

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	
Complainant,)	Docket No. UE-050684
)	
v.)	Docket No. UE-050412
)	
PACIFICORP d/b/a PACIFIC POWER &)	<i>(consolidated)</i>
LIGHT COMPANY)	
)	
Respondent.)	

SUPPLEMENTAL TESTIMONY OF
JAMES T. SELECKY
ON BEHALF OF
THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

January 27, 2006

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** James T. Selecky, 1215 Fern Ridge Parkway, Suite 208, St. Louis, MO 63141-2000.

3 **Q. WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

4 **A.** I am a consultant in the field of public utility regulation and a principal in the firm of
5 Brubaker & Associates, Inc., energy, economic, and regulatory consultants.

6 **Q. ARE YOU THE SAME JAMES SELECKY WHO FILED DIRECT TESTIMONY**
7 **IN THIS CASE?**

8 **A.** Yes.

9 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

10 **A.** The purpose of my supplemental testimony is to discuss the various pro forma
11 adjustments to the requested revenue requirement in this case that may occur if the
12 Washington Utilities and Transportation Commission (“Commission”) approves the
13 Application of MidAmerican Energy Holdings Company (“MEHC”) to acquire
14 PacifiCorp. In addition, I will discuss the treatment of my proposed tax adjustment and
15 the consequences of that adjustment if the MEHC acquisition occurs.

16 **Q. HAS THE COMPANY ADDRESSED THE PRO FORMA ADJUSTMENTS TO**
17 **ITS TEST YEAR REVENUE REQUIREMENT THAT MAY OCCUR IF THE**
18 **COMMISSION APPROVES THE APPLICATION OF MEHC TO ACQUIRE**
19 **PACIFICORP?**

20 **A.** Yes. These adjustments are addressed in the supplemental testimony of Paul Wrigley. If
21 MEHC acquires PacifiCorp, it has agreed in Oregon to commit to \$142.5 million (total
22 Company amount) of offsettable rate credits for a ten-year period commencing in 2006.
23 Mr. Wrigley has addressed the impact of these adjustments assuming that the transaction
24 closes before the effective date of the final order in this case. Exhibit No.____(PMW-10T)
25 at 1.

1 **Q. DO YOU HAVE ANY COMMENTS TO MAKE ABOUT THE ADJUSTMENTS**
2 **PROPOSED IN MR. WRIGLEY'S TESTIMONY?**

3 **A.** Yes. Before the Commission approves the impact on the Washington PacifiCorp revenue
4 requirement associated with the MEHC acquisition, it must satisfy itself that PacifiCorp's
5 claims regarding these adjustments are accurate. Based on my review of Mr. Wrigley's
6 testimony and the Company's filings, there are certain questions that need to be answered
7 before Mr. Wrigley's adjustments can be accepted.

8 **Q. PLEASE SUMMARIZE YOUR CONCERNS REGARDING THE PROPOSED**
9 **ADJUSTMENTS RELATED TO THE MEHC ACQUISITION OF PACIFICORP.**

10 **A.** First, Mr. Wrigley contends that \$1.155 million of the \$1.5 million of PacifiCorp's costs
11 that are assigned to its affiliates are already included in the rate filing. The Oregon
12 stipulation requires a cost of \$1.5 million to be assigned to affiliates. Based on the
13 information contained in Mr. Wrigley's testimony, the Company needs to further
14 demonstrate that the \$1.155 million of costs assigned to its affiliates are reflected in the
15 test year revenue requirement. It is not evident from the material supplied that
16 PacifiCorp's total Company revenue requirement reflects \$1.155 million of costs
17 assigned to affiliates. If PacifiCorp cannot demonstrate that \$1.155 million of costs are
18 assigned to affiliates, then PacifiCorp's Washington revenue requirement should be
19 reduced by \$125,000.

20 Second, MEHC commits to use an existing or form a new captive insurance
21 company to provide insurance coverage for PacifiCorp's operation. MEHC further
22 commits that the insurance costs incurred by PacifiCorp from the captive insurance
23 company for equivalent coverage for calendar years 2006 through 2010, inclusive, would
24 be no more than \$7.4 million on a total Company basis. In the testimony of Mr. Wrigley,

1 he contends that the insurance cost from the present captive insurance company to
2 PacifiCorp is \$7.37 million. Exhibit No. ___ (PMW-10T) at 2. However, a review of
3 Page 4.17.1 of Exhibit___(PMW-3) indicates property insurance premiums for fiscal year
4 2006 budget of \$16.75 million. The difference between the \$7.37 million and \$16.75
5 million needs to be reconciled. Unless PacifiCorp can reconcile this difference, the
6 Company's Washington revenue requirement should be reduced by \$357,000.

7 Third, there is a commitment that would hold customers harmless for reductions
8 in PacifiCorp's corporate cost for amounts previously billed to affiliates. Mr. Wrigley
9 indicates in his testimony that in the historic test year in these proceedings, \$8.5 million
10 was billed to affiliates. Since this amount is above the \$7.9 million specified in the
11 Oregon Stipulation, no adjustment was made. The Commission should require
12 PacifiCorp to clearly identify this amount in its filings, and if PacifiCorp is unable to do
13 so, then its Washington revenue requirement should be reduced by \$658,000.

14 Finally, I have no issues with the A&G stretch commitment as described by Mr.
15 Wrigley.

16 **Q. DO YOU HAVE ANY COMMENTS TO MAKE REGARDING THE**
17 **TREATMENT OF INCOME TAXES AS IT RELATES TO MEHC'S**
18 **ACQUISITION OF PACIFICORP?**

19 **A.** As indicated in Exhibit No.__(JTS-20) (PacifiCorp Response to ICNU Data Request
20 No. 16.1), MEHC files a consolidated tax return. However, because the acquisition has
21 not been finalized, it is impossible at this point in time to indicate what corporate
22 structure will exist after the acquisition occurs. Therefore, the tax adjustment that I have
23 proposed in my Direct Testimony should not be modified.

1 Once the acquisition occurs and more information is available regarding the
2 structure between PacifiCorp and MEHC, an adjustment to the taxes reflected in the
3 revenue requirement may be necessary.

4 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

5 **A. Yes.**