825 N.E. Multnomah St.
Portland, OR 97232

PACIFICORP
PACIFIC POWER UTAH POWER

January 27, 2006

*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: Stipulation on Temperature Normalization Adjustment in Docket Nos. UE-050684 and UE-050412 (Consolidated)

Pursuant to WAC 480-07-510(1), PacifiCorp hereby submits for electronic filing, the Stipulation on Temperature Normalization Adjustment in Docket Nos. UE-050684 and UE-050412 (Consolidated). A signed original letter, service list and twelve (12) paper copies of this filing will be provided via overnight mail.

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

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

By Fax: (503) 813-6060

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 800
Portland, OR 97232

In addition, please send copies of correspondence and communication in regard to this matter to:

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PacifiCorp
825 NE Multnomah, Suite 300
Portland, OR 97229
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Facsimile: (503) 813-6060
Email: shayleah.labray@pacificorp.com

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Portland, OR 97204
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Fax No. (503) 220-2480

Jason B. Keyes
Stoel Rives LLP
Suite 3600, One Union Square
600 University Street
Seattle, WA 98101
Telephone: (206) 386-7681
FAX: (206) 386-7500

Sincerely,

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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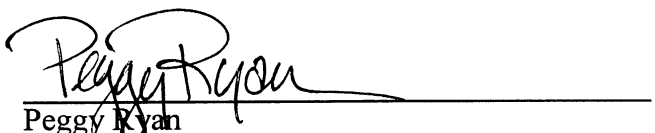
DATED: January 27, 2006



Peggy Ryan
Supervisor, Regulatory Administration

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

| | |
|---|---|
| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,<br><br>Complainant,<br><br>v.<br><br>PACIFICORP d/b/a PACIFIC POWER AND LIGHT COMPANY,<br><br>Respondent. | **DOCKET NO. UE-050684**<br><br>**STIPULATION ON TEMPERATURE NORMALIZATION ADJUSTMENT** |

## PARTIES

1. This Stipulation is entered into by PacifiCorp d/b/a Pacific Power and Light Company ("PacifiCorp" or "the Company") and Staff of the Washington Utilities and Transportation Commission ("Staff") 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.

4. The Company's direct case in this proceeding included a temperature normalization adjustment that reduced actual test year loads by 51,081 MWh. In its testimony filed November 3, 2005, Staff proposed an adjustment for temperature normalization that, among other things, would increase test year loads by 43,629 MWh. The Company' responded in its rebuttal testimony filed December 7, 2005, and included calculations of the impact of Staff's proposed temperature normalization adjustment on net power costs and allocation factors. These calculations, and many other aspects of the weather normalization issue, are disputed as between Staff and the Company.

5. The Company and Staff (collectively, the "Parties") have reached agreement on the treatment of temperature normalization 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, and to provide some measure of certainty regarding how the Company will address weather normalization issues in future rate proceedings. The Stipulation is being filed with the Commission as a "Multiparty Settlement" pursuant to WAC 480-07-730(3).

**AGREEMENT**

6. Calculation of Adjustment for Temperature Normalization. The Parties agree that for purposes of this proceeding, the revenue requirement impact of weather normalization shall be an increase of one million dollars ($1,000,000) in the Company's revenue requirement deficiency. This adjustment will be reflected, in effect, by modifying Exhibit No. 633 (TES-3), page 6, in the column 3.1 labeled "Weather Normalization," in the following manner:

(a) Replace the line 1 figure for "General Business Revenues" of "$2,215,000" with "($1,000,000);" and

(b) Delete the line 11 figure for "Other Power Supply" of $698,000.

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

The Parties agree that irrespective of any implied change in MWhs of Washington load arising from a temperature normalization adjustment, no other related adjustments (*e.g.*, to power costs or allocation factors) will be made.

7. Refinement of PacifiCorp's Temperature Normalization Methodology. To address the temperature normalization issues identified by Staff in this proceeding, the Company commits to the following:

a. As an interim solution, the Company will undertake a number of measures to refine its temperature normalization methodology. The Company anticipates filing its next general rate case in Washington in mid-2006 ("2006 General Rate Case"), and will incorporate these refinements in such filing. The refinements include the following:

(i) The Company's calculation to normalize weather will be based upon Washington-specific data, gathered over a period of no less than five (5) years, and segregated by rate schedule. Load research data collected in Washington may be used to analyze or substantiate base temperatures derived from other Washington-specific data.

(ii) The Company will perform an analysis for each rate schedule to determine which are weather-sensitive. For those schedules that are weather-sensitive, the Company will perform a Multivariate Adaptive Regression Splines (MARS) study to determine the weather base temperatures, and will use SAS regression tools to determine coefficients for each schedule with base temperatures from MARS studies, and update such weather coefficients.

(iii) The methodology for the Washington calculation of temperature normalized total hourly loads shall be consistent with the calculation of temperature normalized total hourly loads for other jurisdictions for the purposes of power cost adjustment and the calculation of all applicable allocation factors. (The Parties acknowledge that the methodology is consistent for these purposes, notwithstanding the differences that may exist in the data available in the various states.) The temperature adjustment of monthly sales by applicable rate schedule for the purpose of revenue adjustments will use a methodology similar to the temperature adjustment of the total hourly loads.

(iv) The Company's temperature normalization methodology will use National Oceanographic and Atmospheric Administration ("NOAA") data for the period 1971-2000.

(v) The Company will provide to Staff (and other parties, upon request) supporting data and documentation, including the results of necessary statistical tests to validate the Company's temperature normalization methodology.

(vi) The Company will use its reasonable best efforts to store electronically all data, documentation and statistical test results in support of its temperature normalization methodology, and make those available to Staff (and other parties upon request) in the 2006 Rate Case and later rate cases during the interim period.

Such interim measures shall remain in place for such duration as necessary for the collection by the Company of sufficient hourly data to enable temperature normalization analyses to be calculated on the basis of such data. Unless Staff and the Company agree otherwise, such hourly data shall be collected over a minimum of three (3) years before they are used for purposes of temperature normalization adjustments.

b. With respect to a longer term solution, the Company will promptly commence collaborative discussions with Staff (and other parties listed in Paragraph 3 interested in participating). The purpose of these discussions, which may commence before the Commission's final order in this proceeding, is to agree upon the measures to be taken by the Company to gather hourly data in Washington for purposes of temperature normalization adjustments in future rate proceedings. These discussions will include recommendations regarding the number of data collection points to be installed in Washington, and shall consider as well the reasonableness of associated expenditures and the recoverability of such expenditures in rates. Not later than ninety (90) days after the Commission's final order in this proceeding, the Company shall provide Staff with a draft report which sets forth the Company's proposed plan for gathering the necessary data and developing a mutually acceptable cost-effective temperature normalization methodology in Washington, taking into account Staff's recommendations as offered during the collaborative process.

c. The Company commits to begin collection of Washington-specific load research during 2006, including the collection of hourly load data from customers served under each weather sensitive rate schedule of the Company. The data may be collected on the basis of

a representative sample of Washington customers served under each such rate schedule. Staff will not oppose the rate recovery of the reasonable costs associated with development and implementation of a mutually acceptable weather normalization program. The Company will provide to Staff (and other parties upon request) reasonable access to the data collected.

8. Waiver of Cross-Examination, Supporting Evidence. The Parties agree to mutually waive cross-examination of each Party's temperature normalization witnesses (*i.e.*, Staff will not cross-examine Mr. Klein or the temperature normalization portion of Mr. Wrigley's testimony, and the Company will not cross-examine Dr. Mariam). The Parties further stipulate that the respective testimonies and accompanying exhibits (including cross-examination exhibits) of Dr. Mariam and Mr. Klein in this docket should be admitted into the record in support of this Stipulation.

9. General Provisions.

a. The Parties agree to support this Stipulation as a settlement between them of all issues related to temperature normalization in this proceeding. The Parties understand that this Stipulation is subject to Commission approval and is not effective absent such approval.

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. The Parties submit that "documentation sufficient to demonstrate to the Commission that the proposal is consistent with law and the public interest," as required by WAC 480-07-740(2)(a), is included in the body of this Stipulation and in the Parties' testimony and exhibits offered in this proceeding. The Parties agree to support the Stipulation throughout this proceeding, provide witnesses to sponsor such Stipulation at a Commission hearing (if necessary), and recommend that the Commission issue an order adopting the settlements contained herein. In the event the Commission rejects this Stipulation or accepts the Stipulation upon conditions not proposed herein, each Party reserves the right to seek reconsideration of the decision. The Parties agree that their right to seek reconsideration is their sole remedy in the event the Commission rejects this Stipulation or accepts the Stipulation upon conditions not

proposed herein. The Parties agree that with respect to this Stipulation, the provisions of WAC 480-07-750(2)(a) shall not 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. With that exception, this Stipulation shall not be cited as precedent in any proceeding other than a proceeding to enforce this Stipulation. In particular, neither the Parties, nor any person or entity subject to any order approving this Stipulation, shall use the information in Paragraph 6 of this Stipulation as evidence in any other proceeding.

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: January __, 2006.

**PacifiCorp**

By D. Douglas Larson p.A.
D. Douglas Larson
Vice President, Regulation

**Washington Utilities and Transportation Commission Staff**

By _____
Donald T. Trotter
Senior Counsel

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**PacifiCorp**

By _____
D. Douglas Larson
Vice President, Regulation

**Washington Utilities and Transportation Commission Staff**

By _____ 1/27/06
Donald T. Trotter
Senior Counsel