Assigned	Description	Estimated Due Date
PacifiCorp	Provide revised schedule and meeting minutes	April 10, 2012
Staff/ICNU	Describe how state-specific IOU's use AURORA when AURORA is a WECC based model. How would AURORA be used for PacifiCorp?	April 18th-Tentative
PacifiCorp	Provide a unit cost analysis comparison using WCA methodology and system-wide approach.	Prior to meeting on May 9th
PacifiCorp	Explain/identify issues or problems with the current WCA methodology	Prior to next meeting on April 24th
PacifiCorp	Identify any system or operational changes that are expected to occur in the future that could impact WCA implementation.	Prior to next meeting on April 24th
PacifiCorp	Provide an analysis of how primary WCA factors (i.e. CAGW, CAEW, and SO) have changed over the five-year trial period.	Prior to next meeting on April 24th
PacifiCorp	Provide a discussion document outlining what "situs methodology" might look like.	Prior to meeting on May 9th
PacifiCorp	Identify FERC accounts that tie to accounting records for ratemaking purposes and those that do not.	Prior to next meeting on April 24th
PacifiCorp	Provide an example of assignment logic of multiple allocation factors for one FERC account.	Prior to next meeting on April 24th
PacifiCorp	Provide a list of A&G accounts that could be assigned on a situs basis instead of system allocated.	Prior to next meeting on April 24th
PacifiCorp	Identify the events/operational changes necessary to trigger a system-wide allocation approach.	Prior to next meeting on April 24th

Collaborative Process-Final Schedule

Topic	Date	Time	Location
AURORA Phone Call	April 18, 2012	9:30 am – 10:30 am	1-800-503-3360 Meeting ID# 526990 Password# 526990
West Control Area Allocations	Tuesday April 24, 2012	9:30am - 4:00pm	Washington Utilities & Transportation Commission Olympia, Washington Room 207
Power Costs Modeling & Mechanisms	Wednesday May 9, 2012	9:30am - 4:00pm	Washington Utilities & Transportation Commission Olympia, Washington Room 207
Follow-Up Phone Call	Tuesday May 22, 2012	10:00am - 12:00pm	1-800-503-3360 Meeting ID# 526990 Password# 526990
Test Period Conventions & Other Items	Thursday June 7, 2012	9:30am - 4:00pm	PacifiCorp Corporate Office Lloyd Center Tower 825 NE Multnomah Street Portland, Oregon Room 710
Follow-Up Phone Call	Friday June 15, 2012	9:00am - 11:00am	1-800-503-3360 Meeting ID# 526990 Password# 526990
TBD	Wednesday July 18, 2012	9:30am - 4:00pm	Public Counsel's Office 800 5th Ave. Suite 2000 Seattle, WA Room 2010 Chief Stealth
TBD	Monday August 6, 2012	9:30am - 4:00pm	Washington Utilities & Transportation Commission Olympia, Washington Room 207
Follow-Up Phone Call	Wednesday August 22, 2012	10:00am - 12:00pm	1-800-503-3360 Meeting ID# 526990 Password# 526990
TBD	Monday September 17, 2012	9:30am - 4:00pm	PacifiCorp Corporate Office Lloyd Center Tower 825 NE Multnomah Street Portland, Oregon Room 720
TBD	Wednesday October 10, 2012	9:30am - 4:00pm	Public Counsel's Office 800 5th Ave. Suite 2000 Seattle, WA Room 2010 Chief Stealth
Process Complete	Monday November 5, 2012	N/A	

Dalley, Bryce

From: Bird, Carla
Sent: Monday, April 30, 2012 1:53 PM
To: Melinda J. Davison; abuckley@utc.wa.gov; Bird, Stefan; Daeschel, Lea (ATG); Dalley, Bryce; Dickman, Brian; 'Don Schoenbeck'; Duvall, Greg; ffitich, Simon (ATG); Foisy, Michael (UTC); Griffith, Bill; Kelly, Andrea; Martin, Roland (UTC); Mickelson, Christopher (UTC); Schooley, Thomas (UTC); Wallace, Sarah
Subject: RE: Confirmation and Final Schedule
Attachments: Minutes for April 24 meeting FINAL.docx

Melinda, et. al.,

The Company can tentatively agree to moving the meeting on July 18th to July 19th, but would like to reserve the possibility for rescheduling that one as the time draws near, contingent upon hearing back from the rest of Staff and Public Counsel regarding July 19th.

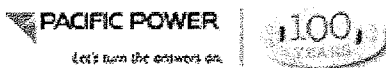
Attached please find the meeting minutes and updated Action Items from the April 24th meeting. Please respond with any edits, questions or comments.

The next meeting is May 9th and will convene at 9:30 am at WUTC, Room 207. The Company will send an Agenda and follow-up information related to the attached meetings prior to the May 9th meeting.

Please let me know if you have any questions.
Thanks!

Carla Bird
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From: Melinda J. Davison [<mailto:mjd@dvclaw.com>]
Sent: Monday, April 30, 2012 12:58 PM
To: Bird, Carla; abuckley@utc.wa.gov; Bird, Stefan; Daeschel, Lea (ATG); Dalley, Bryce; Dickman, Brian; 'Don Schoenbeck'; Duvall, Greg; ffitich, Simon (ATG); Foisy, Michael (UTC); Griffith, Bill; Kelly, Andrea; Martin, Roland (UTC); Mickelson, Christopher (UTC); Schooley, Thomas (UTC); Wallace, Sarah
Subject: RE: Confirmation and Final Schedule

Dear Carla-

In adding all of the dates to my calendar, I discovered one conflict, I have a meeting scheduled on July 18th. I could make it July 19th or July 20th. Does it work for everyone else to move the meeting date? thanks Melinda

Melinda J. Davison
Attorney
Davison Van Cleve, PC
333 SW Taylor St., Suite 400
Portland, OR 97204
Tel: 503.241.7242
Fax: 503.241.8160
mjd@dvclaw.com

The message (including attachments) is confidential, may be attorney/client privileged, may constitute inside information and is intended for the use of the addressee. Unauthorized use, disclosure, or copying is prohibited and may be unlawful. If you believe you have received this communication in error, please delete it and call or email the sender immediately. Thank you.

From: Bird, Carla [<mailto:Carla.Bird@PacifiCorp.com>]

Sent: Friday, April 13, 2012 9:04 AM

To: abuckley@utc.wa.gov; Bird, Stefan; Daeschel, Lea (ATG); Dalley, Bryce; Dickman, Brian; 'Don Schoenbeck'; Duvall, Greg; ffitc, Simon (ATG); Foisy, Michael (UTC); Griffith, Bill; Kelly, Andrea; Martin, Roland (UTC); Mickelson, Christopher (UTC); Melinda J. Davison; Schooley, Thomas (UTC); Wallace, Sarah

Subject: Confirmation and Final Schedule

All,

Attached please find the final minutes, action items and schedule for the Washington Collaborative Process. Please note that the phone discussion related to AURORA and power cost issues is confirmed for April 18th at 9:30 am.

Please feel free to contact me if you have any questions.
Thank you.

Carla Bird
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WASHINGTON COLLABORATIVE PROCESS
APRIL 24, 2012
Meeting Minutes – Action Items

ATTENDEES

Company: Bryce Dalley, Greg Duvall, Sarah Wallace, Elaine Biggs,
Carla Bird
Staff: Tom Schooley, Mike Foisy, Roland Martin,
Chris Mickelson, Alan Buckley
ICNU: Don Schoenbeck, Melinda Davison (by phone)
Public Counsel: Simon ffitich, Lea Daeschel

MINUTES

Follow-up discussion on AURORA net power cost model:

- PacifiCorp employees participated in training sessions with EPIS to investigate the AURORA model and its capabilities.
- In May 2012, the Company will work with EPIS to test the AURORA model with PacifiCorp specific data.
- The Company will keep the collaborative group informed as the test progresses.

West Control Area (WCA) factors and how they have changed over 5 year period:

- The Company presented the basis, calculation, and trends for the major WCA allocation factors.

Net power costs by FERC accounts that tie to actual accounting records:

- The Company explained the variance in net power cost treatment between actual and WCA “pseudo actuals.”
 - For WCA method, FERC Form 1 actual net power costs are replaced with “pseudo actual” costs, which are modeled by GRID.
 - Variances between a system allocation of actual net power costs and a WCA allocation of “pseudo actual” net power costs were discussed and reviewed.

FERC accounts that use multiple allocation factors and how factors are determined:

- The Company explained the systematic accounting methodology used for assigning allocation factors to specific FERC accounts. The accounting logic is based on the FERC account and facility location assigned to each accounting entry.

Examples of A&G accounts that could be assigned on a Situs basis:

- The Company provided examples of the type of A&G expenses that could be situs assigned.
- Advertising, memberships and subscriptions, and legal expenses are categories parties have agreed in prior cases to situs assign to the extent possible.

- The Company explained the challenge in assigning certain corporate function employee costs to a specific state.

FOLLOW-UP

The following questions were asked during the meeting. The Company will follow up on these items as indicated in the action item section below.

1. Staff asked whether the 75% capacity and 25% energy weighting is also used in cost of service/rate spread.
2. Public Counsel asked for the percentage of costs not allocated on east or west control area allocation factors.
3. Staff asked whether the Customer Number (CN) factor is based on an annual average or an end-of-period number.
4. Staff asked whether revenues associated with the Blue Sky voluntary program are adjusted out before taxation or franchise fee payments.
5. Public Counsel asked about the Company's accounting controls and processes that ensure accurate data reporting. In addition, Public Counsel asked for the error rate from the Company's most recent external audit.
6. Public Counsel asked about the Washington allocation variance of a system allocation approach compared to the WCA methodology for cost categories other than net power costs.
7. (added April 30) Public Counsel asked if the Company could come up with a list of cost categories it believes would be appropriate for Situs assignment and why these might be good candidates.

<p style="text-align: center;">UPDATED ACTION ITEMS April 24, 2012 - Collaborative Workshop</p>		
Assigned	Description	Estimated Due Date
PacifiCorp	Provide revised meeting minutes, updated action items and follow-up to group.	April 30, 2012
PacifiCorp	Update Progress on Company's investigation into use of AURORA.	Mid- to Late-May
PacifiCorp	Provide a unit cost analysis comparison using WCA methodology and system-wide approach.	Draft will be provided prior to meeting on May 9th
PacifiCorp	Explain/identify issues or problems with the current WCA methodology	Draft will be provided prior to meeting on May 9th
PacifiCorp	Identify any system or operational changes that are expected to occur in the future that could impact WCA implementation.	Draft will be provided prior to meeting on May 9th
PacifiCorp	Provide a discussion document outlining what "situs methodology" might look like.	Draft will be provided prior to meeting on May 9th
PacifiCorp	Identify the events/operational changes necessary to trigger a system-wide allocation approach.	Draft will be provided prior to meeting on May 9th
PacifiCorp	Provide Follow-up to remaining items discussed in workshop held April 24, 2012.	Draft will be provided prior to meeting on May 9th

ACTION ITEMS		
Completed - Collaborative Workshop		
Assigned	Description	Completion Date
PacifiCorp	Provide an analysis of how primary WCA factors (i.e. CAGW, CAEW, and SO) have changed over the five-year trial period.	April 24, 2012
PacifiCorp	Identify FERC accounts that tie to accounting records for ratemaking purposes and those that do not.	April 24, 2012
PacifiCorp	Provide an example of assignment logic of multiple allocation factors for one FERC account.	April 24, 2012
PacifiCorp	Provide a list of A&G accounts that could be assigned on a situs basis instead of system allocated.	April 24, 2012

Dalley, Bryce

From: Bird, Carla
Sent: Wednesday, May 16, 2012 2:17 PM
To: abuckley@utc.wa.gov; Daeschel, Lea (ATG); 'Don Schoenbeck'; ffitc, Simon (ATG); Foisy, Michael (UTC); Martin, Roland (UTC); Mickelson, Christopher (UTC); mjd@dvclaw.com; Thomas Schooley (UTC) (tschooley@utc.wa.gov)
Cc: Dalley, Bryce; Griffith, Bill
Subject: May 9th Meeting Minutes
Attachments: Minutes for May 9 FINAL.docx

Good afternoon,

Attached are the meeting minutes from the May 9, 2012, Collaborative Process meeting. Please review and provide comments or feedback on any questions, edits or additions. Thank you all for your participation and attendance. We look forward to seeing you at the next meeting:

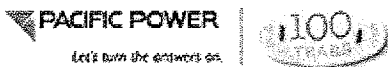
Date: June 7, 2012
Time: 9:30 am
Location: PacifiCorp Lloyd Center Tower
Room 710
825 Multnomah St.
Portland, OR 97232

Please notify me if you would like to participate by telephone and I would be happy to reserve a phone conference line.

Thank you,

Carla Bird
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503-813-5269 office • 503-341-8800 cell • 503-813-6060 fax

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WASHINGTON COLLABORATIVE PROCESS
MAY 9, 2012
Meeting Minutes

ATTENDEES

Company: Andrea Kelly, Stefan Bird, Bill Griffith, Bryce Dalley, Sarah
Wallace, Cory Scott, Carla Bird
Staff: Tom Schooley, Chris Mickelson, Chris McGuire
ICNU: Don Schoenbeck, Melinda Davison
Public Counsel: Lea Daeschel

MINUTES

1. Follow-up discussion items:

- Energy/Capacity weighting used in cost of service. Company explained the peak credit methodology used since 1981 relies on the cost of a peaking resource (for example, a simple cycle combustion turbine or the BPA peaking contract) compared to the cost of a baseload resource (combined cycle combustion turbine, or CCCT) to determine the demand-related component of production costs.
- Percentage of costs not allocated on east or west control area allocation factors. The Company provided an example using methods that rely upon plant investment. The result demonstrates that approximately 3% of costs are not allocated on either east or west control area allocation factors.
- Customer Number (CN) factor. Company explained that it is an average calculated based on beginning/ending balances.
- Blue Sky Revenues. Company explained that the gross revenues are subject to taxation, but for ratemaking tax inputs are removed.
- Error rate from the Company's most recent external audit. There is no error rate reported by external auditors, rather they rely upon a materiality threshold. For booking errors, the Company has internal controls that trace booking errors back to the source to prevent reoccurrence of the error.
- Allocation variance of a system allocation approach compared to the WCA methodology for cost categories other than net power costs. This item is explained in further detail below.
- List of cost categories appropriate for situs assignment. Company explained why those categories have already been identified to the extent feasible during the previous meeting. Also see discussion point 6 below.

2. Update on progress of Company's investigation into use of AURORA

modeling

- The Company is close to signing a non-disclosure agreement and hopes to have first phase of internal testing completed by early June.
- The Company will keep collaborative group informed of its progress.

3. Unit Cost Analysis comparison using WCA allocation methodology and system-wide approach

- The Company provided unit cost examples using the WCA allocation methodology and system allocated approaches.

4. Issues with use of WCA allocation methodology

- The Company explained that WCA methodology creates the need for fictitious modeling and does not represent a manner under which the Company can actually operate its system on a real-time basis. A long-term solution needs to address this disconnect and could manifest itself as a move toward a system-wide allocation methodology or a situs-based allocation methodology.

5. System or operational changes that are expected to occur that could impact WCA allocation methodology

- The Company provided a map and discussed its currently-planned transmission projects.
- The Company provided information about FERC Order 1000, which relates to the requirements for transmission owners to participate in additional regional and inter-regional transmission planning and cost allocation efforts.
- The Company provided a presentation on various balancing authorities that exist in the Western Energy Coordinating Council (WECC) region and discussed the Energy Imbalance Market (EIM).

6. Discussion of situs assignment methodology

- The Company provided a summary approach addressing each component—generation, transmission, distribution, shared services, and corporate structure—to provide an overview of how the Company could operate under a Washington situs approach.
- The Company explained that this approach is followed by the vast majority of multi-state utilities such as Southern Company and American Electric Power (AEP).

7. Events or operational changes that may trigger use of system-wide allocation

- See item 5 above.

NEXT STEPS:

1. Company will provide an analysis that estimates the timing for new resource acquisition assuming Washington situs allocation approach.
2. Company will provide an overview of how Southern Company is structured.
3. Company will prepare a report outline to present to the group that discusses the pros and cons of the WCA allocation methodology to report to the Commission at the end of the collaborative process.

NEXT MEETING:

Date: June 7, 2012
Time: 9:30 am
Location: PacifiCorp Lloyd Center Tower
Room 710
825 Multnomah St.
Portland, OR 97232

Dalley, Bryce

From: Bird, Carla
Sent: Monday, June 18, 2012 10:10 AM
To: abuckley@utc.wa.gov; Bird, Stefan; Daeschel, Lea (ATG); Dalley, Bryce; Dickman, Brian; 'Don Schoenbeck'; Duvall, Greg; ffitc, Simon (ATG); Foisy, Michael (UTC); Griffith, Bill; Kelly, Andrea; Martin, Roland (UTC); McGuire, Chris (UTC); Mickelson, Christopher (UTC); mjd@dvclaw.com; Thomas Schooley (UTC) (tschooley@utc.wa.gov); Wallace, Sarah
Subject: Minutes from June 7 2012
Attachments: Minutes for June 7 FINAL.docx

Good Morning,

Attached are the minutes from the June 7, 2012, Washington Collaborative Process. The second page of the minutes show the Action Items or take-aways from the meeting to be addressed at the July 19, 2012 meeting to be held in Seattle at Public Counsel's office located at 800 5th Ave., Suite 2000, Seattle, WA. We will be meeting in Room 2010 Chief Stealth.

Approximately a week or so before our next meeting, the Company will provide a draft Agenda. If you have any questions, edits or comments to the minutes, please feel free to contact me.

Thank you,

Carla Bird
Washington State Manager
PacifiCorp | Regulation
T: 503-813-5269 | F: 503-813-6060
carla.bird@pacificorp.com

WASHINGTON COLLABORATIVE PROCESS
JUNE 7, 2012
Meeting Minutes

ATTENDEES

Company: Andrea Kelly, Stefan Bird, Bill Griffith, Bryce Dalley, Greg Duvall,
Brian Dickman, Carla Bird
Staff: Tom Schooley, Chris Mickelson, Mike Foisy, Roland Martin
ICNU: Irion Sanger
Public Counsel: Lea Daeschel, Simon ffitich

MINUTES

1. Timing of New Resource for Washington

- The Company used two separate scenarios to show the forecast of timing for new resources.

2. Overview of how Southern Company is structured

- The Company provided slides showing that each utility in the holding company is a fully-integrated utility with all outstanding common stock held at the holding company.

3. Test Period Conventions/Regulatory Lag

- The Company demonstrated the varying test period conventions used in PacifiCorp's six-state service territory. There was a discussion about how the various power cost mechanisms in each state are structured and each state's authorized ROE.

4. Production Factor Adjustments

- The Company provided a presentation on the negative impact of a production factor adjustment when it is applied to revenue requirement components that have not been adjusted beyond the historical test period. There was also a discussion of the method used by Avista, which uses historical load to determine pro forma net power costs and therefore, a production factor adjustment is not applied. The parties agreed that if the production factor is used, it should be applied only to revenue requirement components that have been walked forward to the rate effective period.

TAKE AWAYS:

1. The Company will provide an overview of the 2010 protocol allocation methodology.
2. Staff, ICNU, and Public Counsel will provide ideas on potential alternative rate making mechanisms and test period modifications for Washington.
3. Staff will provide a discussion on a properly structured attrition adjustment.
4. The Company will provide more information about the separate utility companies held by Southern Company to determine what corporate services are provided and how those costs are allocated.
5. The Company will provide the rate effective date in each state for each prior general rate case as well as confirm the original filing dates for the most recent general rate case in each state.
6. The Company will provide history of rate changes in California.
7. The Company will provide a multi-year look at unit costs, similar to the discussion on May 9, 2012.
8. The Company will prepare an outline of the report on the WCA allocation methodology that must be filed with the Commission at the end of the collaborative process.

NEXT MEETING:

Date: July 19, 2012
Time: 9:30 am
Location: Public Counsel
Room 2010 Chief Stealth
800 5th Ave. Suite 2000
Seattle, WA

Dalley, Bryce

From: Bird, Carla
Sent: Thursday, July 26, 2012 5:18 PM
To: abuckley@utc.wa.gov; Bird, Stefan; Daeschel, Lea (ATG); Dalley, Bryce; Dickman, Brian; 'Don Schoenbeck'; Duvall, Greg; ffitch, Simon (ATG); Foisy, Michael (UTC); Griffith, Bill; Kelly, Andrea; Martin, Roland (UTC); McGuire, Chris (UTC); Mickelson, Christopher (UTC); Davison, Melinda J. (ICNU); Thomas Schooley (UTC) (tschooley@utc.wa.gov); Wallace, Sarah
Subject: Washington Collaborative July 19 Minutes
Attachments: Minutes for July 19 FINAL.docx

All,

Attached please find the minutes for the July 19, 2012 Washington Collaborative meeting. Please let me know if you have edits or comments on the minutes.

Carla Bird

Washington State Manager
PacifiCorp | Regulation
T: 503-813-5269 | F: 503-813-6060
carla.bird@pacificorp.com

**WASHINGTON COLLABORATIVE PROCESS
JULY 19, 2012
Meeting Minutes**

ATTENDEES

Company: Andrea Kelly, Bill Griffith, Bryce Dalley, Carla Bird
Staff: Tom Schooley, Chris Mickelson, Mike Foisy, Kendra White
ICNU: Melinda Davison
Public Counsel: Lea Daeschel, Simon ffitch, Steven Flynn

MINUTES

1. Corporate service allocations for Southern Company

- The Company provided an overview of the allocation of administrative service expenses at Southern Company.

2. Rate changes per state

- The Company provided updated slides on the test period development used in PacifiCorp's six states to include rate case filing dates and rate effective dates from prior rate cases.

3. Multi-year review of unit costs

- The Company provided a handout showing unit costs under the WCA and system allocation methodologies for 2009 and 2010.

4. Discussion of alternative rate making mechanisms and test period modifications

- The Company provided handouts showing the history of alternative rate making mechanisms currently used in California such as the Energy Cost Adjustment Clause (ECAC), Post Test Year Adjustment Mechanism (PTAM) Attrition Adjustment and PTAM for Major Capital Additions.
- The Company discussed the operation of the PTAM Attrition and PTAM for Major Capital Additions in California and how they operate in conjunction with the Company's annual net power cost adjustment mechanism (ECAC). The Company explained that no type of rate certainty can be obtained without an annual power cost mechanism.
- The parties discussed alternative test period conventions. Staff stated that it may be possible to consider alternative test periods that are based on auditable historical information for pro forma periods.

- Public Counsel stated a concern about the number of rate changes that could occur due to implementation of various mechanisms, but that a mechanism that could offer rate certainty and cut down on the administrative burden of various filings that each require a review, could be considered. Public Counsel also expressed that any mechanism would also have to consider the balance of risk between customers and the Company.
- ICNU stated that they would be open to considering an attrition adjustment similar to that discussed in PSE's Docket UE-111048/UG-111049 in which Staff proposed that a Commission Basis report filed shortly after the implementation of a general rate proceeding could be the basis of an expedited rate proceeding. Further, ICNU stated that an attrition adjustment should be considered in a general rate case proceeding. And, finally, ICNU stated that the rate certainty, similar to the structure of PacifiCorp's Wyoming case where rates are known for a two-year period, was appealing.

5. Production factor adjustments

- Staff provided three examples of how the production factor adjustment has been applied in a recent Puget Sound Energy cases. Staff and the Company agreed to three approaches associated with the production factor:
 - Use historical loads for all components of the case, including net power cost. This method would not require a production factor adjustment. This is the method used by Avista in recent cases.
 - Walk all aspects of production related revenue requirement forward to the pro forma test period (rate effective period) and then apply the production factor to all production components. This method has been used by PSE in prior cases.
 - Conceptual method only – Use pro forma test period in which all components of revenue requirement would be based on pro forma loads (i.e. revenues, net power costs, allocation factors, etc.). This method has not been used in Washington.

6. 2010 Protocol

- The Company provided an overview of the 2010 Protocol allocation methodology that is used in PacifiCorp's other states.

7. Report to the Commission on the WCA allocation methodology

- The Company provided a draft outline of the report on the WCA methodology that is due to the Commission in January 2013.
- The parties agreed to discuss this further at a future meeting.

TAKE AWAYS:

1. Per Staff's request, the Company will provide the revenue requirement exhibit from the most recent California general rate case showing the development of the pro forma test period from a historical base period using discrete normalizing adjustments. (The Company will provide this information to Public Counsel and ICNU upon request).
2. The Company will provide a summary showing the FERC functional IHS Global Insight indices applied to operation and maintenance accounts in the development of pro forma test periods.
3. The Company will provide a copy of the most recent PTAM Attrition and PTAM Major Capital Addition filings in California.
4. The Company will provide a summary of the in service and rate effective dates for each of the capital investments added to rates in California through the PTAM for Major Capital Additions.
5. The Company will provide a copy of the stipulations filed with the California Commission that describe the operation of the PTAM Attrition, ECAC and PTAM for Major Capital Additions.
6. The Company will provide a summary, if available, showing variances from pro forma test periods versus actual costs for the same period.
7. The Company will provide a copy of the recent Wyoming and Idaho general rate case stipulations, which detail two-year rate plans.
8. The Company will provide the relevant quotes from Commission orders that provide direction related to the review of the WCA methodology due January 2013.

NEXT MEETING:

Date: August 6, 2012
Time: 9:30 am
Location: WUTC-Olympia

Call in information:
Portland, OR 503- 813-5252
Toll Free 855- 499-5252
Conference ID: 2026916

Dalley, Bryce

From: Bird, Carla
Sent: Friday, August 10, 2012 4:19 PM
To: Bird, Carla; abuckley@utc.wa.gov; Griffith, Bill; Bird, Stefan; Dalley, Bryce; Daeschel, Lea (ATG); Dickman, Brian; 'Don Schoenbeck'; Duvall, Greg; ffitich, Simon (ATG); Foisy, Michael (UTC); Kelly, Andrea; Kendra White (kwhite@utc.wa.gov); McGuire, Chris (UTC); Mickelson, Christopher (UTC); Davison, Melinda J. (ICNU); Wallace, Sarah; Thomas Schooley (UTC) (tschooley@utc.wa.gov); McMonagle, Christine
Subject: Meeting Minutes from August 6, 2012 Washington Collaborative
Attachments: Minutes for August 6 Final.docx

All,
My apologies for missing the subject line in my earlier email.

Thank you,

Carla Bird
Washington State Manager
PacifiCorp | Regulation
T: 503-813-5269 | F: 503-813-6060
carla.bird@pacificorp.com

From: Bird, Carla
Sent: Friday, August 10, 2012 4:09 PM
To: abuckley@utc.wa.gov; Bill Griffith (Griffith, Bill); Bird, Stefan; Bryce Dalley (Dalley, Bryce); Daeschel, Lea (ATG); Dickman, Brian; 'Don Schoenbeck'; Duvall, Greg; ffitich, Simon (ATG); Foisy, Michael (UTC); Kelly, Andrea; Kendra White (kwhite@utc.wa.gov); McGuire, Chris (UTC); Mickelson, Christopher (UTC); mjd@dvclaw.com; Sarah Wallace (Wallace, Sarah); Thomas Schooley (UTC) (tschooley@utc.wa.gov); McMonagle, Christine
Subject:

All,

Attached are the minutes for the August 6, 2012, Washington Collaborative phone conference. Our next meeting will be August 22nd in Olympia and will convene at 9:30 am in Room 207. Call-in information is at the bottom of the attached minutes.

Please let me know if you have questions/comments or additions to the minutes.
Thank you,

Carla Bird
Washington State Manager
PacifiCorp | Regulation
T: 503-813-5269 | F: 503-813-6060
carla.bird@pacificorp.com

WASHINGTON COLLABORATIVE PROCESS
AUGUST 6, 2012
Phone Conference
Meeting Minutes

ATTENDEES

Company: Andrea Kelly, Bill Griffith, Bryce Dalley, Greg Duvall, Brian Dickman,
Carla Bird, Sarah Wallace, Christine McMonagle
Staff: Tom Schooley, Mike Foisy, Kendra White
ICNU: Joshua Weber
Public Counsel: Lea Daeschel, Steven Flynn

MINUTES

1. California Revenue Requirement Material

- The Company provided California revenue requirement information to Staff in late July. At the meeting, the Company pointed out the similarities between the revenue requirement work papers that are typically filed with Washington rate cases and the California filings that contain pro forma test periods.

2. IHS Global Insight Indices

- The Company explained how IHS Global Insight indices are applied to the historical base period amounts at the FERC functional level to create a pro forma test period. The Company explained that the advantages of using IHS Global Insight information include the utility-specific indices and the fact that IHS Global Insight is a third-party provider.
- There was a discussion about whether pro forma test periods in the Company's other states are based completely on indexing or if known and measurable adjustments are also included. The Company explained that adjustments based on indices are considered acceptable for rate making in states using pro forma test periods. The Company further explained that pro forma test periods include a variety of adjustments, some based on capital additions or other known and measurable costs or balances, but that all the revenue requirement components, including any cost offsets, are factored into the test period adjustments.

3. California Energy Cost Adjustment Clause (ECAC), Post Test Year Adjustment Mechanism (PTAM) Attrition, and PTAM Capital Additions

- The Company provided a two-page handout describing each of these mechanisms.
- The Company provided recent filings for the PTAM attrition and the PTAM capital additions. The Company explained that PTAM attrition filings can be filed annually and are used in the years between rate cases. For the PTAM capital additions, this

mechanism is used for new capital investments greater than \$50 million on a system-wide basis.

4. In-Service and Rate Effective Dates for PTAM Capital Additions Filings

- The Company provided an updated handout on California PTAM capital addition filings. The update included the name and type of the capital additions, along with the in-service and rate effective dates for each of the filings.

5. Discussion of Wyoming and Idaho Rate Case Stipulations

- The Company provided copies of stipulations in Wyoming and Idaho in response to the collaborative group participants' expressed interest in the rate plans agreed to in those states. Both stipulations provide price predictability through two step rate increases and rate case stay-out periods.

6. Net Power Costs—Aurora Update

- The Company provided a handout summarizing the issues the Company has identified in its review of the Aurora model. The Company requested input from ICNU and Staff on ways to model the Company's topology in the Aurora model. The parties agreed to consult before the next collaborative meeting.

TAKE AWAYS:

Pending assignments:

- A presentation on power cost modeling and PCAMs for the other Washington utilities will be presented by Staff and ICNU

New take aways:

- The Company agreed to provide additional information on how IHS Global Insight develops its inflation indices.

NEXT MEETING:

Date: August 22, 2012
Time: 9:30 am
Location: WUTC - Olympia

Call-in information:
Portland, OR 503- 813-5252
Toll Free 855- 499-5252
Conference ID: 9524805

Dalley, Bryce

From: Bird, Carla
Sent: Wednesday, September 05, 2012 11:24 AM
To: Don Schoenbeck
Cc: abuckley@utc.wa.gov; Griffith, Bill; Bird, Stefan; Dalley, Bryce; Daeschel, Lea (ATG); Dickman, Brian; Duvall, Greg; ffitch, Simon (ATG); Foisy, Michael (UTC); Kelly, Andrea; Kendra White (kwhite@utc.wa.gov); McGuire, Chris (UTC); Mickelson, Christopher (UTC); Davison, Melinda J. (ICNU); Wallace, Sarah; Thomas Schooley (UTC) (tschooley@utc.wa.gov); 'Dave Gomez (dagomez@utc.wa.gov)'
Subject: RE: Washington Collaborative Process - August 22nd Minutes
Attachments: Minutes for August 22 REVISED FINAL.docx

All,

Attached is a copy of the meeting minutes that include the revision proposed by Don.

Thanks,
Carla B.

From: Don Schoenbeck [<mailto:dws@r-c-s-inc.com>]
Sent: Tuesday, September 04, 2012 3:04 PM
To: Bird, Carla
Cc: abuckley@utc.wa.gov; Griffith, Bill; Bird, Stefan; Dalley, Bryce; Daeschel, Lea (ATG); Dickman, Brian; Duvall, Greg; ffitch, Simon (ATG); Foisy, Michael (UTC); Kelly, Andrea; Kendra White (kwhite@utc.wa.gov); McGuire, Chris (UTC); Mickelson, Christopher (UTC); Davison, Melinda J. (ICNU); Wallace, Sarah; Thomas Schooley (UTC) (tschooley@utc.wa.gov); 'Dave Gomez (dagomez@utc.wa.gov)'
Subject: Re: Washington Collaborative Process - August 22nd Minutes

Carla--

I would propose a slight addition to the meeting minutes for item number 3 regarding the AURORA model. It would be to add the words "at this time" on to the last sentence to more accurately reflect or capture the discussion. The sentence would read:

"Therefore, all Parties to the phone discussion agreed that the Company should not continue to invest in the use of the AURORA model **at this time.**"

I believe I was clear in stating it was putting the investigation "on hold" so that other options could be considered.

Thanks,
Don

On 9/4/2012 9:51 AM, Bird, Carla wrote:

All,

Attached please find the minutes from the August 22, 2012 Washington Collaborative Process meeting. Details for the next meeting (September 20, 2012 in Portland) can be found at the bottom of the second page of the minutes. If you have any questions, additions or corrections to the meeting minutes, please let me know.

The Company will provide an Agenda for the next meeting prior to September 20, 2012.

Thank you,

Carla Bird
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Fax: 360-737-7628

**WASHINGTON COLLABORATIVE PROCESS
AUGUST 22, 2012
Olympia
Revised Meeting Minutes**

ATTENDEES

Company: Stefan Bird, Bill Griffith, Bryce Dalley, Greg Duvall, Brian Dickman, Carla Bird, Sarah Wallace, Collin Thomas
Staff: Tom Schooley, Mike Foisy, Kendra White, Dave Gomez, Alan Buckley, Chris Mickelson
ICNU: Don Schoenbeck, Melinda Davison
Public Counsel: Simon ffitch, Lea Daeschel, Jim Dittmer

MINUTES

1. IHS Global Insight Indices

- The Company provided a confidential handout from IHS Global Insight (Global Insight) on the development of its indices. The company uses Global Insight indices to apply to the historical non-labor base period amounts at the FERC functional level to create a pro forma test period in states that allow the use of pro forma test periods. Also, the Global Insight indices are similar to applying a consumer price index, but most regulators prefer the Global Insight indices because they are utility/energy specific.

2. Presentation on Avista's and Puget Sound Energy's Power Cost Adjustment Mechanisms.

- Staff presented an overview of Avista's Energy Recovery Mechanism (ERM) which was originally established in 2002 to recover the variable cost of hydro. The design of the mechanism considers power cost accounts (including broker fees), wheeling revenue and expense, and revenues from the sale of Renewable Energy Credits (RECs). The ERM does not include production O&M. The ERM has a \$4 million deadband and two sharing bands. The first \$4 million is absorbed by the company (deadband). The first sharing band is asymmetrical. When actual costs exceed authorized costs by more than \$4 million (surcharge), 50% of the next \$6 million of difference in costs is absorbed by the Company, and 50% is deferred for future recovery from customers. When actual costs are less than authorized costs (rebate), 25% of the next \$6 million of difference above the \$4 million deadband is absorbed by the Company, and 75% is deferred for rebate to customers. Staff explained that the 75/25 sharing band under rebate conditions was based the view that weather impacts on hydro volume and price are asymmetrical. The second sharing band is applied to variances over \$10 million - either direction; 10 percent of the variance is absorbed by the company and 90 percent of the variance is deferred. The rate adjustment trigger is set at 10 percent of base revenues. Currently, Avista has a refund balance of approximately \$13 million in the ERM account compared to a rate adjustment trigger of about \$45 million. No refund or surcharges have occurred under the ERM since its inception. Avista is proposing changes to the ERM in its current general rate case.

- Staff also presented an overview of PSE’s mechanism. PSE’s mechanism includes all production-related costs (fixed and variable) including costs for various regulatory assets and transmission facilities deemed to be production-related. The mechanism includes a \$20 million deadband and three sharing bands. A variance greater than \$20 million but less than \$40 million is shared 50 percent customer/50 percent company. A variance greater than \$40 million and less than \$120 million is shared 90 percent customer/10 percent company. A variance greater than \$120 million is shared 95 percent customer/5 percent company.
- Staff stated that they will participate in Multi-State Protocol discussions when the MSP committee reconvenes and therefore, they believe that the collaborative group should consider various methods to achieve consensus for the three-year interim period. ICNU agreed that the group should find other ways to look at revenue requirement. Public Counsel stated that they would need to see a proposal by the Company before they could consider whether they would be amenable to considering methods that vary from status quo.

3. Update on the Company’s Investigation into the Use of AURORA

A phone discussion was held on August 14, 2012, between Staff, ICNU and the Company. The Company reported that that major adjustments would be necessary to design AURORA to model the granularity of the Company’s actual operations. Therefore, all Parties to the phone discussion agreed that the Company should not continue to invest in the use of the AURORA model at this time.

4. Report to the Commission on WCA Allocation Methodology

- The Company provided quotes from the 2011 Settlement Stipulation and Commission Order 07, Docket No. UE111190 that confirm that the Company should file the results of the review of the WCA allocation methodology in its next general rate filing.

5. Rescheduling of Meetings

- Both the September 17, 2012 and the October 10, 2012 Collaborative Process meetings were rescheduled. The September 17, 2012 meeting was moved to Thursday, September 20, 2012, and will convene at 9:30 a.m. in Portland at the Lloyd Center Tower. The October 10, 2012 meeting was rescheduled to Thursday, October 25, 2012, and will convene in Olympia at WUTC as soon as the Open Meeting is adjourned.

NEXT MEETING:

Date:	September 20, 2012	Call-in information:	
Time:	9:30 a.m.	Portland, OR	503-813-5252
Location:	Lloyd Center Tower	Toll Free	855-499-5252
Room:	Room 19R	Conference ID:	1548572

Dalley, Bryce

From: Bird, Carla
Sent: Monday, November 05, 2012 12:27 PM
To: Griffith, Bill; Bird, Stefan; Dalley, Bryce; Daeschel, Lea (ATG); Dave Gomez (dagomez@utc.wa.gov); Dickman, Brian; 'Don Schoenbeck'; Duvall, Greg; ffitich, Simon (ATG); Foisy, Michael (UTC); Kelly, Andrea; Kendra White (kwhite@utc.wa.gov); McGuire, Chris (UTC); Mickelson, Christopher (UTC); Davison, Melinda J. (ICNU); Wallace, Sarah; Thomas Schooley (UTC) (tschooley@utc.wa.gov); Josh D. Weber; Jim Dittmer (j.dittmer@utilitech.net)
Subject: October 25, 2012 Collaborative Process Meeting Minutes
Attachments: Minutes for October 25 FINAL.docx

All,

Attached are the meeting minutes from our last collaborative process meeting held October 25, 2012 in Olympia. Please let me know if you have any questions, edits or comments on the minutes.

We very much appreciate your dedication to this important collaboration.

Thank you,

Carla Bird

Washington State Manager
PacifiCorp | Regulation
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carla.bird@pacificorp.com

**WASHINGTON COLLABORATIVE PROCESS
OCTOBER 25, 2012
Olympia
Meeting Minutes**

ATTENDEES

Company: Bill Griffith, Bryce Dalley, Carla Bird, Sarah Wallace
Staff: Tom Schooley, Mike Foisy, Kendra White, Chris Mickelson
ICNU: Don Schoenbeck, Joshua Weber
Public Counsel: Simon ffitich, Lea Daeschel, Jim Dittmer

MINUTES

1. Review of topics discussed during collaborative process

The Company provided a presentation that summarized the topics discussed during the collaborative process.

- The Company identified areas of agreement:
 1. The investigation into use of AURORA for power cost modeling should be discontinued at this time.
 2. There are three potential methodologies for use of the production factor adjustment and more specifically, revenue requirement components that have not been walked forward to a pro forma period should not be adjusted by a production factor adjustment.
- During the discussion related to future events that could trigger alternative options to WCA allocation methodology, the parties agreed to work toward identifying triggers that would support a future change in methodology.
- During the discussion related to AURORA power cost modeling versus GRID power cost modeling, the Company verbalized an agreement between the parties that the investigation into the use of AURORA should be discontinued at this time due to the inability of AURORA to accurately model the Company's system. ICNU clarified the agreement to mean that the time commitment required to modify certain modeling characteristics in AURORA in order to produce a more accurate result was the driving force behind ICNU's agreement that the investigation into the Company's use of AURORA should be discontinued at this time. Staff agreed with this clarification.

2. Executive Compensation Report

The Company presented language from the order and stipulation in Docket No. UE-111190 related to the PacifiCorp's agreement to work with Public Counsel to develop a report on executive compensation and to provide a copy of the report at least 30 days before the Company's next general rate case filing. The parties reviewed the language and agreed that it was an accurate reflection of the agreement. Public Counsel requested an opportunity to provide follow-up comments on the development of the report.

3. Summary of follow-up discussions

At the conclusion of the presentation each of the participating parties discussed continuation of the collaborative process meetings. All parties agreed that additional meetings were not necessary at this time. The Company asked if the parties were willing to commit to participating in the upcoming multi-state process for discussing inter-jurisdictional allocations. Staff was willing to commit to participating; Public Counsel stated that they would consider it depending upon available resources; and ICNU stated that they believed they would participate but need to verify with their client before they could commit. The parties discussed the status of the WCA allocation methodology report. The Company stated that Order 07 in Docket UE-111190 directs the Company to file the report in its next general rate proceeding.

The Company indicated that while agreements were limited, that the process resulted in improved communication between parties and clearer understanding of parties' positions and thanked the participants for the time and energy dedicated to this important collaboration.