



December 30, 2005

***VIA ELECTRONIC FILING***

Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250

Attention: Carole Washburn  
Executive Secretary

Re: Revised pages to Mark T. Widmer's Rebuttal Testimony and Exhibit  
No. \_\_ (MTW-9) in Docket Nos. UE-050684 and UE-050412 (Consolidated)

Enclosed for filing are an original and eighteen (18) copies of revised pages to Mark T. Widmer's Rebuttal testimony and Exhibit No. \_\_ (MTW-9) in this proceeding. In accordance with WAC 480-07-460(1)(b)(iii), each changed page is labeled "REVISED DECEMBER 22, 2005." Marked pages showing the changes in legislative style are also included.

The enclosed pages are as follows:

Rebuttal Testimony Page 4,8 and 11  
Exhibit No. \_\_ (MTW-9) accompanying Rebuttal Testimony

It is respectfully requested that all formal correspondence and Staff requests regarding this matter be addressed to:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com).

By Fax: (503) 813-6060

By regular mail: Data Request Response Center  
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In addition, please send copies of correspondence and communication in regard to this matter to:

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Sincerely,

A handwritten signature in black ink that reads "D. Douglas Larson / p. 1 .". The signature is written in a cursive, flowing style.

D. Douglas Larson  
Vice President, Regulation

Enclosures  
cc w/enc: Service List

## CERTIFICATE OF SERVICE

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

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DATED: December 30, 2005.

  
\_\_\_\_\_  
Peggy Ryan  
Supervisor, Regulatory Administration

Corrected Pages to Mark T. Widmer's Rebuttal Testimony (Exhibit No. \_\_\_(MTW-8T)) (Marked)

1 **Q. Please explain.**

2 A. For the twelve month period ended September 2005, the Company has incurred  
3 approximately ~~\$738745~~ million in actual net power costs compared to the  
4 ~~\$534541~~ million that was authorized in our last Washington case. In other words,  
5 the Company has under-recovered approximately ~~\$211497~~ Total Company, or  
6 almost ~~\$1847~~ million on a Washington-only basis assuming an 8.5 percent  
7 allocation. A substantial amount of this under-recovery is related to the poor  
8 hydro conditions experienced during the hydro deferral period. Given the  
9 significant net power cost under-recovery the Company is experiencing during the  
10 deferral period and the asymmetry of our net power cost exposure of hydro  
11 conditions, it is not reasonable to reduce the amount of hydro MWh variability  
12 recoverable through the application of Mr. Buckley's proposed 15 percent band,  
13 which has never been adopted for any electric utility in Washington. Further, as  
14 discussed by Mr. Duvall, the elimination of the impact of East side hydro  
15 generation and the Staff proposed allocation methodology are not consistent with  
16 the Revised Protocol.

17 **Q. Have you updated the Company's hydro deferral calculation?**

18 A. Yes. Exhibit No. \_\_\_(MTW- 9) is an update of the hydro deferral calculation  
19 based on actual hydro generation through ~~November 20, 2005~~ October 30, 2005  
20 and estimates through December 31, 2005. Based on that information, the hydro  
21 deferral is expected to total approximately ~~\$8.375~~ million through December 31,  
22 2005. The Company is seeking recovery of this updated amount.

1 The impact of removing those sales would reduce Mr. Falkenberg's proposed  
2 adjustment by \$21.3 million total Company.

3 **PCAM**

4 **Q. Please explain Mr. Falkenberg's recommendation on the Company's**  
5 **proposed PCAM.**

6 A. Mr. Falkenberg's primary recommendation is to reject the proposed PCAM for a  
7 variety of reasons, some of which I will rebut in my following testimony. Policy  
8 issues will be rebutted by Ms. Omohundro and allocation issues will be addressed  
9 by Mr. Duvall. In addition, Public Counsel witness Black raises PCAM-related  
10 issues that will be addressed by Mr. Tallman.

11 **Q. Is Mr. Falkenberg correct in his conclusion that the Company has not**  
12 **demonstrated the need for a PCAM?**

13 A. No. His conclusion is simply wrong because he ignores the facts. Exhibit  
14 No. \_\_\_(MTW-4) of my direct filed testimony demonstrates that net power cost  
15 recovery has been substantially asymmetric in the favor of customers from 2000-  
16 2004. It should also be noted that the trend continues through 2005, as actual net  
17 power costs for the twelve month period ending September 2005 are running  
18 approximately ~~\$211+97~~ million higher than the Total Company level included in  
19 Washington rates. Since 1999, the Company's cumulative under-recovery totals  
20 approximately \$1.9 billion on a Total Company basis. Assuming roughly an 8.5  
21 percent Washington allocation factor over this period, our Washington under  
22 recovery has totaled ~~\$162+58~~ million. Based on the Company's requested  
23 revenue requirement, this under-recovery is equivalent to Washington customers

1 **evidence offered by the Company to support its request for a PCAM?**

2 A. No. The arguments provide little support for his position and do not provide a  
3 sound basis for rejecting the Company's PCAM proposal. I will address these  
4 criticisms in order.

5 **Q. Should the Commission ignore the data shown in Exhibit No. \_\_\_(MTW-4),  
6 as Mr. Buckley suggests?**

7 A. No. Mr. Buckley's criticism of using data during the Western energy crisis is ill-  
8 founded, because market manipulation was but a single contributing factor to the  
9 impacts suffered by the Company during the Western energy crisis. Among other  
10 things, the region experienced the second worst water year on record, and the  
11 Company also experienced a catastrophic outage at its low-cost Hunter 1 coal  
12 generation facility. Even without the energy crisis, the Company would still have  
13 experienced a significant under-recovery of net power costs. So the data from the  
14 energy crisis cannot simply be discarded. Further, the trend of under-recovery  
15 continues. For the twelve month period ended September 2005, excess net power  
16 costs are approximately \$211197 million. As demonstrated above, there is a  
17 significant recovery exposure problem that is not being addressed through current  
18 regulation.

19 **Q. Is Mr. Buckley's argument that the Company's participation in the  
20 wholesale market exposes the Company to higher net power costs a valid  
21 argument?**

22 A. No. The suggestion that the Company's involvement in the wholesale market  
23 exposes the Company to higher net power costs is without merit. No party has

Corrected Pages to Mark T. Widmer's Rebuttal Testimony (Exhibit No. \_\_\_\_ (MTW-8T)) (Un-Marked)



1 **Q. Please explain.**

2 A. For the twelve month period ended September 2005, the Company has incurred  
3 approximately \$745 million in actual net power costs compared to the \$534  
4 million that was authorized in our last Washington case. In other words, the  
5 Company has under-recovered approximately \$211 Total Company, or almost \$18  
6 million on a Washington-only basis assuming an 8.5 percent allocation. A  
7 substantial amount of this under-recovery is related to the poor hydro conditions  
8 experienced during the hydro deferral period. Given the significant net power cost  
9 under-recovery the Company is experiencing during the deferral period and the  
10 asymmetry of our net power cost exposure of hydro conditions, it is not  
11 reasonable to reduce the amount of hydro MWh variability recoverable through  
12 the application of Mr. Buckley's proposed 15 percent band, which has never been  
13 adopted for any electric utility in Washington. Further, as discussed by Mr.  
14 Duvall, the elimination of the impact of East side hydro generation and the Staff  
15 proposed allocation methodology are not consistent with the Revised Protocol.

16 **Q. Have you updated the Company's hydro deferral calculation?**

17 A. Yes. Exhibit No. \_\_\_(MTW- 9) is an update of the hydro deferral calculation  
18 based on actual hydro generation through October 30, 2005 and estimates through  
19 December 31, 2005. Based on that information, the hydro deferral is expected to  
20 total approximately \$8.3 million through December 31, 2005. The Company is  
21 seeking recovery of this updated amount.

1 The impact of removing those sales would reduce Mr. Falkenberg's proposed  
2 adjustment by \$21.3 million total Company.

3 **PCAM**

4 **Q. Please explain Mr. Falkenberg's recommendation on the Company's**  
5 **proposed PCAM.**

6 A. Mr. Falkenberg's primary recommendation is to reject the proposed PCAM for a  
7 variety of reasons, some of which I will rebut in my following testimony. Policy  
8 issues will be rebutted by Ms. Omohundro and allocation issues will be addressed  
9 by Mr. Duvall. In addition, Public Counsel witness Black raises PCAM-related  
10 issues that will be addressed by Mr. Tallman.

11 **Q. Is Mr. Falkenberg correct in his conclusion that the Company has not**  
12 **demonstrated the need for a PCAM?**

13 A. No. His conclusion is simply wrong because he ignores the facts. Exhibit  
14 No.\_\_(MTW-4) of my direct filed testimony demonstrates that net power cost  
15 recovery has been substantially asymmetric in the favor of customers from 2000-  
16 2004. It should also be noted that the trend continues through 2005, as actual net  
17 power costs for the twelve month period ending September 2005 are running  
18 approximately \$211 million higher than the Total Company level included in  
19 Washington rates. Since 1999, the Company's cumulative under-recovery totals  
20 approximately \$1.9 billion on a Total Company basis. Assuming roughly an 8.5  
21 percent Washington allocation factor over this period, our Washington under  
22 recovery has totaled \$162 million. Based on the Company's requested revenue  
23 requirement, this under-recovery is equivalent to Washington customers receiving

1 sound basis for rejecting the Company's PCAM proposal. I will address these  
2 criticisms in order.

3 **Q. Should the Commission ignore the data shown in Exhibit No. \_\_\_(MTW-4),**  
4 **as Mr. Buckley suggests?**

5 A. No. Mr. Buckley's criticism of using data during the Western energy crisis is ill-  
6 founded, because market manipulation was but a single contributing factor to the  
7 impacts suffered by the Company during the Western energy crisis. Among other  
8 things, the region experienced the second worst water year on record, and the  
9 Company also experienced a catastrophic outage at its low-cost Hunter 1 coal  
10 generation facility. Even without the energy crisis, the Company would still have  
11 experienced a significant under-recovery of net power costs. So the data from the  
12 energy crisis cannot simply be discarded. Further, the trend of under-recovery  
13 continues. For the twelve month period ended September 2005, excess net power  
14 costs are approximately \$211 million. As demonstrated above, there is a  
15 significant recovery exposure problem that is not being addressed through current  
16 regulation.

17 **Q. Is Mr. Buckley's argument that the Company's participation in the**  
18 **wholesale market exposes the Company to higher net power costs a valid**  
19 **argument?**

20 A. No. The suggestion that the Company's involvement in the wholesale market  
21 exposes the Company to higher net power costs is without merit. No party has  
22 suggested, for example, that the Company's participation in the wholesale market  
23 has been imprudent. In fact, participation in the wholesale market is necessary to

Corrected (Exhibit No. \_\_\_(MTW-9)) (Marked)

**REVISED DECEMBER 30, 2005**

**Exhibit B - Updated for November 20, 2005 Forecast  
Deferral of Costs Related to Declining Hydro Generation  
Washington's Allocated Share**

Attachment WUTC 217 a (updated)

Total Company	2005 Actual					2005 Forecast (Nov 20 2005-December 2005)					Total	
	March (1)	April	May	June	July	August	September	October	November	December		
<b>Actual Hydro Generation (MWh)</b>												
Company owned - West	96,656	310,555	362,202	243,400-	161,686-	163,574-	191,995-	199,362-	391,526-	427,696-	2,349,589-	
Company owned - East	13,564	48,550	63,863	213,401	162,552	163,364	132,864	181,238	305,270	330,003	2,258,105	
Mid Columbia	78,868	124,690-	152,117-	156,120-	171,246-	164,991-	118,019	142,542	142,542	142,542	1,392,766-	
<b>Total</b>	189,088	483,795-	586,634	430,191	365,745-	356,935	268,719	342,697-	474,264	507,192	4,016,511	
<b>Normalized Hydro Generation In Rates (MWh)</b>												
Company owned - West	218,861	374,789	341,488	285,570	230,629	190,105	214,103	300,990	427,432	488,234	3,072,200	
Company owned - East	21,398	49,050	57,668	51,976	47,960	36,776	118,715	118,715	34,336	35,024	419,303	
Mid Columbia	91,959	166,077	169,754	187,208	186,065	165,745	114,348	453,141	616,484	176,284	1,530,871	
<b>Total</b>	332,218	589,916	568,910	524,754	468,372	403,809	365,227	865,876	1,147,254	699,543	5,022,373	
<b>Hydro Generation Difference Normalized In Rates less Actual (MWh)</b>												
Company owned - West	122,205	64,234	(20,714)	72,170-	68,943-	26,591-	62,198-	120,628-	125,998-	66,600-	722,610-	
Company owned - East	7,834	500	(6,195)	(241)	68,077	19,944-	19,218-	19,743-	15,432-	7,497-	814,094	
Mid Columbia	13,091	17,627	17,185	22,635	14,819	1,654	(9,671)	(23,827)	12,219	12,219	98,527	
<b>Total</b>	143,130	82,661	(6,272)	94,563	103,922	47,774	96,508	116,544-	291,065-	192,351	1,005,861	
<b>Price</b>												
Market Rates (Per MWh)	\$48.26	\$50.59	\$33.17	\$31.53	\$51.40	\$65.29	\$76.31	\$85.15	\$60.85	\$65.23	\$65.23	
Jim Bridger Fuel Cost (Per MWh)	\$8.40	\$13.77	\$9.79	\$8.45	\$9.62	\$8.37	\$5.91	\$5.91	\$5.91	\$5.91	\$5.91	
Hermiston Fuel Cost (Per MWh)	\$26.78	\$26.28	\$32.05	\$26.18	\$26.14	\$26.18	\$26.52	\$26.00	\$26.00	\$26.00	\$26.00	
<b>Weighting</b>												
Market Rates	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	
Jim Bridger Fuel Cost	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
Hermiston Fuel Cost	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
<b>Additional Cost / (Benefit) (\$)</b>												
Company owned - West	5,147,831	2,856,940	(636,349)	2,070,302	3,094,456-	1,477,321-	5,278,924-	8,698,372-	6,597,516-	3,358,868-	37,781,196-	
Company owned - East	330,001	22,253	(190,303)	(6,923)	939,943-	1,194,964-	1,235,544-	996,747-	891,478	-445,565-	43,570,871	
Mid Columbia	551,464	1,844,209-	544,817-	891,833-	662,328-	22,102-	(236,049)	(1,799,348)	632,976-	1,879,250-	5,627,088-	
<b>Total</b>	6,029,296	4,723,404-	(291,835)	2,955,241-	4,677,727-	2,674,386-	6,278,443-	7,895,771-	7,976,869-	5,644,653-	46,554,944-	
<b>Washington Allocated Share (\$)</b>												
MSP Factor DGP												
Company owned - West	866,704	481,003	(107,138)	348,567	518,803-	248,726-	898,775-	1,449,331-	1,199,676-	565,507-	6,366,965-	
Company owned - East	28,505	1,922	(16,438)	(598)	86,673-	95,446-	195,181	85,292	69,246-	35,899-	486,099-	
Mid Columbia	73,988	247,928-	72,692-	119,654-	88,862-	12,357-	(31,666)	(298,429)	64,903-	250,924-	690,513-	
<b>Total</b>	969,197	730,853-	(50,884)	467,521-	696,338-	356,509-	1,385,044-	1,395,944-	1,254,699-	892,324-	7,597,527-	
Washington % of Total Deferral	16%	15%	18%	16%	15%	13%	15%	17%	16%	15%	16%	

Corrected (Exhibit No.\_\_\_\_(MTW-9)) (Un-Marked)

**REVISED DECEMBER 30, 2005**  
 Exhibit B - Updated for December 07, 2005 Forecast  
 Deferral of Costs Related to Declining Hydro Generation  
 Washington's Allocated Share

Attachment WUTC-217 a (updated)

	March (t)	2005 Actual NPC					2005 Forecast				Total			
		April	May	June	July	August	September	October	November	December				
<b>Total Company</b>														
<b>Actual Hydro Generation (MWh)</b>														
Company owned - West	96,656	310,555	362,202	213,401	162,552	163,364	132,864	181,238	305,270	330,003			2,258,105	
Company owned - East	13,564	48,550	63,863	52,217	30,652	28,580	17,836	19,589	18,946	22,805			316,602	
Mid Columbia	83,201	133,131	160,969	164,573	171,246	164,091	118,019	142,542	150,048	154,384			1,441,804	
<b>Total</b>	193,422	492,236	586,934	430,191	384,450	356,035	288,719	343,369	474,264	507,192			4,016,511	
<b>Normalized Hydro Generation in Rates (MWh)</b>														
Company owned - West	218,861	374,789	341,488	285,570	230,629	190,105	214,103	300,990	427,432	488,234			3,072,200	
Company owned - East	21,398	49,050	57,668	51,976	47,960	47,960	36,778	33,436	34,336	35,024			419,303	
Mid Columbia	91,959	166,077	169,754	187,208	185,065	165,745	114,348	118,715	154,715	176,284			1,530,871	
<b>Total</b>	332,218	589,916	568,910	524,754	468,372	403,809	365,227	453,141	616,484	699,543			5,022,373	
<b>Hydro Generation Difference</b>														
<b>Normalized in Rates less Actual (MWh)</b>														
Company owned - West	122,205	64,234	(20,714)	72,169	68,077	26,741	81,239	119,752	122,162	158,231			814,094	
Company owned - East	7,834	500	(6,195)	(241)	21,026	19,380	18,940	13,847	15,390	12,219			102,700	
Mid Columbia	8,758	32,946	9,185	14,819	1,654	(3,671)	(3,671)	(23,827)	4,667	21,901			89,067	
<b>Total</b>	138,797	97,680	(17,724)	94,563	103,922	47,774	96,508	109,772	142,220	192,351			1,005,861	
<b>Price</b>														
Market Rates (Per MWh)	\$48.26	\$50.59	\$33.17	\$31.53	\$51.40	\$65.29	\$76.31	\$85.15	\$68.42	\$65.23			\$65.23	
Jim Bridger Fuel Cost (Per MWh)	\$8.40	\$13.77	\$9.79	\$8.45	\$9.62	\$8.37	\$5.91	\$5.89	\$5.89	\$5.89			\$5.89	
Hermiston Fuel Cost (Per MWh)	\$26.78	\$26.28	\$32.05	\$26.18	\$26.14	\$26.18	\$26.52	\$26.00	\$26.00	\$26.00			\$26.00	
<b>Weighting</b>														
Market Rates	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%			80.0%	
Jim Bridger Fuel Cost	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%			10.0%	
Hermiston Fuel Cost	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%			10.0%	
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%			100.0%	
<b>Additional Cost / (Benefit) (\$)</b>														
Company owned - West	5,147,831	2,856,940	(636,349)	2,070,302	3,042,750	1,489,014	5,223,051	8,539,373	7,076,240	8,761,720			43,570,871	
Company owned - East	330,001	22,253	(190,303)	(6,923)	939,798	1,079,126	1,217,668	987,418	891,478	676,621			5,947,138	
Mid Columbia	368,915	1,465,334	282,171	649,342	662,328	92,102	(236,021)	(1,699,060)	270,352	1,212,701			3,068,164	
<b>Total</b>	5,846,747	4,344,526	(544,481)	2,712,721	4,644,876	2,660,243	6,204,698	7,827,732	8,238,069	10,651,042			52,586,173	
<b>Washington Allocated Share (\$)</b>														
MSP Factor														
DGP														
SG														
MC														
<b>Washington % of Total Deferral</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>	<b>15%</b>	<b>13%</b>	<b>15%</b>	<b>17%</b>	<b>16%</b>	<b>16%</b>			<b>16%</b>	

Footnote:  
 (1) Partial month calculation via March 17th filing