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November 3, 2005

VIA ELECTRONIC MAIL

<records@wutc.wa.gov>

Ms. Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Docket No. UE-050684

Dear Ms. Washburn:

Enclosed for filing in the above proceeding are the original and eleven (11) copies of a Stipulation on Power Cost Issues. An electronic copy of the filing will also be sent to the Commission's record center.

Thank you for your assistance.

Sincerely,

A handwritten signature in black ink that reads 'James M. Van Nostrand' followed by a stylized flourish.

James M. Van Nostrand

JMV:jlf

Enclosures

cc: Service List

Oregon
Washington
California
Utah
Idaho

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

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

Respondent.

DOCKET NO. UE-050684

**STIPULATION ON POWER COST
ISSUES**

PARTIES

1. This Stipulation is entered into by PacifiCorp d/b/a Pacific Power and Light Company (“the Company”) and Industrial Customers of Northwest Utilities (“ICNU”) regarding certain issues in PacifiCorp’s pending general rate filing in the above docket.

RECITALS

2. On May 5, 2004, PacifiCorp filed revised tariff schedules to effect a \$39.2 million (17.9%) increase in its base prices to Washington electric customers. The filing was based on normalized results of operations for Washington for the test period ending September 30, 2004. The filing was suspended by the Commission on May 24, 2005.

3. At the prehearing conference on June 8, 2005, the Public Counsel Section of the Office of Attorney General (“Public Counsel”), ICNU, the Energy Project,¹ and NRDC were granted intervention in the proceeding.

¹ Comprising the Energy Project, Opportunity Council, Northwest Community Action Center, and Industrialization Center of Washington.

4. Pursuant to the schedule set forth in the Prehearing Conference Order issued June 8, 2005, the parties to the proceeding conducted settlement discussions on September 23 and 26, 2005 for purposes of resolving or narrowing the contested issues in this proceeding.

5. The Company and ICNU (collectively, the “Parties”) have reached agreement on certain power cost issues in 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 certain matters in dispute between them in the interests of expediting the orderly disposition of this proceeding. The Stipulation is being filed with the Commission as a “Multiparty Settlement” pursuant to WAC 480-07-730(3).

AGREEMENT

6. Net Power Costs. The Parties agree that reducing the Company’s filed Net Power Costs by \$31.5 million on a Total Company basis, prior to application of the Company’s proposed Production Cost Adjustment, will address the issues that would have been raised by ICNU with respect to the level of Net Power Costs to be reflected in rates in this proceeding. The \$31.5 million reduction in Net Power Costs would reduce PacifiCorp’s Washington revenue requirement increase by approximately \$2.7 million under the Revised Protocol allocation methodology. The Parties also agree that if the Commission adopts a Production Cost Adjustment for Net Power Costs, the reduction would be \$31.5 million on a Total Company basis times the Production Factor approved by the Commission. Based on PacifiCorp’s proposed Production Factor, the Adjustment would result in a reduction of \$29.2 million in Net Power Costs, or approximately \$2.5 million Washington revenue requirement reduction under the Revised Protocol allocation methodology. With this agreed upon reduction

to the Company's requested Net Power Costs, ICNU and the Company will not sponsor any testimony proposing further adjustments to the Company's proposed Net Power Costs except as identified in Section 6.a of this Stipulation, and will not cross-examine either Party's witnesses with respect to Net Power Costs. This agreement covers any adjustments that may have been proposed including but not limited to: IMC Kalium, P4 Production, Morgan Stanley call, BPA contract modeling, SMUD contract, regulation modeling, hydro modeling and filtering, Blundell outage, CT outage rates, Hunter main transformer outages, Colstrip 4 upgrade, reverse DJ 3 derate, Cholla 4 minimum, other Company outage errors, fuel quality outages, loss modeling, reverse ramping, reverse deferred maintenance, reverse station service, and marginal unit modeling. This agreement is subject to the following:

a. Production Cost Adjustment. This Stipulation does not include the Company's calculation of the production cost adjustment, discussed at pages 5-6 of Mr. Widmer's prefiled direct testimony (Ex. No. ___ (MTW-1T)). ICNU reserves the right to present testimony regarding an alternative calculation of that adjustment. In presenting its analysis of this issue, ICNU is not precluded from opposing the use of the Production Factor outright and the associated use of forecasts Fiscal Year 2007 loads in the Net Power Cost study.

b. Adjustments Related to Power Cost Adjustment Mechanism. In the event the Commission Adopts a Power Cost Adjustment Mechanism ("PCAM") for the Company, the Parties agree that normalized Net Power Costs were computed assuming the contract with Sacramento Municipal Utility District, or SMUD, was priced at \$37/mWh. The Parties further agree that \$5.2 million of the \$31.5 million total adjustment was related to

resolution of further issues related to the SMUD and IMC/Kalium contracts. PacifiCorp's proposed PCAM requires adjustments be made to conform actual Net Power Costs to reflect adjustments made to normalized Net Power Costs approved by the Commission. In the event that the PCAM proposed by the Company is adopted by the Commission, the Company agrees to make comparable conforming adjustments to actual Net Power Costs to reflect the treatment of the SMUD and IMC/Kalium contracts reflected in this Stipulation so long as rates from this Stipulation are in effect. Notwithstanding this adjustment, ICNU reserves the right to oppose PacifiCorp's PCAM proposal.

c. Interjurisdictional Cost Allocation. This Stipulation is based upon the Revised Protocol method of interjurisdictional cost allocation. In the event the Commission adopts an interjurisdictional cost allocation method that is not system-wide (*e.g.*, a West-side only interjurisdictional cost allocation method), the agreed upon reduction to Net Power Costs set forth in paragraph 6 above shall be reduced by 50%, or one half, to \$15.75 million prior to application of the adopted Production Cost adjustment. ICNU reserves the right to take any position it deems appropriate on the Revised Protocol or any other interjurisdictional cost allocation methodology.

d. Company Resources. The Parties agree that all of the Company resources included in the PacifiCorp filing were included in the GRID study used to develop normalized power costs under this stipulation. The Parties agree that if ICNU or any other party advocates exclusion of any particular resource or contract from rate base or revenue requirements, then the normalized power costs approved by the Commission should be adjusted to reflect removal of that resource from the GRID model and corresponding

adjustments should be made to normalized Net Power Costs. ICNU reserves the right to take any position regarding the inclusion of any of PacifiCorp's generation resources and contracts in the Company's rate base or non-net power cost revenue requirements.

e. Limitations. The Parties agree that this Stipulation addresses only Net Power Cost issues modeled in PacifiCorp's GRID study. The Parties agree that nothing in this document precludes ICNU from raising any other issue in this proceeding.

7. General Provisions.

a. The Parties agree to support this Stipulation as a settlement between them of all Net Power Cost-related contested issues in this proceeding. The Parties understand that this Stipulation is not binding on the Commission in ruling on the Company's rate filing.

b. 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.

c. The Parties have negotiated this Stipulation as an integrated document. Accordingly, the Parties recommend that the Commission adopt this Stipulation in its entirety.

d. The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and shall cooperate in developing supporting testimony as required by WAC 480-07-740(2)(b). The Parties agree to support the Stipulation throughout this proceeding, provide witnesses to sponsor such Stipulation at a Commission hearing, and

recommend that the Commission's final order in this proceeding adopt the settlements contained herein. 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, each Party reserves the right, upon written notice to the Commission and all parties to this proceeding within five (5) days of the Commission's order, to state its rejection of the conditions, whereupon the provisions of WAC 480-07-750(2)(a) shall apply.

e. 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, other than those specifically identified in the body of this Stipulation. No Party is deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except as previously identified in Paragraph 6 of this Stipulation.

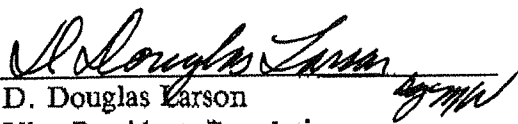
f. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

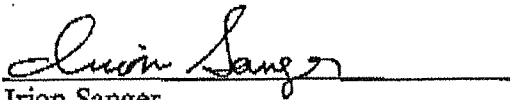
This STIPULATION is entered into by each Party as of the date entered below.

DATED: November 2nd 2005.

PacifiCorp

Industrial Customers of Northwest Utilities

By 
D. Douglas Larson
Vice President, Regulation

By 
Irion Sanger
Davison Van Cleve

CERTIFICATE OF SERVICE

I hereby certify that I served a copy of the foregoing document upon the parties of record in this proceeding by first-class mail and electronic mail, addressed to said parties/attorneys' addresses as shown below:

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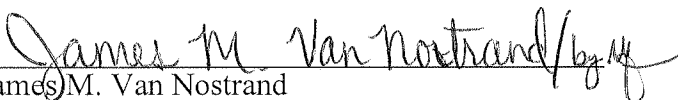
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DATED: November 3, 2005.


James M. Van Nostrand