

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
)
Complainant,)
)
vs.)
)
PACIFICORP dba Pacific Power & Light)
Company,)
)
Respondent.)
_____)

DOCKET NO. UE-05 _____

APPLICATION

RECORDED
05 MAY -5 PM 1:59
COMMUNICATIONS SECTION

Pursuant to RCW 80.28.050, RCW 80.28.060, and in accordance with WAC 480-07-510, PacifiCorp dba Pacific Power & Light Company (“PacifiCorp” or “the Company”) hereby files a general rate case to revise its tariff schedules to adjust prices for its Washington electric customers. Included in this filing is a proposal for inter-jurisdictional cost allocation, upon which the Company’s revenue requirement calculations are based.

1. PacifiCorp is an electrical company and public service company in the State of Washington within the meaning of RCW 80.04.010, and is subject to the Commission’s jurisdiction with respect to its prices and terms of electric service to retail customers in Washington. PacifiCorp provides electric service to approximately 120,000 retail customers in the State of Washington and approximately 1.59 million total retail customers in Washington, California, Idaho, Oregon, Utah, and Wyoming. The Company’s principal place of business is Portland, Oregon.

2. Communications regarding this filing should be addressed to:

Christy Omohundro
Managing Director, Regulation
PacifiCorp
825 NE Multnomah, Suite 800
Portland, OR 97232
Telephone: (503) 813-6092
Facsimile: (503) 813-6060
Email: christy.omohundro@pacificorp.com

and

James M. Van Nostrand
Stoel Rives LLP
900 SW Fifth Avenue, Suite 2600
Portland, OR 97204
Telephone: (503) 294-9679
Facsimile: (503) 220-2480
Email: jmvannostrand@stoel.com

John H. Ridge
Stoel Rives LLP
Suite 3600, One Union Square
600 University Street
Seattle, WA 98101
Telephone: (206) 386-7575
Facsimile: (206) 386-7500
Email: jhridge@stoel.com

Communications regarding discovery matters, including data requests issued to PacifiCorp, should be addressed to:

Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 800
Portland, OR 97232
Email: datarequest@pacificorp.com

3. PacifiCorp is currently earning a normalized return on equity of approximately 3.5 percent in Washington. In an effort to achieve a level of earnings in Washington that reflects the Company's current estimated cost of equity capital and in order to maintain its ability to provide safe, reliable and adequate service to its Washington customers, PacifiCorp is proposing to implement revised tariff schedules that effect an increase in prices for Washington retail customers of \$39.2 million, or 17.9 percent.

4. The tariff sheets reflect a proposed effective date of June 5, 2005, for the initial price change, which allows the required thirty (30) days notice under RCW 80.28.060 following the submittal of a tariff filing.

5. The proposed price increases are based upon normalized Results of Operations for Washington for the test period ending September 30, 2004.

6. PacifiCorp is proposing to allocate 75 percent of the level of the overall proposed increase to Schedules 24 and 36, for a 13.7 percent increase to those schedules. The other schedules were allocated the remaining revenue requirement on an equal percentage basis, resulting in a 20.8 percent increase for those schedules.

7. As part of this filing, PacifiCorp seeks Commission approval of the proposed inter-jurisdictional cost allocation protocol (“Revised Protocol”), which describes how PacifiCorp’s generation, transmission and distribution costs will be allocated or assigned to PacifiCorp’s six retail jurisdictions. The Revised Protocol also describes mechanisms for ensuring continued dialogue among interested parties regarding PacifiCorp’s inter-jurisdictional cost allocation issues and procedures for resolving disputes that may arise among the Company’s state jurisdictions.

8. PacifiCorp is also seeking to implement a Power Cost Adjustment Mechanism, or PCAM, which will allow changes in net power costs to be reflected between general rate cases. Finally, the Company is pursuing development and adoption of a decoupling mechanism in this proceeding to support implementation of energy conservation programs by reducing or removing the link between its revenue and its sales as a means of reducing or eliminating any financial disincentives to DSM investment.

9. PacifiCorp’s direct case consists of the testimony and exhibits of eleven witnesses:

(a) **Donald N. Furman**, Senior Vice President, Regulation and External Affairs, describes the changes in PacifiCorp’s situation that make this filing necessary. He presents an overview of the Company’s case and provides the context for the testimony of the other witnesses regarding the Company’s specific proposals.

(b) **Samuel C. Hadaway**, FINANCO, Inc., will testify concerning the Company’s return on equity. Based on a combination of DCF (Discounted Cash Flow) and Risk Premium analysis, as well as a review of the current market, the electric utility industry,

and company-specific factors, Dr. Hadaway proposes a point value for PacifiCorp's cost of equity of 11.125 percent.

(c) **Bruce N. Williams**, Treasurer, will present a financing overview of the Company and explain the need for the Company to increase the equity component of its capital structure, in order to maintain credit ratings that support an "A-" rating. He will present PacifiCorp's capital structure of 49.4 percent long-term debt, 1.10 percent preferred stock, and 49.5 percent common equity. He will also testify concerning the Company's cost of debt and preferred stock. Mr. Williams will show that the Company's embedded cost of long-term debt is 6.427 percent and the embedded cost of preferred stock is 6.59 percent.

(d) **David L. Taylor**, Principal Regulatory Consultant, sponsors the Company's testimony describing in detail the Revised Protocol method of allocation. Mr. Taylor also presents testimony on class cost of service and functional revenue requirement.

(e) **Christy A. Omohundro**, Managing Director, Regulation, will present the Power Cost Adjustment Mechanism proposed by the Company in this case, and the manner in which the Company proposes to implement this mechanism.

(f) **Mark T. Widmer**, Director, Net Power Costs, will describe the operation of the GRID model, including the new VISTA model for hydro normalization, and the calculation of net power costs. Mr. Widmer will also identify the major drivers that are putting upward pressure on power costs and describe the volatility of power costs that leads the Company to propose a PCAM.

(g) **Gregory N. Duvall**, Managing Director, Planning and Major Projects, addresses inter-jurisdictional cost allocation, including the allocation of power cost variances under the Company's proposed PCAM. He also shows that the Company's resource acquisitions of Craig, Hayden, Cholla 4, Foote Creek, West Valley, Gadsby and Currant Creek generating units are prudent for purposes of Washington rates.

(h) **Mark R. Tallman**, Managing Director of Commercial and Trading, will describe the Company's recent supply-side resource portfolio acquisitions. These

include, among others, the Currant Creek project, the acquisition of the output from the Wolverine Creek Energy wind project, and the decision to continue the West Valley lease.

(i) **Paul M. Wrigley**, Regulation Manager, will present the Company's overall revenue requirement based on the test period (twelve months ending September 30, 2004), and known and measurable adjustments through the rate-effective period. Mr. Wrigley will present the normalizing adjustments to actual test period results related to revenue, operation and maintenance expense, net power costs, depreciation and amortization, taxes and rate base.

(j) **Daniel J. Rosborough**, Director of Employee Benefits, will testify to the Company's increased pension and employee benefit costs. Mr. Rosborough will also address the actions the Company is taking to control these rising costs.

(k) **William R. Griffith**, Director of Pricing and Cost of Service, will present testimony on three primary areas: 1) description of the Company's pricing objectives, 2) the Company's proposed rate spread, and 3) the Company's proposed changes in price design for the affected rate schedules.

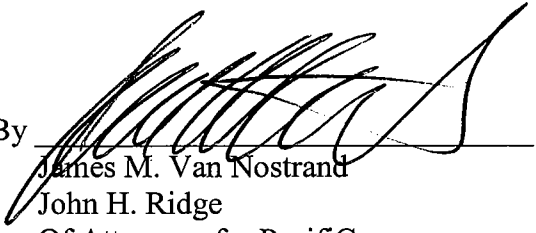
10. Pursuant to WAC 480-07-510(4), attached as Exhibit A is the Summary Sheet setting forth the information required to be filed in connection with applications for general price increases.

DATED: May 5, 2005.

Respectfully submitted,

Stoel Rives LLP

By


James M. Van Nostrand

John H. Ridge

Of Attorneys for PacifiCorp

PACIFICORP

Exhibit A
Summary of Requested Electric General Rate Increase
Washington Jurisdiction
Filed May 5, 2005

- 1) **The date and amount of the latest prior general rate increase authorized by the Commission, and the revenue realized from that authorized increase in the test period, based on the company's test period units of revenue.**

Date:	November 16, 2004
Amount:	\$15,501,000
Amount Realized in the test period:	\$15,726,000

- 2) **Total revenues at present rates and at requested rates.**

Present Rates	\$218,640,000
Requested Rates	\$257,845,000

- 3) **Requested revenue change in percentage, in total and by major customer class**

Residential	20.3%
Commercial & Industrial	16.2%
Public Street Lighting	20.3%
Total	17.9%

- 4) **Requested revenue change in dollars, in total and by major customer class**

Residential	\$18,516,000
Commercial & Industrial	\$20,413,000
Public Street Lighting	\$ 276,000
Total	\$39,205,000

- 5) **Requested rate change in dollars per month, per average residential customer.**

Monthly impact at average usage of 1,300 kWh per month - \$15.86

- 6) **Most current customer count by major customer class.**

Residential	97,065
Commercial & Industrial	23,288
Public Street Lighting	3,407
Total	123,760

Average number of customers – twelve months ended September 2004.

7) Current authorized overall rate of return and authorized rate of return on common equity.

Overall rate of return (UE-032065)	8.39%
Rate of return on common equity (Cause U-86-02)	13.25%

8) Requested overall rate of return and requested rate of return on common equity, and the method or methods used to calculate rate of return on common equity.

Overall rate of return	8.754%
Rate of return on common equity	11.125%

The methodologies utilized in the derivation of the rate of return on common equity were discounted cash flow analysis, risk premium model analysis as well as a review of the current market, the electric utility industry, and Company-specific factors.

9) Requested capital structure.

Long-term Debt	49.4%
Preferred stock	1.1%
Common Equity	49.5%

10) Requested total net operating income.

Net operating income:	\$ 53,852,000
-----------------------	---------------

11) Requested total rate base and method of calculation, or equivalent.

Rate base:	\$615,154,000
------------	---------------

Method of calculation: Thirteen-month average.

12) Requested revenue effect of attrition allowance, if any requested.

Attrition allowance requested: None.