

Exhibit No. \_\_\_\_ (APB-11)

Docket Nos. UE-050684 and UE-050412

Witness: Alan P. Buckley

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PACIFICORP, d/b/a Pacific Power &  
Light Company, Respondent.**

**In the Matter of the Petition of  
PacifiCorp, d/b/a Pacific Power & Light  
Company for an Order Approving  
Deferral of Costs Related to Declining  
Hydro Generation**

**DOCKET NO. UE-050684**

**DOCKET NO. UE-050412**

**EXHIBIT TO  
TESTIMONY OF**

**ALAN P. BUCKLEY**

**For  
STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**ICNU Letter to PacifiCorp  
(October 7, 2005)**

**November 3, 2005**

# Davison Van Cleve PC

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Suite 400  
333 SW Taylor  
Portland, OR 97204

October 7, 2005

*Via Electronic and US Mail*

Sue Rolfe  
Analyst  
PacifiCorp  
825 N.E. Multnomah Street  
Portland, Oregon 97232

Dear Ms. Rolfe:

The summaries of the Hybrid workgroup meetings, including the summary of the September 14, 2005 meeting, do not clearly describe the Industrial Customers of Northwest Utilities' ("ICNU") statements and position regarding the Hybrid methodology. From early on in this process, ICNU suggested that the Company should update the original Hybrid methodology that was presented in the UM 1050 proceeding in order to develop a fully functional Hybrid methodology. ICNU expected the Hybrid workgroup to "fine tune" the Hybrid methodology so that it could be used as a comparator to the Revised Protocol or as a structural protection mechanism.

Many parties from other states have continued to strongly oppose the concept of a Hybrid methodology and dispute its validity. PacifiCorp has developed a "new" Hybrid methodology that many parties consider less offensive; however, many parties still oppose the Hybrid concept. ICNU's representatives have never agreed to the revisions to the original Hybrid methodology because they have lacked substantial evidence supporting the changes to resource allocation. From our perspective, these changes were proposed and supported as part of a misguided attempt to turn the Hybrid methodology into something similar to the Revised Protocol. For example, the changes in resource allocation in the Hybrid methodology have been result oriented and adopted to produce a result that is as close as possible to the Revised Protocol and the Rolled-in methodologies. The APS contract originated with the Cholla transaction; however, the "new" Hybrid methodology assigns the APS contract to the western control area and Cholla to the eastern control area. The assignment of Jim Bridger was similarly result oriented. In addition, some of the "new" Hybrid scenarios split a 2014 combined cycle plant between the eastern and western control areas. This assumption invalidates the use of Hybrid as a tool for measuring cost shifts because it would "assume the answer," i.e., that the plant in question is needed for the West.

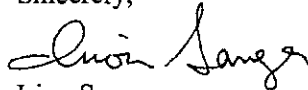
Sue Rolfe  
October 7, 2005  
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Unfortunately, the "new" Hybrid methodology simply changes the "original" Hybrid methodology to produce results that more closely match the Revised Protocol and the Rolled-in methodologies. As a result, it is unlikely that the "new" Hybrid methodology will produce useful results for the Oregon Public Utility Commission ("Commission") for tracking purposes, or for purposes of measuring or remedying cost shifting.

ICNU believes that it would be more useful for the Company to submit both the "original" and "new" versions of the Hybrid methodology to the Commission. The Company has already agreed to prepare an updated version of the "original" Hybrid methodology. This will enable the Commission to see how much the methodology has changed.

Finally, ICNU believes that the process outlined in your October 4, 2005 email regarding the final process to develop a Hybrid methodology to submit to the Commission is acceptable. ICNU believes that the work of the Hybrid workgroup should not be continued, and that ICNU should have an opportunity to provide comments concerning its position on the Hybrid workgroup in the final report or as a stand-alone document.

Sincerely,



Irion Sanger

cc: OPUC Commissioners  
MSP Participants (via email)