

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	
Complainant,)	DOCKET NO. UE-152253
)	
v.)	
)	
PACIFIC POWER & LIGHT)	
COMPANY,)	
)	
Respondent.)	

**POST-HEARING BRIEF
OF
BOISE WHITE PAPER, L.L.C.**

June 22, 2016

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I. INTRODUCTION

1 Pursuant to WAC § 480-07-390 and Order 09, Boise White Paper, L.L.C.
("Boise") submits this post-hearing brief requesting that the Washington Utilities and
Transportation Commission ("WUTC" or the "Commission") significantly reduce Pacific Power
& Light Company's ("Pacific Power," "PacifiCorp" or the "Company") proposed rate increases.
Boise respectfully recommends:

- A first rate period increase of no more than \$2,640,561, or 0.79%; and
- No second period rate increase; or
 - If a second rate period increase is authorized, that the increase amount should not exceed \$3,884,119 or 1.15%.

2 Boise also requests approval of a Schedule 48 rate design proposal by Bradley G.
Mullins, which would provide the Company with a greater degree of fixed-cost recovery,
consistent with the goals of Pacific Power's proposed decoupling mechanism. Finally, while not
opposing accelerated depreciation of coal facilities on a policy basis, Boise proposes rate
adjustments to exclude costs meant to extend the operating lives of those facilities beyond
whatever depreciable life the Commission ultimately approves.

II. BACKGROUND

3 On November 25, 2015, Pacific Power filed tariff revisions seeking consecutive
annual rate increases of \$10 million and \$10.3 million, respectively, under a two-year electric
rate plan.^{1/} The Company presented its filing as an "expedited rate filing" or "ERF," but the

^{1/} Order 03 at ¶ 1 (Dec. 29, 2015).

Commission rejected this designation early in the proceedings: “The Commission does not recognize this filing as an ERF”^{2/}

4 The import of this determination is that all issues and adjustments should be open for Commission consideration, including adjustments proposed by Boise and other non-Company parties. As explained by the Administrative Law Judge (“ALJ”) presiding over this case, “as far as what the proceeding is[,] [i]t’s going to depend on what you all bring out of it.”^{3/} Accordingly, the Commission should reject arguments by the Company that any adjustments or recommendations are *procedurally* beyond the scope of this proceeding, regardless of the substantive merits and equity of those proposals.

5 Further, this proceeding provides the Commission with its first opportunity to make a determination on an electric utility request for attrition relief, following the final order issued in Avista Corporation’s (“Avista”) 2015 general rate case (“GRC”).^{4/} In that proceeding, the Commission stated that “it is not necessary to require a finding of extraordinary circumstances to justify granting an attrition adjustment.”^{5/}

6 Notwithstanding, the Commission articulated the following standard: “we do require that utilities requesting an attrition adjustment demonstrate that the cause of the mismatch between revenues, rate base and expense is not within the utility’s control.”^{6/} As stated later in the same order, “we do require utilities to demonstrate *persuasively* that the attrition occurring is outside of their control.”^{7/} Moreover, the Commission devoted several

^{2/} Id. at ¶ 14.

^{3/} Judge Friedlander, TR. 40:14-16.

^{4/} WUTC v. Avista, Docket UE-150204 and UG-150205 (*Consolidated*), Order 05 (Jan. 6, 2016).

^{5/} Id. at ¶ 110.

^{6/} Id.

^{7/} Id. at ¶ 119 (emphasis added).

order paragraphs to address “the appropriate methodology for an attrition study,”^{8/} which seemingly indicates a requisite level of quantitative attrition study analysis in order to meet the Commission’s “demonstrate persuasively” standard.

7 In this proceeding, the Company also filed for a second-year rate increase of \$10.3 million, purportedly “based on Pacific Power’s 10-year trend of earnings attrition.”^{9/} Unlike Avista, however, the Company has elected not to support its request for attrition relief with an actual attrition study. Therefore, the Commission must determine whether Pacific Power has “persuasively” demonstrated the need for attrition relief under the new attrition standard, upon review of a record lacking anything approaching the level of quantitative analysis provided by Avista in recent GRCs.

III. LEGAL STANDARDS

8 Pacific Power bears the burden of proof to demonstrate that its tariffs are just and reasonable.^{10/} This burden includes “the burden of going forward with evidence and the burden of persuasion.”^{11/} The Company retains this burden throughout the proceeding and must establish that any proposed rate change is just and reasonable.^{12/}

9 When setting rates, a utility is allowed an opportunity to recover its operating expenses and to earn a rate of return on its property that is used to provide service.^{13/} The amount of a utility’s operating expenses included in rates is typically “based on actual operating

^{8/} Id. at ¶¶ 111-115.

^{9/} Pacific Power’s Petition at ¶ 32 (Nov. 25, 2015).

^{10/} RCW § 80.04.130(4); WAC § 480-07-540; WUTC v. Avista, Dockets UE-100467 and UG-100468 (*consolidated*), Order 01 at ¶ 12 (Apr. 5, 2010).

^{11/} WAC § 480-07-540.

^{12/} WUTC v. Avista, Docket UG-041515, Order 06 at ¶¶ 22, 24 (Dec. 7, 2004).

^{13/} People’s Org. for Wash. Energy Resources (“POWER”) v. WUTC, 104 Wn.2d 798, 808-11 (1985) (“POWER II”); WUTC v. PSE, Dockets UE-090704 and UG-090705 (*consolidated*), Order 11 at ¶ 19 (Apr. 2, 2010).

expenses in a recent past period referred to as the ‘test period’ or ‘test year.’^{14/} The Commission also removes from rates all property not used and useful to serve Washington customers,^{15/} all non-recurring or one-time expenses, and other costs that a utility is unlikely to experience during the term of the proposed rates.^{16/} Costs that are abnormal, fluctuate, or are not accurately estimated in the test period must be normalized to achieve an expected cost level based on typical conditions.^{17/} Regardless of prudence, costs and expenses that do not benefit ratepayers or were incurred to benefit shareholders are not recoverable.^{18/}

IV. ARGUMENT

A. Pacific Power’s Proposed First Period Rate Increase Should Be Significantly Reduced

10 Boise proposes several adjustments to the Company’s requested first period revenue requirement which, if adopted by the Commission, would justify no more than a \$2.64 million first period rate increase. The following table is taken from Mr. Mullins’ Cross-Answering Testimony, modified to reflect updated Boise adjustment recommendations. These updated adjustments were provided in response to Bench Request No. 5, which included the submission of Exhibit No. BGM-11 Revised. The following table contains both Company adjustment numbers and Boise adjustment numbers, for ease of reference.^{19/}

^{14/} POWER II, 104 Wn.2d at 810.

^{15/} RCW § 80.04.250; WUTC v. PacifiCorp, Dockets UE-050684 and UE-050412, Order 04/03 at ¶¶ 48-70 (Apr. 17, 2006); POWER v. WUTC, 101 Wn.2d 425, 430 (1984) (“POWER I”).

^{16/} WUTC v. Avista, Dockets UE-991606 and UG-991607, Third Suppl. Order at ¶¶ 205-07 (Sept. 29, 2000).

^{17/} Id. at ¶ 34.

^{18/} U.S. West v. WUTC, 134 Wn.2d 74, 126-27 (1997); WUTC v. Avista, Dockets UE-080416 and UG-080417 (consolidated), Order 08 at ¶ 29 (Dec. 29, 2008).

^{19/} Additionally, the table includes balancing adjustments calculated by Mr. Mullins to reflect offsetting impacts of various adjustments. See Exh. No. BGM-1CT at 12:27-13:2; Exh. No. BGM-11 Revised at 3:74-78.

Table 1
Boise Washington Revenue Requirement Recommendation
First Rate Period

			Rate Base	Operating Income*	Revenue Requirement Deficiency
Company Filing			\$ 838,124,164	\$ 54,518,748	\$ 10,746,470
Adjustments From Company Filing:					
PAC-8.4	BWP-A	Jim Bridger Unit 3 SCR Investments	(12,336,974)	489,175	(2,241,065)
PAC-8.4	BWP-Z.1	Bal. Impact Attr. to BWP-A	225,631	(213,088)	370,172
BWP-B	BWP-B	Bonus Depreciation	(2,441,357)	(22,508)	(251,091)
BWP-B	BWP-Z.2	Bal Impact Attr. to BWP-B	753,963	68,216	(21,248)
PAC-8.4	BWP-C	Pro Forma Capital Reduction	(2,148,791)	87,781	(394,495)
PAC-8.4	BWP-Z.3	Bal Impact Attr. to BWP-C	39,718	(37,510)	65,162
PAC-8.11	BWP-D.1	Reject EOP Rate Base (Plant Balances)	(27,245,532)	-	(3,207,217)
PAC-6.1	BWP-D.2	Reject EOP Rate Base (Dep / Amort)	15,072,680	-	1,774,286
PAC-7.1	BWP-D.3	Reject EOP Rate Base (Tax True-up)	-	(112,226)	180,968
PAC-8.11	BWP-Z.4	Bal Impact Attr. to BWP-D	3,759,336	340,133	(105,947)
PAC-5.2	BWP-E	Colstrip O&M	-	635,930	(1,025,462)
BWP-F	BWP-F	Transmission O&M	-	704,339	(1,135,774)
BWP-H	BWP-H	General Office Expense	-	345,537	(557,191)
PAC-4.1	BWP-I	Cholla O&M	-	(63,050)	101,671
BWP-J	BWP-J	EIM Costs	(1,882,496)	80,202	(350,928)
BWP-J	BWP-Z.5	Bal Impact Attr. to BWP-J	912,110	8,409	93,809
BWP-K	BWP-K	Hydro Deferral Balance	-	85,913	(138,538)
PC-1	PC-1	Employee Reductions	-	426,187	(687,244)
PC-2	PC-2	Pension	-	51,062	(82,339)
PC-3	PC-3	OPEB	-	116,001	(187,055)
PC-4	PC-4	Salary Overhead Cost Normalization	-	11,882	(19,161)
PAC-4.9	Staff-4.9	Memberships & Subscriptions	-	14,967	(24,135)
PAC-8.2	Staff-8.2	Environmental Remediation	(326,569)	139,311	(263,086)
Adjusted:			812,505,884	57,675,412	2,640,562
					<i>Normalized Revenues</i>
					335,672,661
					<i>% Rate Increase</i>
					0.79%

* Operating Income Excludes NPC

1. Accelerated Depreciation Would Justify the Exclusion of Investment to Operate Facilities beyond the Depreciable Life

11

Boise has not opposed the Company's request to accelerate the depreciation lives of the Company's coal facilities at the Jim Bridger and Colstrip plants, provided that investment designed to extend the operation of these facilities beyond any newly accelerated depreciable

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lives are excluded from rates.^{20/} Most notably, this includes the costs associated with Jim Bridger selective catalytic reduction (“SCR”) systems.^{21/}

12 As Mr. Mullins testified, “PacifiCorp’s current circumstances favor a shorter depreciation schedule for its coal facilities,” including the consideration of economic factors producing a “risk that the Company’s investment in its coal facilities will become stranded.”^{22/} Accelerated depreciation could also benefit Pacific Power’s customers, because “paying off the assets more quickly has the potential to reduce the rate base of the facilities more quickly, saving ratepayers money in the long term.”^{23/}

13 Notwithstanding, ratepayers should not be required to pay the full cost of SCR investment at the Jim Bridger plant, if the Commission approves an accelerated depreciation life. That is, “the only reason why the SCRs make economic sense, was that ‘the Company assumes Jim Bridger Units 3 and 4 continue operating beyond the end of 2025.’”^{24/} Thus, unless a portion of SCR investment is excluded from rates, the Commission would implicitly “be accepting the assumption that Jim Bridger will continue to operate beyond the end of 2025 and until 2037.”^{25/}

14 To prevent the Company from receiving a financial windfall, and to ensure that ratepayer benefits associated with accelerated depreciation are not meaningfully reduced, Boise recommends that the Commission exclude approximately \$2.2 million, or 54.3% of the Company’s SCR investment from Washington rates.^{26/} This assumes that the Commission will

^{20/} Exh. No. BGM-10T at 1:15-19.

^{21/} Exh. No. BGM-1CT at 4:2-5; Exh. No. BGM-10T at 1:15-17.

^{22/} Exh. No. BGM-1CT at 3:16-19.

^{23/} Exh. No. BGM-10T at 3:1-3.

^{24/} Exh. No. BGM-1CT at 13:19-14:1 (quoting Exh. No. BGM-5C at 36 (Company’s 1st Suppl. Response to Public Counsel (“PC”) Data Request (“DR”) 15)).

^{25/} Id. at 14:1-3.

^{26/} Id. at 13:3-15:22; Exh. No. BGM-11 Revised at 2:60.

approve Pacific Power’s request to fully depreciate Jim Bridger units by 2025. If the Commission approves an alternative depreciable life, however, Boise’s recommendation could still be applied—i.e., “taking the number of months that the SCRs will be included in Washington rates based on a [alternative year approved by the Commission] useful life, divided by the number of months assumed in the Company’s economic analysis,” which is through the end of 2037.^{27/}

2. Pacific Power Has Accepted the Impact of Bonus Depreciation

15 The Company has acknowledged that bonus depreciation on capital additions was extended by the Protecting Americans from Tax Hikes (“PATH”) Act of 2015.^{28/} Moreover, “[t]he Company agrees that the impact of the PATH Act should be reflected in this filing for pro forma major plant additions.”^{29/} Boise calculates that the bonus depreciation impact results in a Washington revenue requirement reduction of about \$0.3 million.^{30/}

3. The Company Agrees that Pro Forma Capital Reflected in Rates Should Be Based on Actual Capital Costs

16 As proposed by Boise, the Company agreed to update its pro forma adjustment for major plant additions to reflect actual costs for the Jim Bridger Unit 3 overhaul project.^{31/} Relying on data provided by the Company in discovery,^{32/} Mr. Mullins updated the amount of Unit 3 overhaul capital to reflect actual transfers to plant, resulting in a recommended Washington revenue requirement reduction of approximately \$0.4 million.^{33/}

^{27/} Exh. No. BGM-1CT at 13:8-10 & n.14.

^{28/} Exh. No. SEM-6T at 6:4-5.

^{29/} Id. at 6:5-7.

^{30/} Exh. No. BGM-1CT at 16:8-11; Exh. No. BGM-11 Revised at 2:61.

^{31/} Exh. No. SEM-6T at 5:18-20.

^{32/} Exh. No. BGM-1CT at 19:18-19 & n.28 (citing Company’s Response to Boise DR 062).

^{33/} Id. at 17:7-11; Exh. No. BGM-11 Revised at 2:62.

4. The Commission Should Once Again Reject the Use of End-of-Period (“EOP”) Rate Base

17 In the Company’s last GRC, the Commission rejected Pacific Power’s use of EOP rate base, “finding that the Company failed to meet its burden of proof on this issue.”^{34/} After already cautioning the Company that future EOP rate base proposals would require “a more fully developed record and a more refined approach to [ensure] there is not a resulting violation of the matching principle,”^{35/} the Commission rejected the Company’s proposed use of EOP rate base because the last GRC record was “woefully inadequate in terms of demonstrating ‘a more refined approach’ that assures the Commission that the use of EOP rate base ‘is not resulting in violation of the matching principle.’”^{36/}

18 Conversely, Boise had opposed the use of EOP rate base in the Company’s last GRC and recommended that Pacific Power be required to use the Commission’s “preferred AMA approach.”^{37/} While Pacific Power and other parties had “ignored” the direction to adequately support continued use of the EOP method, the Commission noted that “Boise White Paper, on the other hand, offers both expert testimony and argument that *goes to the heart of our concerns* over the use of EOP rate base as the new standard.”^{38/}

19 The Commission’s determination and rationale in the last Pacific Power GRC are relevant because almost nothing has changed in the current proceeding. That is, the Company provides no more support for the EOP method than what had been found “woefully inadequate” before, while Boise continues to recommend fidelity to the matching principle and continued use

^{34/} WUTC v. Pacific Power, Dockets UE-140762 *et al.*, Order 08 at ¶ 151 (Mar. 25, 2015).

^{35/} Id. at ¶ 148 (quoting WUTC v. Puget Sound Energy, Inc., Docket UE-130043, Order 05 at ¶ 185 (Dec. 4, 2013)).

^{36/} Id. at ¶ 150.

^{37/} Id. at ¶ 151.

^{38/} Id. at ¶ 150 (emphasis added).

of average-of-monthly-average (“AMA”) rate base.^{39/} To its credit, Public Counsel has now joined Boise in recommending the AMA method.^{40/} In contrast, Staff continues to practically ignore the Commission’s recent direction, arguing for usage of EOP rate base based only on now antiquated precedent and reasoning.^{41/}

20 In sum, the Company has not carried its burden of proof to justify use of EOP rate base in this proceeding, any more than in the last GRC, which should lead to another rejection of the EOP method. Mr. Mullins calculates that the use of AMA rate base would result in an approximate reduction of \$1.3 million to the Company’s Washington revenue requirement.^{42/}

5. Colstrip Unit 3 O&M Costs Should Be Removed from Washington Rates

21 Colstrip Unit 3 is not included in Washington rates, and has not been included since 1984.^{43/} For this reason, Mr. Mullins pointed out that it would be unfair to require Washington customers to pay Operations and Maintenance (“O&M”) expense associated with Colstrip Unit 3, since Washington ratepayers receive no benefit from the facility.^{44/} On rebuttal, “the Company agrees with Boise that these costs should be removed as it is more consistent with the WCA.”^{45/} Thus, Boise recommends that Pacific Power’s Washington revenue requirement be reduced by approximately \$1.0 million to reflect the exclusion of Colstrip O&M expense.^{46/}

^{39/} Exh. No. BGM-1CT at 20:4-23:13.

^{40/} Exh. No. DMR-1T Revised at 10:8-11:3.

^{41/} See, e.g., Ball, TR. 349:15-350:9 (admitting to support of the EOP method without citing to the recent Commission order); Huang, TR. 360:14-24 (admitting to EOP support without any discussion or citation to the Commission’s recent order).

^{42/} Exh. No. BGM-1CT at 20:13-15; Exh. No. BGM-11 Revised at 2:63-65.

^{43/} Exh. No. BGM-1CT at 23:17-19 (citing WUTC v. Pacific Power, Cause No. U-83-57, 1984 WL 1022151, 60 P.U.R.4th 188 at 194-95 (1984)).

^{44/} Id. at 23:19-24:2.

^{45/} Exh. No. SEM-6T at 4:22-23.

^{46/} Exh. No. BGM-1CT at 24:2-4; Exh. No. BGM-11 Revised at 2:66.

6. Common Transmission O&M Expense Should Be Fairly Allocated to Reflect Western Facility Proportions

22 Washington ratepayers are being harmed by a significant mismatch between how the Company presently allocates transmission revenues and expenses. Although the Company’s “[t]ransmission revenues cannot be clearly allocated to a specific control area,” PacifiCorp “allocates those revenues in proportion to the plant on the respective sides of the system.”^{47/} Conversely, common transmission O&M expense is treated as “a rolled-in allocation based on the respective demand and energy characteristics of the Company’s entire system.”^{48/}

23 As Mr. Mullins has demonstrated, transmission plant located in PacifiCorp’s western balancing area accounts for only one third of plant within the Company’s entire system.^{49/} Accordingly, use of a rolled-in allocation for common transmission O&M expense is unjustified, especially considering that the Company allocates transmission revenues associated with the same plant on a proportionate east-west basis. Moreover, the inequity of a rolled-in allocation is further exacerbated by the fact that the Company relies heavily on Bonneville Power Administration (“BPA”) transmission facilities, and *all* of BPA’s transmission costs are assigned to the western system under the West Control Area inter-jurisdictional allocation methodology (“WCA”).

24 To ensure that ratepayers are only allocated a fair and proportionate amount of common transmission O&M expense, consistent with the treatment of transmission revenues and the proportionate allocation of BPA transmission costs, Boise recommends a Washington

^{47/} Exh. No. BGM-1CT at 30:1-4.

^{48/} *Id.* at 27:4-6.

^{49/} *Id.* at 28:5-11 & Table 4.

revenue requirement reduction of \$1.1 million.^{50/} This adjustment uses the proportionate Wheeling Revenue Generation (“WRG”) factor applied to transmission revenues.^{51/} Critically, the WRG method has been approved for transmission revenues, despite the fact that such “revenues *cannot be clearly allocated* to a specific control area.”^{52/} This speaks persuasively against that Company’s argument that a different, rolled-in System Generation (“SG”) factor must be used on the expense side, simply on the contention that transmission costs “cannot be clearly allocated to a specific control area.”^{53/}

7. Known and Measurable Updates to Labor Costs Should Be Reflected in Rates

25 Boise supports and accepts labor adjustment calculations PC-1 through PC-4 proposed by Donna M. Ramas on behalf of Public Counsel.^{54/} Collectively, Mr. Mullins calculated that these adjustments would reduce the Company’s Washington revenue requirement by approximately \$1.0 million.^{55/}

26 Updates to the Company’s labor cost calculations are in keeping with the Commission’s fundamental known and measurable standard, and specifically consistent with similar adjustments proposed by Public Counsel and approved in the Company’s last GRC.^{56/} Although “the Company believes that Public Counsel’s and Boise’s adjustments are inappropriate and should be rejected because they do not account for offsetting increases in other

^{50/} Id. at 28:3-4; Exh. No. BGM-11 Revised at 2:67.

^{51/} Exh. No. BGM-1CT at 28:1-3.

^{52/} Id. at 30:1 (emphasis added).

^{53/} Id. at 29:19-21 (quoting Exh. No. BGM-5C at 27 (Company’s Response to Boise DR 093)).

^{54/} Exh. No. BGM-10T at 3:6-7.

^{55/} Exh. No. BGM-11 Revised at 2:68, 2:69, 3:79, 3:80.

^{56/} WUTC v. Pacific Power, Dockets UE-140762 *et al.*, Order 08 at ¶¶ 45-46.

benefit categories,”^{57/} this argument inverts the appropriate burden of proof and persuasion in this proceeding.^{58/}

27 In short, Pacific Power must demonstrate that the labor costs it proposes to include in rates are just and reasonable. To the extent that “offsetting increases in other benefits categories” exist, the Company must prove and persuade the Commission of that alleged fact. Public Counsel and Boise carry no burden to factor purported “offsets” into known and measurable update adjustment proposals.

8. Pacific Power Has Improperly Allocated General Office Expense

28 According to the WCA Manual, “general office” expenses should be allocated using a System Overhead (“SO”) factor.^{59/} Notwithstanding, Pacific Power booked a considerable portion of payroll and benefits expenses, identified in Company accounting records as “General Office expense,” within Federal Energy Regulatory Commission (“FERC”) Account 557, using an SG factor.^{60/} Consistent with WCA methodology, Boise recommends a Washington revenue requirement reduction of approximately \$0.6 million, via use of an appropriate SO factor for these general office expenses.^{61/}

29 Contrary to the Company’s argument, Boise is not recommending a modification to the WCA to change expense allocation.^{62/} Boise does not contest that FERC Account 557 expenses may be allocated under an SG factor. The relevant issue is the Company’s initial failure to book general office expenses under the SO factor prescribed by the WCA Manual. In

^{57/} Exh. No. SEM-6T at 10:8-9.

^{58/} See *supra* ¶ 8 & nn. 10-12.

^{59/} Exh. No. BGM-1CT at 32:12-16; Exh. No. BGM-7 at 4.

^{60/} Exh. No. BGM-1CT at 32:17-33:4, 32:6-7.

^{61/} *Id.* at 32:12-16; Exh. No. BGM-7 at 4; Exh. No. BGM-11 Revised at 2:70.

^{62/} Exh. No. SEM-6T at 21:17-18.

essence, the Company has padded FERC Account 557 with general office expenses. Boise's recommended adjustment will ensure that ratepayers are not harmed by such improper accounting.

9. The Cholla O&M Credit Should Be Removed

30 Through discovery, Boise determined that the Company's initial filing contained a credit associated with O&M expense at the Cholla power facility in Arizona that had been incorrectly allocated to Washington.^{63/} Thus, Boise recommends removal of this erroneous credit, thereby increasing revenue requirement by about \$0.1 million.^{64/}

10. EIM Cost Recovery Should Be Requested in the PCAM

31 The Company originally sought to increase rates through Energy Imbalance Market ("EIM") costs.^{65/} However, since EIM benefits will flow through the Company's Power Cost Adjustment Mechanism ("PCAM"), Boise proposed to remove EIM costs from base rates. This proposal is consistent with the matching principle and will still allow EIM cost recovery via the PCAM.^{66/}

32 On rebuttal, Pacific Power agreed to Boise's approach.^{67/} Mr. Mullins calculated an approximate \$0.4 million revenue requirement reduction to account for EIM cost removal.^{68/} The Company proposes a \$0.5 million reduction, which further includes "removal of depreciation and amortization expense associated with EIM."^{69/}

^{63/} Exh. No. BGM-1CT at 33:7-10 (citing Exh. No. BGM-5C at 20 (Company's Response to Boise DR 054)).

^{64/} Id. at 33:10-11; Exh. No. BGM-11 Revised at 2:71.

^{65/} Exh. No. BGM-1CT at 33:16-17.

^{66/} Id. at 33:19-34:3.

^{67/} Exh. No. SEM-6T at 7:7-9.

^{68/} Exh. No. BGM-1CT at 36:2-3; Exh. No. BGM-11 Revised at 2:72.

^{69/} Exh. No. SEM-6T at 7:11-12 & Table 3.

11. Customers Should Receive a Hydro Deferral Credit

33 Boise identified a credit balance of more than \$0.1 million in a hydro deferral account approved by the Commission in Docket UE-080220.^{70/} After receiving indication that the Company would not be opposed to refunding this credit balance to customers, Mr. Mullins proposed a reduction of \$0.1 million to the Company's rate increase request.^{71/} On rebuttal, "[t]he Company agrees that this credit should be provided to customers" as "a one-time item" in Schedule 96.^{72/}

12. Boise Supports Two Staff Adjustments

34 Staff's proposed adjustments related to environmental remediation costs and memberships and subscriptions are both supported by Boise.^{73/} Together, Mr. Mullins calculates that these adjustments would reduce Washington revenue requirement by about \$0.3 million.^{74/}

B. The Company's Second Period Rate Increase Should Be Rejected

35 The Commission would be justified in entirely rejecting Pacific Power's second year rate increase request on the following grounds: 1) impracticability of satisfying the known and measurable standard for future, second period costs; 2) precedent disfavoring single-issue ratemaking; and 3) failure to persuasively demonstrate the need for attrition relief.^{75/} Moreover, the record establishes that the Company's alleged "commitment" to a general rate case stay-out period, in exchange for approval of a second period rate increase,^{76/} is fully revocable at the

^{70/} Exh. No. BGM-1CT at 36:9-11 (citing Exh. No. BGM-5C at 15-16 (Company's Response to Boise DR 019)).
^{71/} *Id.* at 36:13-18 (citing Exh. No. BGM-5C at 19 (Company's Response to Boise DR 049)); Exh. No. BGM-11 Revised at 3:73.
^{72/} Exh. No. SEM-6T at 24:6, 15-18.
^{73/} Exh. No. BGM-10T at 3:7-9 (citing Exh. No. ECO-1T at 32:1-33:22 and TMV-1T at 3:10-5:18).
^{74/} Exh. No. BGM-11 Revised at 3:81-82.
^{75/} Exh. No. BGM-1CT at 6:11-17.
^{76/} Pacific Power's Petition at ¶ 1.

unlimited discretion of Pacific Power—meaning that there is no real commitment that would justify acceptance of the Company’s proposed multi-year rate plan.

1. Second Period Rate Increases Are Based on Forecasts that Do Not Satisfy Commission Standards

36 As Mr. Mullins testified, “most of the increasing costs proposed by the Company” in the second rate period “consist of forecast capital items, which are so far beyond the end of the test period as to provide no plausible way of meeting the Commission’s used and useful and known and measurable standards.”^{77/} While the Commission allows for exceptions to the known and measurable standard, “these are few and demand a high degree of analytical rigor.”^{78/}

37 In this proceeding, however, the Company has not attempted to meet the rigorous threshold required for exceptions to the known and measurable standard. Quite the opposite, the Company filed its first period rate increase request as an ERF,^{79/} a process which the Commission has described as “[a]n expedited form of general rate relief using a *simple and straight-forward* process to update the test period relationships between rate base and net operating income.”^{80/} While the Commission ultimately refused to “recognize this filing as an ERF,”^{81/} Pacific Power’s deliberate *attempt* to seek rate relief via a “simple and straight-forward process” speaks against any argument that the Company has supported rate projections and forecasts with a “high degree of analytical rigor.”

^{77/} Exh. No. BGM-1CT at 7:9-12.

^{78/} WUTC v. Pacific Power, Dockets UE-140762 *et al.*, Order 08 at ¶ 167 (quoting WUTC v. Puget Sound Energy, Inc. (“PSE”), Dockets UE-090704 and UG-090705, Order 11 ¶ 26); accord WUTC v. Avista, Dockets UE-150204 and UG-150205 (*Consolidated*), Order 05 at ¶ 238.

^{79/} Pacific Power’s Petition at ¶ 1.

^{80/} WUTC v. PSE, Dockets UE-130137 *et al.*, Order 15/14 at ¶ 10 (June 29, 2015) (quoting Dockets UE-111048 and UG-111049 (*consolidated*), Order 08 at ¶ 496) (May 7, 2012) (emphasis added)).

^{81/} Order 03 at ¶ 14.

The Company's original petition also alleges that its requested "second-year increase is based on Pacific Power's 10-year trend of earnings attrition," under a multi-year rate plan "using the ERF for year one and authorizing a second increase" effective the following year.^{82/} The import here is that Pacific Power made an express distinction between the underlying bases for its first and second year rate requests. That is, while year one is based on an ERF, year two is based on a claimed attrition trend and is a derivative from the ERF. This means that, as a derivative from the ERF, the second-year request contains even less analytical support for its cost forecasts than the first-year request, based directly on the ERF. In other words, if the "simple and straight-forward" character of an ERF is insufficient to meet the exacting mandate to justify an exception to the Commission's known and measurable standard, then a second request that is one degree removed from an ERF is all the more inadequate.

2. Pacific Power Has Not Shown that the Commission Should Depart from Fundamental Ratemaking Principles

The Company made a conscious "effort to limit the issues" in this proceeding by seeking a rate increase through an ERF.^{83/} Therefore, although the Commission refused to recognize this case as an ERF, and the ALJ stated that, "as far as what the proceeding is[,] [i]t's going to depend on what you all bring out of it,"^{84/} Pacific Power has at least "requested a second period rate increase based upon increased costs associated with a limited set of revenue requirement items, *without considering potentially offsetting cost decreases* and other customer benefits that may accrue in the rate period."^{85/} Indeed, the Company has gone so far as to oppose

^{82/} Pacific Power's Petition at ¶ 1.

^{83/} Exh. No. RBD-1T at 11:15-16. See also Exh. No. KCH-1T at 6:17 ("This case was intended as a limited and expedited filing").

^{84/} Judge Friedlander, TR. 40:14-16.

^{85/} Exh. No. BGM-1CT at 8:5-8 (emphasis added).

offsetting adjustments supported by Public Counsel and Boise, on the argument that “items should not be updated in a limited filing such as this one.”^{86/}

40 Yet, as Mr. Mullins explains, purposeful “[i]solation of a ‘single issue’ in a rate request, or in this case a single set of issues, is disfavored as a matter of policy because, as recognized by the Commission, it distorts the fundamental ‘matching principle’ of traditional ratemaking.”^{87/} The Commission will not only “disfavor and typically avoid single issue ratemaking,”^{88/} but in order to depart from the “fundamental principles of ratemaking,” including the matching principle, the Commission requires “a clear and convincing showing that the Company will be denied any reasonable opportunity to earn its authorized rate of return without extraordinary relief.”^{89/}

41 In this proceeding, the Company has not made a clear and convincing showing that single-issue ratemaking is warranted. As explained below, the Commission recently articulated requisite standards associated with attrition adjustments, which Pacific Power has not satisfied though a quantitatively robust attrition analysis.

42 Further, as the Commission has recognized, isolating limited subsets of costs expected to increase, as the Company has sought to do in this proceeding, can result in “over-earning by the company and over-paying by the customer.”^{90/} The Company opposes cost offsets proposed by other parties, but this only serves to emphasize the disfavored view that the Commission takes on single-issue ratemaking. As Mr. Mullins points out, “traditional

^{86/} Exh. No. KCH-1T at 3:8-9.

^{87/} Exh. No. BGM-1CT at 8:8-10 (citing Re Avista Corp., Docket UG-060518, Order 04 at ¶ 19 (Feb. 1, 2007)).

^{88/} WUTC v. PSE, Dockets UE-060266 and UG-060267 (*Consolidated*), Order 08 at ¶ 37 (Jan. 5, 2007).

^{89/} Id. at ¶¶ 37, 39.

^{90/} Exh. No. BGM-1CT at 8:12-13 (citing Re Avista Corp., Docket UG-060518, Order 04 at ¶ 19).

ratemaking ‘revenues and costs are balanced at a common point in time,’^{91/} but parties to this proceeding have no meaningful way to analyze potential offsets to the second rate period increases alleged by the Company.

3. The Commission’s Attrition Standards Require a Persuasive Demonstration Not Supplied by the Company

43 In approving an attrition adjustment in Avista’s 2015 GRC, the Commission “recognize[d] that Avista’s shareholders benefit significantly in increasing its capital expenditures and [we] share the concerns of other parties regarding this investment’s impact on ratepayers.”^{92/} Accordingly, the Commission established vital safeguards to protect ratepayers against possible attempts to abuse attrition relief in the future: “it is necessary for Avista, and any other utility seeking an attrition adjustment, to demonstrate that its need to invest in non-revenue generating plant, particularly distribution plant, is *so necessary and immediate as to be beyond its control.*”^{93/}

44 The Commission went on to further articulate the new attrition standard and the rationale behind the constraints placed on future attrition awards:

we do require utilities to *demonstrate persuasively* that the attrition occurring is outside of their control [W]e also recognize there is risk to the Company’s ratepayers by embracing an attrition adjustment that may allow Avista to manage its capital expenditures without regard to rate impact, effective cost control, demonstrated benefit, or actual need, and only in reference to its own budgeted targets. Simply stated, we are concerned about authorizing a practice that simply projects future levels of expense and capital expenditures that may, as multiple commenters point out, “become a ‘self-fulfilling prophecy’ where there is an incentive for rates of capital expenditure to be driven by an effort to match earlier projections.”^{94/}

^{91/} Id. at 8:11 (quoting Re Avista Corp., Docket UG-060518, Order 04 at ¶ 19).

^{92/} WUTC v. Avista, Docket UE-150204 and UG-150205 (*Consolidated*), Order 05 at ¶ 120.

^{93/} Id. at ¶ 116 (emphasis added).

^{94/} Id. at ¶ 119 (emphasis added) (citations omitted).

45 In stark contrast to the recent Avista GRC, the Company has elected not to support a second period rate increase with a formal attrition study, in spite of this request being allegedly “based on Pacific Power’s 10-year trend of earnings attrition.”^{95/} As Mr. Mullins testifies, however, “without such quantitative analysis” as would be contained within an attrition study, “it is not possible to determine that the Company has met the obligation to ‘demonstrate persuasively’ that alleged second period attrition is outside the Company’s control.”^{96/}

46 Moreover, the Commission’s “demonstrate persuasively” standard seems to expressly contemplate quantitative support through a formal attrition study, since the recent Avista GRC order includes a special section addressing “the appropriate methodology for an attrition study.”^{97/} Indeed, unless a quantitative attrition study is necessary to persuasively demonstrate the need for attrition relief, the Commission’s considerable attention to “appropriate methodology” within such studies is difficult to justify or explain. Accordingly, Boise believes that Pacific Power’s failure to file an attrition study necessitates a rejection of its attrition request.

4. The Proposed GRC Stay-out Period Does Not Provide an Offsetting Customer Value

47 According to Pacific Power, the proposed multi-year “rate plan includes several components to protect ratepayers,” including the Company’s alleged “commitment” or agreement to a GRC stay-out period.^{98/} The Company claims that the stay-out “offers relief to all

^{95/} Pacific Power’s Petition at ¶ 32.

^{96/} Exh. No. BGM-1CT at 9:10-12.

^{97/} *WUTC v. Avista*, Docket UE-150204 and UG-150205 (*Consolidated*), Order 05 at ¶¶ 111-115 (emphasis added).

^{98/} Pacific Power’s Petition at ¶¶ 1, 35.

stakeholders,” in addition to providing “extra incentive for cost management over the next two years.”^{99/}

48 As the record plainly indicates, however, the ratepayer protections offered by the Company are illusory. In actuality, lead witness R. Bryce Dalley explained that “the Company is committing that it will not file a general rate case (or another expedited rate filing) with a rate-effective date earlier than June 1, 2018”—but *only* “[i]f the Company’s revenue requirement proposals are not materially modified by the Commission.”^{100/}

49 Needless to say, such an explicitly conditional “commitment” is no real commitment at all, since Pacific Power is reserving full authority to revoke its agreement after the Commission makes its determination. At hearing, Mr. Dalley confirmed the Company’s full discretion to go back to “the annual rate case cycle,” in lieu of following through on its multi-year rate plan proposal, if Pacific Power determines that the Company’s proposal is “materially modified” by the Commission.”^{101/}

50 Also, how the Company may choose to exercise this discretion is almost completely unpredictable, given Mr. Dalley’s inability or unwillingness to provide specific or objective parameters with respect to what Company means by “materially modified.”^{102/} In fact, when asked directly by the Commission whether “the Company could just come back the next year with a different rate case regardless of the rate plan that had been ordered,” Mr. Dalley

^{99/} Id. at ¶ 35.

^{100/} Exh. No. RBD-5CX at 5 (Company’s Response to Boise DR 107).

^{101/} Dalley, TR. 181:6-12.

^{102/} E.g., Dalley, TR. 181:21-25, 180:19-181:2.

stopped well short of making a firm stay-out commitment, testifying instead that “it’s difficult to speculate exactly what the Company would do.”^{103/}

C. If Approved, the Second Period Rate Increase Should Be Reduced Considerably with a Later Effective Date and Stay-out Period

51 If the Commission elects not to reject a second period rate increase altogether, Boise recommends an increase of no more than \$3,884,119, based on the following table of revenue requirement adjustments proposed by Mr. Mullins:^{104/}

Table 2
Boise Washington Revenue Requirement Recommendation
Second Rate Period

	<u>Rate Base</u>	<u>Operating Income</u>	<u>Revenue Requirement Deficiency</u>
Company Filing	\$ 36,028,776	\$ (3,912,410)	\$ 10,550,094
Adjustment From Company Filing:			
A. Jim Bridger Unit 4 SCR Investments	(15,114,029)	691,146	(2,893,664)
B. Update Coal Plant Balances	(23,268,026)	-	(2,739,014)
C. Bonus Depreciation	(6,860,363)	(63,249)	(705,581)
D. Capital Forecast Error	(2,908,569)	135,897	(561,525)
<i>Balancing</i>	4,101,657	(29,853)	233,808
Adjusted:	(8,020,555)	(3,178,470)	3,884,119
		<i>Normalized Revenues</i>	339,155,162
		<i>% Rate Increase</i>	1.15%

52 Additionally, Boise recommends that a second period rate increase be made effective no sooner than January 1, 2018, with a stay-out on new rate changes extending through

^{103/} Dalley, TR. 233:2-7.

^{104/} As with first rate period recommendations, the table includes balancing adjustments calculated by Mr. Mullins to reflect offsetting impacts of various adjustments. See Exh. No. BGM-4 at 1:12.

at least January 1, 2019.^{105/} To the extent that the Commission finds any second period rate increase to be fair and just, Boise's later proposed effective dates would be a reasonable accommodation to ratepayers, to some degree balancing Pacific Power's interests in rate relief against the inability of ratepayers to fully investigate and propose future offsetting adjustments in the context of a multi-year rate plan.

1. A Portion of SCR Investment Should Be Excluded from Rate Base if Accelerated Depreciation is Approved

53 For the same reasons that it would be appropriate to exclude a portion of SCR investment associated with Jim Bridger Unit 3 from first period rates, Boise submits that a portion of Bridger Unit 4 SCR investment should likewise be excluded from any second period rate increase, if the Commission approves some form of accelerated depreciation. As calculated by Mr. Mullins, an exclusion of 56.9% of Unit 4 SCR investment would be appropriate relative to a 2025 depreciation life, resulting in a reduction to second period Washington revenue requirement of about \$2.9 million.^{106/}

2. Fairness Requires a Recalculation of Coal Plant Balances if Accelerated Depreciation is Approved

54 Mr. Mullins testifies that a second rate period reduction to Washington revenue requirement of approximately \$2.7 million would be appropriate to account for recalculated coal plant balances, assuming that accelerated depreciation is approved.^{107/} Fairness requires such an adjustment because, “[a]bsent an update of the rate base amounts, consumers are paying the cost

^{105/} Exh. No. BGM-1CT at 37:4-6.

^{106/} Id. at 38:15-23; Exh. No. BGM-4 at 1:8.

^{107/} Exh. No. BGM-1CT at 39:4-8; Exh. No. BGM-4 at 1:9.

of accelerated depreciation, but not receiving the corresponding benefits of declining rate base.”^{108/}

55 The Company opposes this adjustment, however, arguing that “this proposal was designed to identify discrete changes in the second year of the rate plan that would allow the Company the opportunity to earn its authorized rate of return and provide rate stability to customers.”^{109/} Pacific Power designed and filed for approval of “discrete” cost increases but opposes offsetting adjustments. This essentially validates Boise’s contention that the proposed second period rate request is a form of disfavored single-issue ratemaking, contrary to the fundamental matching principle of traditional ratemaking. The Company’s complaint, that Boise’s adjustment “would be one-sided and inappropriate” is ironic, at best.^{110/}

3. **Bonus Depreciation Should Also Be Applied to the Second Rate Period**

56 Taking into consideration the provisions of the PATH Act of 2015, Mr. Mullins calculates an approximate \$0.7 million reduction to Washington revenue requirement during the second rate period.^{111/} The Company has agreed “that the impact of the PATH Act should be reflected in this filing for pro forma major plant additions.”^{112/}

4. **Pacific Power’s Prior Forecasting Errors Justify an Adjustment to Second Period Forecasts to Protect Ratepayers from Similar Errors**

57 The record establishes that the Company overstated its capital forecast for 2015 plant additions by a significant margin.^{113/} As Mr. Mullins explains, “[t]he fact that the

^{108/} Exh. No. BGM-1CT at 39:19-20.

^{109/} Exh. No. SEM-6T at 26:19-21.

^{110/} *Id.* at 27:2.

^{111/} Exh. No. BGM-1CT at 40:14-18; Exh. No. BGM-4 at 1:10.

^{112/} Exh. No. SEM-6T at 6:5-7.

^{113/} Exh. No. BGM-1CT at 41:6-8 & Confidential Table 2 (citing Exh. No. BGM-5C at 21-22 (Company’s Response to Boise DR 062)).

November 2015 capital budget was overstated is an indication that the plant upgrades in the second rate period will be similarly overstated.”^{114/} Thus, Boise recommends a reduction to any second period rate increase of about \$0.6 million, which scales future plant additions by Pacific Power’s prior forecast variances and ensures that ratepayers do not bear any risk that the Company’s 2016 forecast will also prove overstated.^{115/}

58 The Company has not agreed to Boise’s adjustment to account for forecasting error, contending that “it will file attestations for each of the three major plant additions reflected in the Company’s second-year rate increase verifying that these assets are used and useful and known and measureable.”^{116/} Without an adjustment for potential forecasting error, however, customers would effectively carry the burden during attestation periods to affirmatively prove that the Company has not continued its forecasting errors. This dynamic is not only unjustified in light of the Company’s recent forecasting errors, which show that PacifiCorp error should reasonably be assumed, but it is also contrary to the fundamental ratemaking burden requiring that “[t]he Company bears the burden to demonstrate the reasonableness of its forecast.”^{117/}

D. Boise’s Rate Design Proposal Is Consistent with the Company’s Decoupling Proposal and Treats Schedule 48 Customers More Fairly, without Impacting other Rate Schedules

59 As Mr. Mullins pointed out, this proceeding is unique in the sense that Pacific Power’s requested rate increases are entirely centered upon fixed costs.^{118/} For this reason, Boise proposes a Schedule 48 rate design that assigns the Company’s requested rate increases to fixed-

^{114/} Id. at 41:16-18.

^{115/} Id. at 41:20-42:5; Exh. No. BGM-4 at 1:11.

^{116/} Exh. No. SEM-6T at 27:21-28:2.

^{117/} Exh. No. BGM-1CT at 41:16.

^{118/} Id. at 42:9. Accord id. at 45:13-15 (citing Exh. No. JRS-1T at 14:10-16:9).

cost billing determinants, rather than to volumetric energy charges.^{119/} Boise's rate design proposal only impacts Schedule 48 and Schedule 47, with the latter being a derivative of the former.^{120/} Moreover, Boise's rate design proposal furthers the policy goals associated with the Company's proposal of decoupling for other rate schedules, in that assigning any and all rate increases to fixed-cost billing determinants within Schedule 48 will increase the certainty of short-term cost recovery.^{121/}

60 Specifically, Boise recommends the following rate design for the entire Schedule 48 rate class, including Schedule 47: 1) apply a 25% increase to the basic charges in the rate class, and 2) apply the remainder of the increase attributable to Schedule 48 as a fixed percentage increase to the kW demand charges.^{122/} Further details on Boise's rate design proposal, applicable to both the first and second rate periods, are contained within Exhibit Nos. BGM-8 and BGM-9.

61 The Company does not oppose "Boise's proposed rate design logic for Schedule 48T – Dedicated Facilities," including the 25% increase to the basic charge for Dedicated Facilities and the spread of the remainder of the increase to demand charges.^{123/} Notwithstanding, the Company proposes that the Commission adopt its "proposed rate design for *other* Schedule 48T customers."^{124/} As Mr. Mullins has testified, the Company is unfairly

^{119/} Exh. No. BGM-1CT at 42:14-16.
^{120/} Id. at 42:20-21.
^{121/} Id. at 42:12-14.
^{122/} Id. at 43:1-6.
^{123/} Exh. No. JRS-9T at 18:13-17.
^{124/} Id. at 18:21-23 (emphasis added).

proposing “to single out a particular transmission voltage customer,”^{125/} by arguing that the Commission should apply a class average increase to all billing charges on Schedule 48T.^{126/}

62 As an initial matter, the Company’s proposal to evenly spread rate increases among Schedule 48 customers has no evidentiary support in the record in this proceeding. In fact, the record contains multiple confirmations that the Company has not supported its rate increase allocation proposals with an updated cost of service study.^{127/} Thus, the Company has failed to carry its burden of proof for its Schedule 48 rate design.

63 If this were not enough, however, evidence in this proceeding also positively demonstrates that Boise’s rate design proposal will produce a more equitable result within Schedule 48. The Company’s proposal to exclude certain rate schedules from its decoupling proposal is appropriate, including Schedule 48, as explained by Mr. Mullins.^{128/} However, Boise’s rate design proposal will increase the certainty of the Company’s fixed cost recovery, consistent with a fundamental policy goal that the Company is pursuing through its decoupling mechanism. Specifically, Boise’s proposal to apply all Schedule 48 rate increases resulting from this proceeding to fixed-cost billing determinants will ameliorate the under-collection of demand and customer charges from Dedicated Facilities. To this end, the record contains several confirmations that Schedule 48T – Dedicated Facilities are under-collecting demand and customer charges relative to other Schedule 48T customers.^{129/}

^{125/} Exh. No. BGM-1CT at 43:13-16.

^{126/} Exh. No. JRS-9T at 18:21-19:1.

^{127/} E.g., id. at 17:18; id. at 19:14-15; Exh. No. JRS-19CX at 5 (Company’s Response to Boise DR 131); Steward, TR. 316:1-6.

^{128/} Exh. No. BGM-1CT at 44:18-45:10.

^{129/} E.g., Exh. No. JRS-9T at 18:2-4; Exh. No. JRS-1T at 12, Table 2; Exh. No. JRS-19CX at 6 (Company’s Response to Boise DR 132); Steward, TR. 318:7-14.

64 Further, the Company cannot reasonably be said to have met its burden of persuasion due to fundamental inconsistencies in its reasoning. On the one hand, the Company argues for a “class average increase” across Schedule 48 in order to produce purportedly “consistent impacts.”^{130/} Yet, the Company simultaneously opposes Boise’s proposal by contending that it “ignores differences in cost characteristics for the different types of customers.”^{131/}

65 Similarly, the Company acknowledges the historic separate treatment of Dedicated Facilities for cost of service and rate design purposes, “in order to account for the different characteristics” relative to all other Schedule 48 customers.^{132/} Nevertheless, the Company persists in recommending a rate design that applies an average increase and produces consistent impacts. When confronted with the glaring inconsistency of such rationale at hearing, however, the Company flatly denied that any inconsistency exists.^{133/}

V. CONCLUSION

66 Pacific Power bears the burdens of proof and persuasion in this proceeding. The Company’s election to file for significant rate increases in an ERF format does not diminish its legal and evidentiary burdens, especially in light of the Commission’s decision not to recognize this proceeding as an ERF. Moreover, Pacific Power’s request for a second-year rate increase, based on attrition claims, must meet the “demonstrate persuasively” and quantitative evidentiary standard recently approved by the Commission. In sum, Pacific Power has voluntarily chosen to

^{130/} Exh. No. JRS-9T at 18:21-19:2.

^{131/} Id. at 15:5-9.

^{132/} Id. at 17:10-15.

^{133/} Steward, TR. 314:12-315:16.

constrain the scope and substantive depth of issues it has presented in this proceeding, and Pacific Power alone should bear the risk that it will not meet its evidentiary burdens as a result.

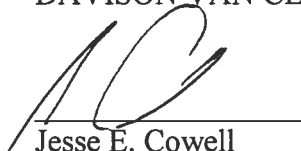
67

Boise respectfully submits that the Company has fallen short on its burdens to justify a more than a \$2.64 million first period rate increase. Also, Boise recommends that the Commission reject, entirely, the Company's request for a second period rate increase "based" on claims of attrition, given Pacific Power's failure to persuasively demonstrate that its alleged need for attrition relief "is so necessary and immediate as to be beyond its control." If a second period rate increase is approved, Boise submits that no more than a \$3.88 million increase has been justified in this proceeding. Finally, the Company has not carried its burden of proof or persuasion to justify its Schedule 48 rate design proposal, while Boise's proposal is supported by the record in this proceeding and should be approved.

Dated this 22nd day of June, 2016.

Respectfully submitted,

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