Exhibit No.___(RJF-19T)
Docket Nos. UE-050684/UE-050412
Witness: Randall J. Falkenberg

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 & LIGHT COMPANY	)	*(consolidated)*
Respondent.	)	

SUPPLEMENTAL TESTIMONY OF

RANDALL J. FALKENBERG

ON BEHALF OF

THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

January 27, 2006

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Randall J. Falkenberg, PMB 362, 8351 Roswell Road, Sandy Springs, GA 30350. I am the same Randall J. Falkenberg that filed direct testimony in this proceeding.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. This testimony will address the impact on this proceeding of the planned MidAmerican Energy Holdings Company ("MEHC") acquisition of PacifiCorp with respect to power cost and jurisdictional allocation issues. For purposes of this testimony, I assume the MEHC transaction will close in a timely manner and that the Commission desires to adjust the test year to reflect the transactions.

Q. UPON WHAT DO YOU BASE YOUR ANALYSIS?

A. I have read the MEHC transaction applications and supporting testimony filed in Oregon and Washington. I also have reviewed the Washington and Oregon stipulations concerning the transaction, and the supplemental testimony of Mr. Paul Wrigley filed in this case. I understand that the rate credits and other commitments in the Stipulation will apply to Washington as well.

Q. WHAT SPECIFIC ISSUES DO YOU ADDRESS?

A. I address the implications of the West Valley cost reduction, the Blundell geothermal plant equity contribution and certain transmission improvements.

Q. DO YOU AGREE WITH MR. WRIGLEY'S COMPUTATION OF THE IMPACT OF ADJUSTMENT 4.21 (WEST VALLEY NON-FUEL COSTS)?

A. Yes. Under the Revised Protocol allocation method, the reduction in the cost of West Valley produces a $413,000 reduction to the Washington revenue requirement. If the Commission adopts Staff's recommendation, then West Valley is already removed from the Test Year, and there is no additional impact stemming from the proposed cost reduction. If ICNU's preferred interstate cost allocation methodology (the Pre-Merger ECD methodology) is selected, re-running the calculation with a reduction to the cost of West Valley likewise results in no net reduction to the test year revenue requirements. Consequently, under Staff's proposal and ICNU's pre-merger ECD proposal, the Company would be allowed to retain Washington's portion of the West Valley savings proposed in the MEHC Stipulation.

Q. DISCUSS THE BLUNDELL GEOTHERMAL PLANT EQUITY CONTRIBUTION.

A. Commitment No. 51 requires MEHC to contribute the stock and resources associated with its 70% ownership share of the Intermountain Geothermal Company ("IGC") to PacifiCorp, subject to conditions related to the Securities and Exchange Commission's Public Utility Holding Company Act Audit of ScottishPower dated May 11, 2004. Essentially these conditions require dismissal of all existing state proceedings concerning the audit and that no new proceedings be initiated. Assuming this condition is satisfied, within six months after closing MEHC will provide a clear and complete list of ownership rights and potential liabilities associated with its ownership in IGC. MEHC will provide a guarantee that there will be no harm to PacifiCorp customers from this transfer. MEHC will also assist PacifiCorp in evaluation of the benefits of obtaining full ownership of IGC from its other owners.

Q. EXPLAIN THE RELATIONSHIP BETWEEN IGC AND THE BLUNDELL GEOTHERMAL PLANT.

A. IGC is the developer of the site where Blundell is located and provides geothermal steam to fuel the plant.

Q. ARE THERE ANY RATEMAKING IMPLICATIONS OF THIS EQUITY CONTRIBUTION?

A. Yes. PacifiCorp's responses to ICNU data request ("DR") Nos. 17.1, 17.2 and 17.3 (attached as Exhibit No.__ (RJF-20)) explain the ratemaking impact of the equity contribution. Based on PacifiCorp's Response to ICNU DR No. 17.2, the estimated revenue requirement impact is valued at $63,000, Total Company. This would equate to approximately $5,400 for Washington under the Revised Protocol allocation method. Thus, the Commission should reduce PacifiCorp's Washington revenue requirement by approximately $5,400 if it chooses to reflect the MEHC transaction in this case.

Q. ARE ANY TRANSMISSION IMPROVEMENTS OF CONSEQUENCE TO THIS PROCEEDING?

A. Commitment No. 34 identifies three major improvements:

<u>Path C Upgrade</u>, $78 million for a 300 MW increase in transfer capability from SE Idaho to Northern Utah.

<u>Mona-Oquirrh</u>, $196 million to improve import capability from Mona to the Wasatch Front.

<u>Walla Walla – Yakima or Mid-C</u>, $88 million for a link between these bubbles.

Q. WILL THESE IMPROVEMENTS BE COMPLETED IN THE RATE EFFECTTIVE PERIOD?

A. No. These projects will not be completed for a number of years.

Q. WHAT ARE THE IMPLICATIONS OF THESE TRANSMISSION IMPROVEMENTS AS REGARDS THE JURISDICTIONAL ALLOCATION ISSUE?

A. If the Revised Protocol methodology is accepted the costs from these improvements will be allocated on a "rolled-in" basis across the system. This is true, irrespective of the level of benefits such improvements may provide to Washington or any other state. This means that in the future, it would not be possible for the Commission to make an adjustment to allocate the costs of some of these improvements to states other than Washington and stay within the strict confinements of the Revised Protocol methodology. While it is theoretically possible that inequities in growth and attendant infrastructure needs such as these will be an issue taken up by the Standing Committee, it is improbable such efforts will produce any resolution. Indeed, the various Multi-State Process Working Groups and the Standing Committee have grappled with the problems of cost-shifting and unequal growth for some time without achieving a solution. To this point, such efforts have focused primarily on generation assets, not transmission issues.

The record in this case is not very well developed as regards the issue of transmission system allocations within the context of the Revised Protocol or the competing methodologies. To my knowledge, Staff and ICNU both propose methods (for this case at least) which start from the Revised Protocol framework. However, the substantial dollar amounts shown above underscore the need for careful consideration of the ramifications of the jurisdictional allocation method in general, and the Revised Protocol method in particular. The Commission should reserve its right to address transmission issues in future proceedings in the context of any growth adjustments or remedy it considers. Thus, the Commission should be reluctant to endorse the Revised Protocol treatment of all transmission costs on a rolled-in basis. I recommend the Commission retain its options for addressing these issues in future proceedings, even if it does decide in favor of Revised Protocol (or one of the methods proposed by Staff or ICNU) for purposes of this case. This issue demonstrates the potential problems for the Commission of selecting an interjurisdictional allocation methodology using the rolled-in methodology.

Q. COULD THE PRE-MERGER ECD METHOD ADDRESS PROBLEMS OF THIS NATURE?

A. My current Pre-Merger ECD proposal applies only to generation assets. However, the approach could be expanded in future cases to reflect both generation and transmission assets. This would ensure that Washington ratepayers would not pay costs associated with load growth on the eastern system.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes.