

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION )  
 )  
Complainant, )  
 )  
vs. )  
 )  
PACIFICORP dba PACIFIC POWER & )  
LIGHT COMPANY, )  
 )  
Respondent. )  
\_\_\_\_\_ )

Docket No. UE-032065

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STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

**REDACTED DIRECT TESTIMONY OF**

**DONALD W. SCHOENBECK**

**ON BEHALF OF**

**THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES**

**July 2, 2004**

1 **I. INTRODUCTION AND SUMMARY**

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

3 **A.** My name is Donald W. Schoenbeck. I am a member of Regulatory & Cogeneration  
4 Services, Inc. (“RCS”), a utility rate and economic consulting firm. My business address  
5 is 900 Washington Street, Suite 780, Vancouver, WA 98660.

6 **Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.**

7 **A.** I’ve been involved in the electric and gas utility industries for over 30 years. For the  
8 majority of this time, I have provided consulting services for large industrial customers  
9 addressing regulatory and contractual matters before numerous state commissions, public  
10 utility governing boards, governmental agencies, state and federal courts, the National  
11 Energy Board of Canada and the Federal Energy Regulatory Commission (“FERC”). I  
12 have appeared before the Washington Utilities and Transportation Commission  
13 (“WUTC” or “Commission”) at least 20 times since 1982. A further description of my  
14 educational background and work experience is summarized in Exhibit No. \_\_\_  
15 (DWS-2).

16 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

17 **A.** I am testifying on behalf of the Industrial Customers of Northwest Utilities (“ICNU”).  
18 ICNU is a non-profit trade association, whose members are large industrial customers  
19 served by electric utilities throughout the Pacific Northwest, including PacifiCorp (or  
20 “the Company”).

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 **A.** This testimony addresses just two revenue requirement matters: steam plant maintenance  
23 expenses and outside services. It is important to note, however, that my testimony does

1 not address numerous other matters of concern raised by the Company's filing, in  
2 addition to the power cost and Multi-State Process ("MSP") issues addressed by Mr.  
3 Falkenberg. Fundamentally, intervenors such as ICNU have limited budgets and can  
4 only address a limited number of issues. Accordingly, we have targeted two significant  
5 matters that will not likely be addressed by the Commission Staff or another intervenor to  
6 this proceeding. Our silence on the other aspects of PacifiCorp's revenue requirement  
7 should not be construed as acceptance by ICNU of the Company's proposals on these  
8 items.

9 **Q. PLEASE BRIEFLY SUMMARIZE YOUR TESTIMONY.**

10 **A.** The Company's filing proposes to include substantial amounts of money associated with  
11 steam plant maintenance expenses (FERC accounts 510 through 514) and outside  
12 services (FERC account 923). The steam maintenance expenses PacifiCorp has used for  
13 the test period are the actual expenses incurred during the historic test period (April 2002  
14 through March 2003–FY 2003) without any adjustment. On a system basis, these  
15 accounts total \$144 million with \$11 million assigned to Washington under the  
16 Company's proposed interstate allocation method.<sup>1/</sup>

17 My analysis of the Company's maintenance expenses has concluded that these  
18 amounts are not reflective of a normalized level for ratemaking purposes. For thermal  
19 plants, major overhaul cycles typically range from four to as many as six years. Based  
20 upon the most recent four years of available data, we recommend the Commission adopt  
21 a system cost of \$130 million or \$14 million less than the Company's filing for steam

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<sup>1/</sup> I understand that Mr. Falkenberg is proposing significant adjustments to what is being referred to as PacifiCorp's Original Protocol, the allocation methodology proposed by the Company. If the Commission adopts my adjustments, they should be recalculated based on the allocation methodology adopted by the Commission.

1 maintenance expenses. While the Washington specific adjustment would vary depending  
2 upon the interstate allocation method ultimately ordered by the Commission, under the  
3 Company's approach, adoption of the ICNU recommendation would reduce the cost  
4 allocated to Washington ratepayers by \$861,000.

5 With regard to outside services, the Company has submitted a system value of  
6 \$45.5 million, of which \$3.7 million is assigned to Washington. We have performed a  
7 detailed analysis of the numerous charges included under this account. Based upon this  
8 review, I recommend the Commission approve a system amount of \$34.1 million. Under  
9 the Company's filed interstate allocation method, \$2.8 million would be assigned to  
10 Washington—a value \$929,000 less than the Company's proposal.

<b>ICNU Proposed Reductions to PacifiCorp Revenue Requirement</b>		
	<b>Total Company</b>	<b>Washington Allocation</b>
Steam Maintenance Expense	\$14,000,000	\$861,000
923 Outside Services	\$11,421,000	\$929,000
Total Adjustments	\$25,421,000	\$1,790,000

11 **II. STEAM MAINTENANCE EXPENSE**

12 **Q. PLEASE EXPLAIN THE BASICS OF THERMAL PLANT MAINTENANCE AND**  
13 **WHY IT IS A CRITICAL ISSUE IN THIS PROCEEDING.**

14 **A.** While generating electricity by means of a thermal plant may be simple in concept,  
15 thermal plants are comprised of numerous parts requiring ongoing maintenance and  
16 monitoring to ensure safe and reliable operation. Further, the various components have  
17 different maintenance needs, thereby giving rise to differing periods of time or intervals  
18 when the maintenance will or must be performed. In general, maintenance can be  
19 characterized as being “reactive” or “proactive.” Reactive maintenance is done in  
20 response to a failure or an immediate need that must be corrected. Proactive maintenance

1 is generally pre-scheduled based upon historical measures or predictors. For large  
 2 thermal plants—such as the many coal-fired plants owned by PacifiCorp—proactive  
 3 maintenance in the form of a major inspection or overhaul will not occur on a particular  
 4 generating unit each year. Depending upon the component part, some maintenance  
 5 aspects can occur on cycles as long as once every 4 to 6 years. As noted in PacifiCorp’s  
 6 response to Public Counsel data request (“DR”) No. 105, the Company schedules major  
 7 overhauls for large thermal plants once every four years.<sup>2/</sup> Consequently, in determining  
 8 a reasonable level of maintenance expense for a normalized test year, it is critical to  
 9 analyze the major unit scheduled outages that occurred during the historical test year and  
 10 also test the reasonableness of any normalization or pro forma adjustment to the actual  
 11 results of operations.

12 **Q. HOW DID THE COMPANY DETERMINE THE LEVEL OF STEAM  
 MAINTENANCE EXPENSE FOR ITS WASHINGTON FILING?**

14 **A.** The Company simply used the actual costs booked to the FERC accounts for the  
 15 historical test period of April 2002 through March 2003. The following table indicates  
 16 the system total as well as the proposed Washington allocation for each account.

**PacifiCorp – Washington  
 Steam Maintenance Allocation  
 PacifiCorp As Filed  
 (\$000s)**

FERC Acct	Description	System Total	Washington Allocation
510	Maint Supervision & Engineering	\$6,309	\$441
511	Maintenance of Structures	\$20,553	\$1,658
512	Maintenance of Boiler Plant	\$82,007	\$6,301
513	Maintenance of Electric Plant	\$26,087	\$1,902
514	Maintenance of Misc Steam Plant	\$8,996	\$687
	Maintenance Total:	\$143,952	\$10,989

<sup>2/</sup> Exhibit No. \_\_\_(DWS-3) (PacifiCorp Response to Public Counsel DR No. 105f).

1 As indicated by the table, the historical costs for the test period were \$144 million with  
2 \$11 million assigned or allocated to the state of Washington.

3 **Q. HOW DO THE TEST PERIOD COSTS COMPARE WITH HISTORICAL**  
4 **EXPENSE LEVELS FOR THESE ACCOUNTS?**

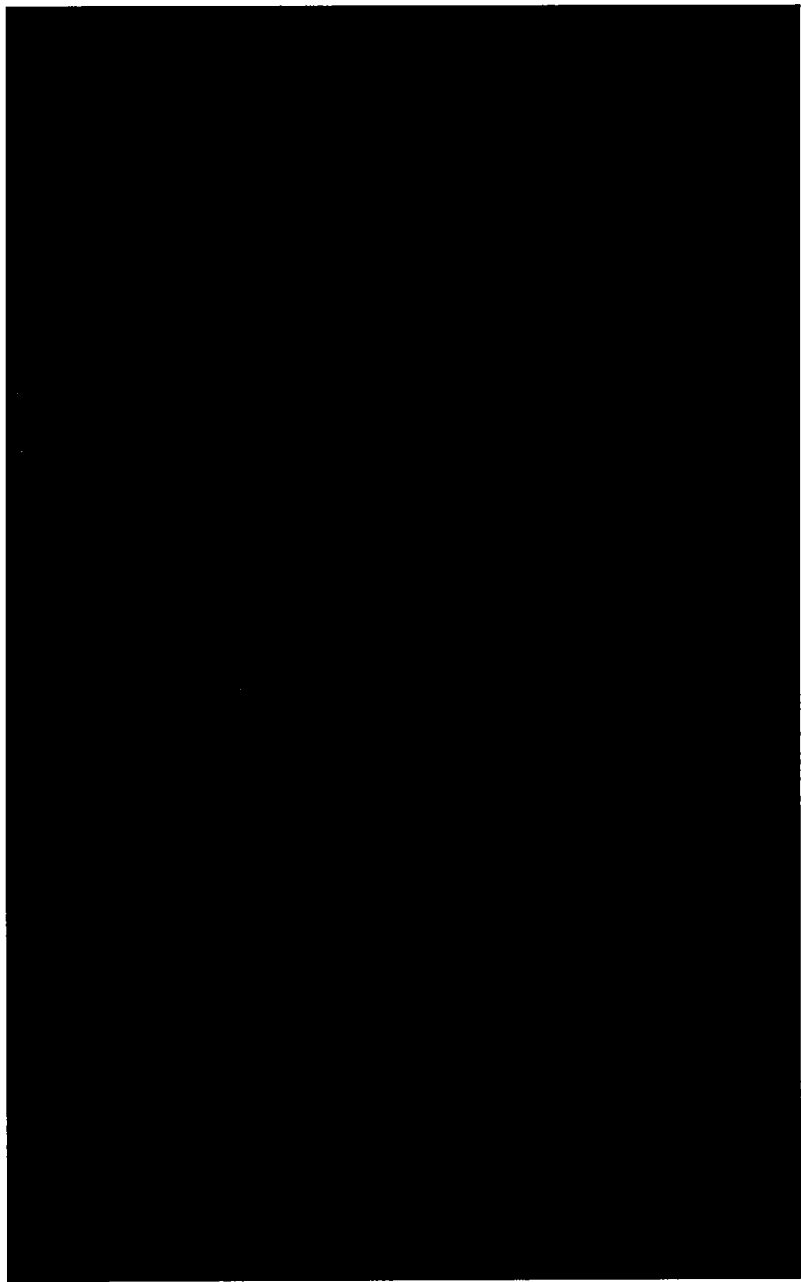
5 **A.** The following table indicates the costs recorded to these accounts extracted from  
6 PacifiCorp's FERC Form 1 filings for calendar years 2000 through 2003.

<b>PacifiCorp – Washington</b>					
<b>Steam Maintenance Expense</b>					
<b>(\$000s)</b>					
	<b>CY 2000</b>	<b>CY 2001</b>	<b>CY 2002</b>	<b>CY 2003</b>	<b>4-Year Average</b>
510 Maint Supervision and Eng	\$2,309	\$2,301	\$5,850	\$7,387	\$4,462
511 Maint of Structures	\$913	\$10,599	\$19,005	\$18,074	\$12,148
512 Maint of Boiler Plt	\$53,468	\$70,662	\$79,597	\$80,319	\$71,011
513 Maint of Electric Plt	\$11,844	\$19,422	\$25,128	\$30,327	\$21,680
514 Maint of Misc Steam Plt	\$25,426	\$19,296	\$8,673	\$9,849	\$15,811
TOTAL Maintenance	\$93,961	\$122,280	\$138,253	\$145,956	\$125,112

7 The table shows that substantial increases in maintenance expense have occurred each year.

8 **Q. DID PACIFICORP PERFORM A LARGE AMOUNT OF THERMAL PLANT**  
9 **MAINTENANCE DURING THE HISTORIC TEST PERIOD?**

10 **A.** Yes. The following tables indicate the scheduled overhaul outage days for the major  
11 thermal units owned by PacifiCorp and the associated cost. These tables illustrate two  
12 critical points. First, a review of the scheduled maintenance performed on various  
13 specific units indicates the non-uniform or long-term cyclical nature of thermal plant  
14 maintenance. There is simply no consistent pattern to deem just a single year as being  
15 appropriate for ratemaking purposes. Second, the total number of overhaul days  
16 scheduled for 2003 [REDACTED]—as compared to the other  
17 years. The table presenting the corresponding 2003 fiscal year major overhaul cost  
confirms the fact that FY 2003 was an above normal major overhaul year.



**PacifiCorp – Washington  
Large Thermal Units  
Major Overhaul Cost  
(\$000s)**

Unit	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Carbon 2	\$0	\$303	\$0
Cholla 4	\$3,150	\$0	\$0
Colstrip 3	\$0	\$755	\$0
Colstrip 4	\$1,067	\$0	\$100
Craig 1	\$0	\$0	\$449
Craig 2	\$500	\$1,200	\$0
Dave Johnston 1	\$115	\$73	\$1,435
Dave Johnston 2	\$949	\$65	\$0
Dave Johnston 3	\$767	\$0	\$0
Dave Johnston 4	\$212	\$855	\$0
Hayden 1	\$98	\$0	\$80
Hayden 2	\$0	\$145	\$0
Hunter 1	\$2,185	\$513	\$0
Hunter 2	\$202	\$537	\$2,600
Hunter 3	\$995	\$4,085	\$878
Huntington 1	\$193	\$6,689	\$806
Huntington 2	\$716	\$0	\$6,741
Jim Bridger 1	\$401	\$501	\$4,034
Jim Bridger 2	\$392	\$3,294	\$131
Jim Bridger 3	\$131	\$218	\$377
Jim Bridger 4	\$2,065	\$823	\$474
Naughton 1	\$0	\$0	\$4,570
Naughton 2	\$0	\$570	\$3,762
Naughton 3	\$317	\$0	\$311
Wyodak	\$3,014	\$0	\$0
Total:	\$17,468	\$20,626	\$26,748

1 **Q. HOW SHOULD THE APPROPRIATE AMOUNT OF STEAM MAINTENANCE**  
2 **EXPENSE BE DETERMINED IN THIS PROCEEDING?**

3 **A.** I recommend the average of four years of maintenance expense be used to capture the  
4 cyclical aspect of maintenance schedules. While the PacifiCorp test year is FY 2003, the  
5 Company apparently does not have the necessary information for FY 2000 due to it  
6 switching from a calendar year basis to a fiscal year basis.<sup>3/</sup> There is, however, sufficient

<sup>3/</sup> See Exhibit No. \_\_\_(DWS-3) (PacifiCorp Response to Public Counsel DR No. 105e).



1 FERC Form 1 data available for calendar years 2000 through 2003. PacifiCorp's  
2 interstate allocation method can be replicated from isolating the maintenance costs  
3 associated with the Huntington and Cholla plants from the other facilities and adjusting  
4 the historical period for the sale of the Centralia plant and the addition of the peaking  
5 facilities.

6 The first table shown below presents the starting data extracted from the FERC  
7 Form 1 filings. These are the "unadjusted" expense levels. The next table presents the  
8 results of excluding the costs associated with the Centralia plant in CY 2000 and  
9 including costs for the peaking facilities (Gadsby and West Valley) in the years 2000  
10 through 2002.<sup>4/</sup> Given the technology of these facilities, I simply added the same level of  
11 maintenance expense in the years 2000, 2001 and 2002 as was recorded for the year  
12 2003. The table also includes an inflationary adjustment of 3% per year to reflect cost  
13 pressures in both labor and non-labor related costs for the years 2000 through 2002. It  
14 was applied in a uniform basis across all accounts and plants. Virtually the entire  
15 difference in total maintenance cost between the two tables is attributable to this latter  
16 adjustment. It increased the four-year average maintenance expense by \$5.0 million from  
17 the actual value.

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<sup>4/</sup> Should the Commission choose to disallow Gadsby and West Valley, there would be a further reduction of \$33,400 for Washington in steam expenses.

**PacifiCorp – Washington**  
**Total Steam Maintenance Expense – Unadjusted**  
**(\$000s)**

	<b>CY 2000</b>	<b>CY 2001</b>	<b>CY 2002</b>	<b>CY 2003</b>	<b>4-Year Average</b>
510 Maint Supervision and Eng	\$2,309	\$2,301	\$5,850	\$7,387	\$4,462
511 Maint of Structures	\$913	\$10,599	\$19,005	\$18,074	\$12,148
512 Maint of Boiler Plt	\$53,468	\$70,662	\$79,597	\$80,319	\$71,011
513 Maint of Electric Plt	\$11,844	\$19,422	\$25,128	\$30,327	\$21,680
514 Maint of Misc Steam Plt	\$25,426	\$19,296	\$8,673	\$9,849	\$15,811
<b>TOTAL Maintenance</b>	<b>\$93,961</b>	<b>\$122,280</b>	<b>\$138,253</b>	<b>\$145,956</b>	<b>\$125,112</b>

**PacifiCorp – Washington**  
**Adjusted Total Steam Maintenance Expense**  
**(\$000s)**

	<b>CY 2000</b>	<b>CY 2001</b>	<b>CY 2002</b>	<b>CY 2003</b>	<b>4-Year Average</b>
510 Maint Supervision and Eng	\$2,523	\$2,441	\$6,026	\$7,387	\$4,594
511 Maint of Structures	\$1,054	\$11,302	\$19,632	\$18,074	\$12,516
512 Maint of Boiler Plt	\$57,842	\$74,966	\$81,985	\$80,319	\$73,778
513 Maint of Electric Plt	\$13,142	\$20,858	\$26,136	\$30,327	\$22,616
514 Maint of Misc Steam Plt	\$27,405	\$20,578	\$9,041	\$9,849	\$16,718
<b>TOTAL Maintenance</b>	<b>\$101,967</b>	<b>\$130,145</b>	<b>\$142,819</b>	<b>\$145,956</b>	<b>\$130,222</b>

1 **Q. WHY IS IT NECESSARY TO ISOLATE THE COSTS OF HUNTINGTON AND**  
2 **CHOLLA FROM THE REMAINING STEAM PLANTS?**

3 **A.** Under the Company’s proposal, these two resources are allocated in a different manner  
4 than the other remaining steam plants. Specifically, Huntington is assigned to the Utah  
5 division and Cholla is assigned as a seasonal resource. The FERC Form 1 maintenance  
6 costs for these plants are presented in the following tables.

**PacifiCorp – Washington**  
**Huntington Steam Maintenance Expense – Unadjusted**  
(\$000s)

	CY 2000	CY 2001	CY 2002	CY 2003	4-Year Average
510 Maint Supervision and Eng	\$0	\$0	\$1,017	\$1,333	\$587
511 Maint of Structures	\$0	\$653	\$1,497	\$1,124	\$819
512 Maint of Boiler Plt	\$4,648	\$10,238	\$10,359	\$5,285	\$7,632
513 Maint of Electric Plt	\$1,084	\$5,571	\$4,426	\$2,783	\$3,466
514 Maint of Misc Steam Plt	\$2,699	\$2,724	\$1,080	\$1,376	\$1,970
<b>TOTAL Maintenance</b>	<b>\$8,431</b>	<b>\$19,186</b>	<b>\$18,378</b>	<b>\$11,901</b>	<b>\$14,474</b>

**PacifiCorp – Washington**  
**Cholla Steam Maintenance Expense - Unadjusted**  
(\$000s)

	CY 2000	CY 2001	CY 2002	CY 2003	4-Year Average
510 Maint Supervision and Eng	\$1,745	\$1,968	\$2,107	\$2,032	\$1,963
511 Maint of Structures	\$467	\$406	\$538	\$480	\$473
512 Maint of Boiler Plt	\$4,583	\$3,815	\$4,093	\$3,517	\$4,002
513 Maint of Electric Plt	\$1,270	\$441	\$362	\$615	\$672
514 Maint of Misc Steam Plt	\$1,393	\$1,528	\$1,493	\$1,930	\$1,586
<b>TOTAL Maintenance</b>	<b>\$9,459</b>	<b>\$8,158</b>	<b>\$8,594</b>	<b>\$8,575</b>	<b>\$8,696</b>

1 After taking into account the inflationary adjustment, the adjusted expense levels are  
2 shown in the next two tables.

**PacifiCorp – Washington**  
**Adjusted Huntington Steam Maintenance Expense**  
(\$000s)

	CY 2000	CY 2001	CY 2002	CY 2003	4-Year Average
510 Maint Supervision and Eng	\$0	\$0	\$1,048	\$1,333	\$595
511 Maint of Structures	\$0	\$693	\$1,542	\$1,124	\$840
512 Maint of Boiler Plt	\$5,079	\$10,861	\$10,669	\$5,285	\$7,974
513 Maint of Electric Plt	\$1,185	\$5,910	\$4,559	\$2,783	\$3,609
514 Maint of Misc Steam Plt	\$2,949	\$2,890	\$1,112	\$1,376	\$2,082
<b>TOTAL Maintenance</b>	<b>\$9,213</b>	<b>\$20,354</b>	<b>\$18,929</b>	<b>\$11,901</b>	<b>\$15,099</b>

**PacifiCorp – Washington**  
**Adjusted Cholla Steam Maintenance Expense**  
**(\$000s)**

	<b>CY 2000</b>	<b>CY 2001</b>	<b>CY 2002</b>	<b>CY 2003</b>	<b>4-Year Average</b>
510 Maint Supervision and Eng	\$1,907	\$2,088	\$2,170	\$2,032	\$2,049
511 Maint of Structures	\$511	\$430	\$554	\$480	\$494
512 Maint of Boiler Plt	\$5,008	\$4,047	\$4,216	\$3,517	\$4,197
513 Maint of Electric Plt	\$1,388	\$468	\$373	\$615	\$711
514 Maint of Misc Steam Plt	\$1,522	\$1,621	\$1,538	\$1,930	\$1,653
<b>TOTAL Maintenance</b>	<b>\$10,336</b>	<b>\$8,654</b>	<b>\$8,851</b>	<b>\$8,575</b>	<b>\$9,104</b>

1           The final two tables compare the PacifiCorp proposal to the ICNU recommendation on  
2           both a system and Washington jurisdictional basis. As can be seen from the tables,  
3           adoption of the ICNU recommendation will lower the system amount by \$13.7 million  
4           and the Washington allocation by \$861,000. Of course, the jurisdictional amount would  
5           change should the Commission adopt another method for assigning my recommended  
6           system value of \$130 million.

**PacifiCorp – Washington  
Steam Maintenance Comparison  
System Costs**

		<b>PacifiCorp Filing</b>	<b>ICNU Proposal</b>	<b>Delta</b>
<b>510 Maint Supervision &amp; Eng</b>				
Huntington	DGU	\$1,349	\$595	-\$754
All Other	SG	\$2,932	\$1,950	-\$982
Cholla	SSGCH	\$2,029	\$2,049	\$20
	Total	\$6,309	\$4,594	-\$1,715
<b>511 Maint of Structures</b>				
Huntington	DGU	\$1,682	\$840	-\$842
All Other	SG	\$18,272	\$11,182	-\$7,090
Cholla	SSGCH	\$599	\$494	-\$105
	Total	\$20,553	\$12,516	-\$8,037
<b>512 Maint of Boiler Plant</b>				
Huntington	DGU	\$10,311	\$7,974	-\$2,337
All Other	SG	\$68,254	\$61,607	-\$6,647
Cholla	SSGCH	\$3,443	\$4,197	\$754
	Total	\$82,007	\$73,778	-\$8,230
<b>513 Maint of Electric Plant</b>				
Huntington	DGU	\$4,416	\$3,609	-\$807
All Other	SG	\$21,394	\$18,296	-\$3,099
Cholla	SSGCH	\$276	\$711	\$435
	Total	\$26,087	\$22,616	-\$3,471
<b>514 Maint of Misc Steam Plant</b>				
Huntington	DGU	\$1,224	\$2,082	\$858
All Other	SG	\$6,118	\$12,983	\$6,866
Cholla	SSGCH	\$1,655	\$1,653	-\$2
	Total	\$8,996	\$16,718	\$7,722
<b>Subtotals</b>				
Huntington	DGU	\$18,981	\$15,099	-\$3,882
All Other	SG	\$116,969	\$106,018	-\$10,951
Cholla	SSGCH	\$8,002	\$9,104	\$1,102
<b>Total:</b>		<b>\$143,952</b>	<b>\$130,222</b>	<b>-\$13,731</b>

**PacifiCorp – Washington  
Steam Maintenance Comparison  
Washington Allocation**

		PacifiCorp	ICNU	
		Filing	Proposal	Delta
<b>510 Maint Supervision &amp; Eng</b>				
Huntington	DGU	\$0	\$0	\$0
All Other	SG	\$257	\$171	-\$86
Cholla	SSGCH	\$184	\$186	\$2
	Total	\$441	\$357	-\$84
<b>511 Maint of Structures</b>				
Huntington	DGU	\$0	\$0	\$0
All Other	SG	\$1,603	\$981	-\$622
Cholla	SSGCH	\$54	\$45	-\$10
	Total	\$1,658	\$1,026	-\$632
<b>512 Maint of Boiler Plant</b>				
Huntington	DGU	\$0	\$0	\$0
All Other	SG	\$5,989	\$5,406	-\$583
Cholla	SSGCH	\$312	\$380	\$68
	Total	\$6,301	\$5,786	-\$515
<b>513 Maint of Electric Plant</b>				
Huntington	DGU	\$0	\$0	\$0
All Other	SG	\$1,877	\$1,605	-\$272
Cholla	SSGCH	\$25	\$64	\$39
	Total	\$1,902	\$1,670	-\$232
<b>514 Maint of Misc Steam Plant</b>				
Huntington	DGU	\$0	\$0	\$0
All Other	SG	\$537	\$1,139	\$602
Cholla	SSGCH	\$150	\$150	\$0
	Total	\$687	\$1,289	\$602
<b>Subtotals</b>				
Huntington	DGU	\$0	\$0	\$0
All Other	SG	\$10,263	\$9,302	-\$961
Cholla	SSGCH	\$725	\$825	\$100
<b>Total:</b>		<b>\$10,989</b>	<b>\$10,128</b>	<b>-\$861</b>

### III. OUTSIDE SERVICES EXPENSE

1 **Q. HAVE YOU ANALYZED THE COSTS PACIFICORP HAS INCURRED FOR**  
2 **OUTSIDE SERVICES?**

3 **A.** Yes. In response to a data request from the WUTC Staff, PacifiCorp provided a listing of  
4 over 12,000 items that comprise the \$45 million total FY 2003 expenses.<sup>5/</sup> This listing  
5 provided the vendor, the cost center and, in many cases, a brief description of the item.  
6 PacifiCorp has provided further explanations in response to a number of data requests  
7 that ICNU submitted to the Company.<sup>6/</sup> In general, PacifiCorp should be allowed to  
8 recover expenses incurred in the normal course of operations that are specifically related  
9 to ongoing electric utility functions and are directly related to serving their retail  
10 customers. I would exclude items that are associated with non-utility functions or non-  
11 regulated affiliates, items that provide personal benefits to certain employees, and items  
12 that do not provide clear benefits to ratepayers. I would further exclude some items that  
13 are related to expenses recovered under regulatory provisions, such as taxes.

14 **Q. HAS PACIFICORP RECOGNIZED THAT CERTAIN 923 EXPENSES SHOULD**  
15 **NOT BE BORNE BY RATEPAYERS?**

16 **A.** Yes. In the listing of 923 expenses, PacifiCorp has identified almost \$1 million (total  
17 Company) that the Company adjusted out. This reduced the total 923 expenses from  
18 \$45.5 million to \$44.7 million. Further, in the response to ICNU DR 9.23, PacifiCorp  
19 agreed that about \$200,000 (total Company) should be excluded because it was  
20 inadvertently included.<sup>7/</sup> This adjustment will reduce the 923 expenses to \$44.5 million.

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<sup>5/</sup> PacifiCorp Response to WUTC Staff DR No. 115a (not attached due to volume of material).

<sup>6/</sup> PacifiCorp Responses to ICNU DR Nos. 9.1-9.57, 10.1-10.35 (not attached due to volume of material).

<sup>7/</sup> Exhibit No. \_\_\_(DWS-3) (PacifiCorp Response to ICNU DR No. 9.23).

1 **Q. DID YOU FIND ANY EXTRAORDINARY EXPENSES THAT WERE**  
2 **INCLUDED IN THE 923 EXPENSES?**

3 **A.** Yes, one stands out. PacifiCorp was sued by the Snake River Valley Electric Association  
4 over anti-trust issues regarding a refusal by PacifiCorp to provide transmission wheeling.  
5 This case was disproportionately expensive, costing almost \$1.7 million (total Company)  
6 in legal and other fees. Other specific non-recurring cases were included in the 923  
7 expenses, such as the following:

<b>Non-recurring litigation</b>	
Snake River Valley Electric Association other litigation	\$1,673,000
Montsano and P4 Production litigation	\$156,000
Cowlitz canal break litigation	\$113,000
Wah Chang litigation	\$100,000
Triton Coal litigation	\$88,000
Klamath River Endangered Species Act	\$69,000
Emerald PUD annexation	\$62,000
Sale of Cody, WY, distribution	\$46,000
Magcorp litigation	\$39,000
Magcorp bankruptcy	\$27,000
Geneva Steel bankruptcy	\$20,000
UMPA litigation	\$7,000
miscellaneous litigation	121,000
other litigation expenses	\$848,000
Snake River component of litigation	66%

8 These values include all litigation expenses that I could identify as included in the 923  
9 expenses. The Snake River expenses exceed the total of these eleven cases by almost one  
10 million dollars, comprising two-thirds of the total litigation for the year. Due to the  
11 unique, non-recurring nature of this particular expense, and the magnitude of the  
12 expenses relative to the other cases that were expensed, the Snake River case should be  
13 excluded from the normalized 923 expenses in PacifiCorp's rates. While the other  
14 litigation costs may also be non-recurring, they are more appropriately reflective of the  
15 litigation costs that PacifiCorp could reasonably be expected to incur during the rate test  
year.



1 **Q. DID YOU FIND 923 EXPENSES THAT PROVIDE NO BENEFIT TO**  
2 **RATEPAYERS?**

3 **A.** Yes. There are four specific types of expenses that should be excluded because they are  
4 not associated with ongoing productive functions. The first is the MSP, the second is the  
5 development of a Regional Transmission Organization (“RTO”), the third is related to  
6 hive down, and the fourth is the payment for personal income tax preparation fees for  
7 certain employees.

8 The first group of expenses that should be excluded are those associated with the  
9 MSP. The process was originated to bring the differing jurisdictions that regulate  
10 PacifiCorp together and achieve a common basis of regulatory rules and cost recovery.  
11 This effort has not succeeded to date and has no appearance of succeeding in the  
12 foreseeable future. At this time, PacifiCorp admitted in the deposition of Andrea Kelly  
13 that it is highly uncertain whether agreement will be reached among its six states.<sup>8/</sup>  
14 Therefore, MSP expenses do not offer any future or ongoing benefits to ratepayers. I  
15 have identified \$1.4 million (total Company) in 923 expenses in FY 2003 that are  
16 associated with this effort. These expenses should be excluded from the normalized 923  
17 expenses in PacifiCorp’s rates.

18 The second group of expenses is those associated with the development of an  
19 RTO. PacifiCorp has \$3.5 million of 923 expenses for FY 2003 for this effort. While the  
20 effort to form an RTO is ongoing, and holds some chance of success, it is not yet  
21 operating, nor is it expected to be operating during the rate test year. Because the  
22 expenses associated with this effort are neither useful nor expected to be useful during the  
23 rate test year, recovery of these costs should not occur until the RTO is operating and

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<sup>8/</sup> Exhibit No. \_\_\_ (RJF-18) at 8 (Excerpt of Andrea Kelly Deposition (June 22, 2004)).

1 PacifiCorp has become a participating transmission owner with a transmission control  
2 agreement with the RTO. Therefore, the \$3.5 million (total Company) should be  
3 excluded from the normalized 923 expenses in PacifiCorp's rates.

4 The third group of expenses that should be excluded relate to hive down. Hive  
5 down is a process by which a parent corporation distributes assets to subsidiaries in order  
6 to enhance their value, usually prior to the sale of the subsidiary. I have identified  
7 \$381,000 (total Company) of FY 2003 legal expenses associated with this process. This  
8 process is presumably for the benefit of the stockholder, not the ratepayer. The ratepayer  
9 has limited interest in the distribution of assets between the subsidiary utility and its  
10 parent company, especially in those assets that are held by the parent and possibly  
11 distributed to the utility. Should the subsidiary be sold, the parent company stockholder  
12 would receive the benefits from the enhanced value of the subsidiary that was sold. As  
13 such, these expenses should be excluded from the normalized 923 expenses in  
14 PacifiCorp's rates.

15 The fourth group of expenses are those associated with income tax preparation  
16 fees and tax payments for certain individual employees. PacifiCorp explained these  
17 expenses as:

18 [T]ax services to PacifiCorp employees who became subject to  
19 the jurisdiction of tax authorities outside of the individual's  
20 home country. . . . It is the intent of the Company's policy to  
21 ensure that employees' liability in relation to tax and social  
22 security on company-earned income and benefits remains  
23 broadly equivalent to that which would have applied had they  
24 remained in their home country. The specialist advisor assists in  
25 the completion of tax returns arising from, or affected by, the

1 assignment and provides support to ensure that the employee  
2 complies with the requirements of both the home and the host  
3 country's governments.<sup>9/</sup>

4 While the Company may certainly choose to provide this benefit to its international  
5 employees while they are on assignment in the United States, personal income tax  
6 preparation and payment is not a cost that should be borne by the ratepayers.

7 PacifiCorp's FY 2003 923 expenses includes a \$61,690 payment to the Internal Revenue  
8 Service, two payments totaling \$19,456 to the State of Oregon, and \$9,387 for tax  
9 preparation fees, all for the benefit of Alan Richardson. There are payments, refunds and  
10 fees for a number of other employees as well. The net amount, after credits for tax  
11 refunds, amounts to \$209,000. These expenses should be excluded from the normalized  
12 923 expenses in PacifiCorp's rates.

13 **Q. IN WHAT OTHER AREAS OF 923 EXPENSES DID YOUR REVIEW RAISE**  
14 **QUESTIONS?**

15 **A.** There are two areas that comprise the bulk of the 923 expenses, legal costs and  
16 accounting costs. My recommendation concerning adjustments to legal costs has already  
17 been presented. A summary of the identifiable accounting costs included in PacifiCorp's  
18 923 listing is shown below. I do note that PacifiCorp, in an attempt to recognize that  
19 some portion of the accounting costs are primarily for the benefit of non-regulated  
20 affiliates or the corporate owner, has adjusted out about 12.9% of some of the accounting  
21 costs. The table below shows both the gross costs and the adjusted costs for outside  
22 accounting services.

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<sup>9/</sup> Exhibit No. \_\_\_(DWS-3) (PacifiCorp Response to ICNU DR No. 9.10).

<b>Major Grouping of Outside Accounting Fees (total company)</b>		
<b>Grouping</b>	<b>pre-adjust</b>	<b>Post-adjust</b>
Auditing	\$979,000	\$979,000
SFAS Issues	141,000	141,000
ScottishPower and affiliates	2,302,000	2,004,000
Financial Statements	215,000	213,000
Compliance and Provision	1,531,000	1,333,000
Other Income Tax Related	2,697,000	2,372,000
Outside Accountants and Consultants	394,000	349,000
Other	142,000	135,000
<b>Total Accounting</b>	<b>\$8,401,000</b>	<b>\$7,525,000</b>

1 My review of accounting related expenses raised several questionable areas.<sup>10/</sup> First, there  
2 are several work products included in the accounting expenses that are for the benefit of the  
3 corporate owner instead of the benefit of the utility. Specifically, these items relate to the  
4 due diligence dealing with Aquila, accounting and auditing of non-regulated affiliates (such  
5 as the PGHC basis study and PHI financials), international restructuring, captive insurance  
6 and other special projects. For example, about \$1.3 million of these fees were for a  
7 “Transactional Cost Analysis,” which PacifiCorp indicated in its Oregon filing as having  
8 no benefit for ratepayers.<sup>11/</sup> These non-affiliated expenses amount to about \$2.0 million  
9 (total Company) after the 12.9% adjustment. All of these costs should be excluded as they  
10 are not the responsibility of ratepayers, nor do ratepayers receive a benefit from these  
11 services.

<sup>10/</sup> See Exhibit No. \_\_ (DWS-3) (PacifiCorp Responses to ICNU DR Nos. 7.3, 7.11, 7.13, 7.15, 7.29 and 7.31 (Oregon Public Utility Commission Docket No. UE-147)).

<sup>11/</sup> Exhibit No. \_\_ (DWS-3) (PacifiCorp Responses to ICNU DR Nos. 7.3, 7.29 (Oregon Public Utility Commission Docket No. UE-147)).

**Summary of Non-Affiliated Accounting Expenses (total company)**

<b>Grouping</b>	<b>pre-adjust</b>	<b>post-adjust</b>
Transactional Cost Analysis	\$1,290,000	\$1,123,000
Capital Structure	219,000	190,000
Non-Affiliated Audits and Operations	203,000	175,000
Aquila Due Diligence	193,000	168,000
Captive Insurance	70,000	61,000
ScottishPower Expense Trueup	3,000	3,000
Total	\$1,976,000	\$1,720,000
Total Non-Affiliated Expenses Exclusion		\$1,720,000
Washington Share of Exclusion		\$140,000

1  
2           The second area involves the expenses related to computing and filing income tax  
3 returns. Because the amount of taxes that PacifiCorp pays is governed by the tax  
4 considerations of the parent company and all of the subsidiaries taken together, it is  
5 extremely difficult to assign the specific income tax responsibility for PacifiCorp in  
6 isolation, especially on a forward-looking basis, such as is done when setting rates.  
7 Therefore, this Commission, as is done by most other commissions, imputes income  
8 taxes under a regulatory scheme, which attempts to assign income taxes as if PacifiCorp  
9 was a stand-alone company.

10           Because income taxes are included in rates based on a regulatory imposition, the  
11 actual amount of taxes owed, either by PacifiCorp or by ScottishPower, is not a  
12 consideration in determining rate levels. By extension of this concept, PacifiCorp should  
13 be granted a reasonable amount to pay for the calculation of income taxes. However,  
14 included in their 923 expenses are amounts to file amended returns for past periods,  
15 including one where the vendor received 20% of the refund amount. PacifiCorp is  
16 seeking for ratepayers to pay these costs, including the bonus, but have not credited  
17 ratepayers with the refund from which the bonus should be paid. Therefore, I  
18 recommend that the Commission disallow the expenses that PacifiCorp has included for,  
19 and the fees paid to, outside sources for computing and filing tax returns that are in

1 excess of the fees for the current year. To reflect these expenses, I would allow  
2 PacifiCorp to recover the cost related to compliance and provision, which is the  
3 outsourcing of their tax preparation. Even this is especially generous because it appears  
4 that this averages better than \$300 per hour in payments to the vendor.<sup>12/</sup> All other tax  
5 related expenses should be excluded.

<b>Summary of Tax Related Expenses (total company)</b>		
<b>Grouping</b>	<b>pre-adjust</b>	<b>post-adjust</b>
Compliance and Provision	\$1,531,000	\$1,333,000
Other Tax Filings and Issues	2,697,000	2,372,000
Total	\$4,228,000	\$3,705,000
Total Tax Expenses Exclusion <sup>13/</sup>		\$2,174,000
Washington Share of Exclusion		\$177,000

6 The third area is other outside accountants and consultants and other  
7 miscellaneous projects. It is very hard to determine the specific issues that are  
8 encompassed by these expenses due to the lack of detail in invoicing, the sheer volume of  
9 invoices and/or other problems of this nature. Therefore, I have proportioned these other  
10 areas of expenses using the same ratio of allowable and excluded expenses from the  
11 other, more easily identified groupings.

12 The table below shows my recommended exclusions for 923 accounting  
13 expenses. After recognizing the amount that PacifiCorp has already adjusted out of rates,  
14 these adjustments would exclude another \$6.1 million (total Company) from the  
15 normalized 923 expenses in PacifiCorp's rates.

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<sup>12/</sup> The March 1 through March 15, 2002 invoice shows 270 hours with the total due of \$170,464, which is over \$630 per hour.

<sup>13/</sup> This calculation excludes the \$2,372,000 of other tax expenses, but gives back the \$198,000 that PacifiCorp adjusted out of the Provision and Compliance.

<b>Major Grouping of Outside Accounting Fees</b>		
<b>Grouping</b>	<b>allowable</b>	<b>excluded</b>
Auditing	\$979,000	\$0
SFAS Issues	141,000	
Scottish Power and affiliates		1,976,000
Financial Statements	215,000	
Compliance and Provision	1,531,000	0
Income Tax Computation and Filing		2,697,000
Outside Accountants and Consultants	150,000	244,000
Other	125,000	204,000
Total Accounting	\$3,140,000	\$5,122,000
PacifiCorp Adjustment		876,000
Net ICNU Adjustment to Accounting Expenses		\$4,264,000

1 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS REGARDING 923 EXPENSES.**

2 **A.** For the reasons given above, I would exclude about \$11.4 million (total Company) from  
3 the \$45.5 million of 923 expenses identified by PacifiCorp. This would reduce the  
4 revenue requirement in Washington by just under \$1 million using the original Protocol  
5 methodology.

<b>ICNU Adjustments to PacifiCorp 923 Expenses</b>	
Snake River Litigation	\$1,673,000
Multi-State Process	\$1,369,000
RTO Development	\$3,524,000
Hive Down	\$382,000
Personal Income Tax Fees and Payments	\$209,000
Accounting: Corporate and Non-Regulated	\$4,264,000
Total	\$11,421,000
Washington share @ 8.13%	\$929,000

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 **A.** Yes.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION, )  
Complainant, )  
vs. )  
PACIFICORP d/b/a PACIFIC POWER & )  
LIGHT COMPANY )  
Respondent. )

**Docket No. UE-032065**

**EXHIBIT NO. \_\_ (DWS-2)**  
**DONALD SCHOENBECK QUALIFICATIONS**

**July 2, 2004**



**QUALIFICATIONS AND BACKGROUND  
OF  
DONALD W. SCHOENBECK**

2  
3

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

5 **A.** Donald W. Schoenbeck, 900 Washington Street, Suite 780, Vancouver, Washington  
6 98660.

7 **Q. PLEASE STATE YOUR OCCUPATION.**

8 **A.** I am a consultant in the field of public utility regulation and I am a member of Regulatory  
9 & Cogeneration Services, Inc. ("RCS").

10 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**  
11 **EXPERIENCE.**

12 **A.** I have a Bachelor of Science Degree in Electrical Engineering from the University of  
13 Kansas and a Master of Science Degree in Engineering Management from the University  
14 of Missouri.

15 From June of 1972 until June of 1980, I was employed by Union Electric  
16 Company in the Transmission and Distribution, Rates, and Corporate Planning functions.  
17 In the Transmission and Distribution function, I had various areas of responsibility,  
18 including load management, budget proposals and special studies. While in the Rates  
19 function, I worked on rate design studies, filings and exhibits for several regulatory  
20 jurisdictions. In Corporate Planning, I was responsible for the development and  
21 maintenance of computer models used to simulate the Company's financial and economic  
22 operations.

23 In June of 1980, I joined the national consulting firm of Drazen-Brubaker &  
24 Associates, Inc. Since that time, I have participated in the analysis of various utilities for  
25 power cost forecasts, avoided cost pricing, contract negotiations for gas and electric

2 services, siting and licensing proceedings, and rate case purposes including revenue  
3 requirement determination, class cost-of-service and rate design.

4 In April 1988, I formed RCS. RCS provides consulting services in the field of  
5 public utility regulation to many clients, including large industrial and institutional  
6 customers. We also assist in the negotiation of contracts for utility services for large  
7 users. In general, we are engaged in regulatory consulting, rate work, feasibility,  
8 economic and cost-of-service studies, design of rates for utility service and contract  
9 negotiations.

10 **Q. IN WHICH JURISDICTIONS HAVE YOU TESTIFIED AS AN EXPERT  
11 WITNESS REGARDING UTILITY COST AND RATE MATTERS?**

12 **A.** I have testified as an expert witness in rate proceedings before commissions in the states  
13 of Alaska, Arizona, California, Delaware, Idaho, Illinois, Montana, Nevada, North  
14 Carolina, Ohio, Oregon, Washington, Wisconsin and Wyoming. In addition, I have  
15 presented testimony before the Bonneville Power Administration, the National Energy  
16 Board of Canada, the Federal Energy Regulatory Commission, publicly-owned utility  
boards and in court proceedings in the states of Washington, Oregon and California.



PacifiCorp Data Responses to ICNU and Public Counsel

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PacifiCorp's Response to ICNU Data Request No. 7.31 in OPUC Docket No. UE 147. .12	

### ICNU Data Request 9.10

With regard to the EXCEL file provided in response to Staff Data Request No. 115 (Attachment WUTC 115a.xls), the worksheet entitled Acct 923 Detail, the invoice amount shown on lines 4414-4527:

- a. Please elaborate on the tasks or efforts associated with the Ernst & Young expenses.
- b. Please explain why Washington ratepayers should pay for tax services provided to individual employees.

### Response to ICNU Data Request 9.10

- a. Ernst & Young provided tax services to PacifiCorp employees who became subject to the jurisdiction of tax authorities outside of the individual's home country.

Where appropriate, the services of a professional, independent, advisor to provide advice on taxation and related matters will be made available to employees. The current advisor is Ernst & Young. It is the intent of the Company's policy to ensure that employees' liability in relation to tax and social security on company-earned income and benefits remains broadly equivalent to that which would have applied had they remained in their home country.

The specialist advisor assists in the completion of tax returns arising from, or affected by, the assignment and provides support to ensure that the employee complies with the requirements of both the home and the host country's governments.

- b. ScottishPower/PacifiCorp has an international mobility program that was developed as a market competitive program. By offering an international assignment program, the Company is able to share and gain knowledge of techniques performed in other countries which enable the Company to run its operations both more efficiently as well as effectively, all of which benefit the customer.

The Company's policy has the following objectives:

1. To facilitate transfers of employees to and from their home country and their host assignment and transfers between international locations;
2. To ensure fair and reasonable treatment for all International Assignees;
3. To ensure that the IA does not suffer financial hardship nor

- receives excessive financial gain by reason of an overseas assignment;
4. To promote effective use of employee talent and for effective development of talent for both the Company's business and the individual's career; and
  5. To be cost effective.

Responder: J. Ted Weston

Witness: J. Ted Weston

**ICNU Data Request 9.23**

With regard to the EXCEL file provided in response to Staff Data Request No. 115 (Attachment WUTC 115a.xls), the worksheet entitled Acct 923 Detail, the invoice amount shown on line 6549-6566:

- a. Please elaborate on the tasks or efforts associated with the consulting services.
- b. Please provide a copy of all documents provided to PacifiCorp by the consultant associated with the expenditures.
- c. Please explain why Washington ratepayers should pay for these services.
- d. Does the Company believe these costs will continue to be incurred?

**Response to ICNU Data Request 9.23**

These costs were inadvertently included above the line and will be removed from consideration in the case.

Responder: J. Ted Weston

Witness: J. Ted Weston

### Public Counsel Data Request 105

Please provide the following for each PacifiCorp base load generating unit owned or co-owned:

- a. Description of unit.
- b. Rated MW capacity (total unit and PacifiCorp portion).
- c. Maintenance expense by FERC account (PacifiCorp portion) for fiscal years 1999, 2000, 2001, and by month for the period January 2002 to date. Provide in hard copy as well electronic spreadsheet format if available.
- d. Description of major scheduled overhauls by year for the period 1999 to date.
- e. Cost of major scheduled overhauls (PacifiCorp portion) for fiscal years 1999, 2000, 2001, 2002, and by month for the period January 2003 to date. Provide in hard copy as well electronic spreadsheet format if available.
- f. Any studies addressing changes in overhaul procedures or schedules issued during the last three years.
- g. Budgeted 2003 and 2004 maintenance expense (PacifiCorp portion). Provide in hard copy as well electronic spreadsheet format if available.
- h. MWHs generated in each fiscal year 2001 through 2004.

### Response to Public Counsel Data Request 105

- a. Please see the following attachments on the enclosed CD as well as hard copy:
  - Attachment Public Counsel 105a Plants CY 1999
  - Attachment Public Counsel 105a Plants CY 2000
  - Attachment Public Counsel 105a Plants CY 2001
  - Attachment Public Counsel 105a Plants CY 2002
- b. The information is included in the response to a.
- c. The information is included in the response to a.
- d. Please see the following Confidential attachments on the enclosed CD:
  - Confidential Attachment Public Counsel 105d(1999)
  - Confidential Attachment Public Counsel 105d(2000)
  - Confidential Attachment Public Counsel 105d(2001)



Confidential Attachment Public Counsel 105d(2002-2004).

The plant overhaul schedules provided here are confidential and are provided subject to the terms and conditions of the protective order in this proceeding.

- e. Please see Attachment Public Counsel 105e(1) for year 1999 on the enclosed CD as well as hard copy. Because of the switch from calendar year to fiscal year accounting in 2000, data for calendar year 2000 are not available. However, data for FY 2001, which includes 9 months of calendar year 2000, are available. Please see Attachment Public Counsel 105 e(2) for FY 2001, 2002, 2003, and 2004 on the enclosed CD as well as hard copy. The data for FY 2004 are partial data. Actual data for March 2004 are still being finalized.
- f. PacifiCorp's overhaul policy is to conduct major overhauls for each base loaded unit on 4-year intervals with the duration of each major overhaul determined by the scope and time required to complete the work identified. Shorter 7 - 10 day outages are scheduled at the 2-year interval between major overhauls to allow repair/replacement of components with shorter life spans and to complete scope development inspections for the next major overhaul period. Equipment age and condition are factored into scope development as required with the intent of managing availability, reliability and associated risk. PacifiCorp has not changed overhaul procedures or schedules in the course of the last 3 years and has not commissioned any studies for this purpose.
- g. Please see Attachment Public Counsel 105g on the enclosed CD as well as hard copy.
- h. Please see Attachment Public Counsel 105h on the enclosed CD.

Responder: J. Ted Weston  
Witness: J. Ted Weston

**ICNU Data Request 7.3**

With reference to PacifiCorp's responses to data requests ICNU 5.17 and 5.18: e.g., the PricewaterhouseCoopers invoice paid in May-01 for \$22,363, please identify and explain the project identified on this invoice as "Powercor IDRs, Hazelwood Disposition". Please explain in enough detail to allow us to understand the relationship of this project to PacifiCorp and how this project affects PacifiCorp's ratepayers.

**Response to ICNU Data Request 7.3**

This project has no benefit to PacifiCorp's ratepayers.

**ICNU Data Request 7.11**

With reference to PacifiCorp's responses to data requests ICNU 5.17 and 5.18: e.g., the PricewaterhouseCoopers invoice paid in Sep-01 for \$94,631, please identify and explain the project identified on this invoice as "PHI balance sheet and revenue ruling issues". Please explain in enough detail to allow us to understand the relationship of this project to PacifiCorp and how this project affects PacifiCorp's ratepayers.

**Response to ICNU Data Request 7.11**

Please see PacifiCorp's response to ICNU data request 7.3.

**ICNU Data Request 7.13**

With reference to PacifiCorp's responses to data requests ICNU 5.17 and 5.18: e.g., the PricewaterhouseCoopers invoice paid in Nov-01 for \$200,637, please identify and explain the project identified on this invoice as "Outsourcing of Compliance and Provision". Please explain in enough detail to allow us to understand the relationship of this project to PacifiCorp and how this project affects PacifiCorp's ratepayers. Please include all major work items that are being outsourced to PwC.

**Response to ICNU Data Request 7.13**

This project relates to the outsourcing of PacifiCorp's tax return preparation for fiscal year ending 3/31/01, due 12/15/01.

**ICNU Data Request 7.15**

With reference to PacifiCorp's responses to data requests ICNU 5.17 and 5.18: e.g., the PricewaterhouseCoopers invoice paid in Feb-02 for \$47,301, please identify and explain the project identified on this invoice as "PGHC's Basis Study". Please explain in enough detail to allow us to understand the relationship of this project to PacifiCorp and how this project affects PacifiCorp's ratepayers. Please include an explanation of the business relationship between PacifiCorp (focusing the regulated business) and PGHC.

**Response to ICNU Data Request 7.15**

Please see PacifiCorp's response to ICNU data request 7.3.

**ICNU Data Request 7.29**

With reference to PacifiCorp's responses to data requests ICNU 5.17 and 5.18: e.g., the PricewaterhouseCoopers invoice paid in Dec-02 for \$149,317, please identify and explain the project identified on this invoice as "Transaction Cost Analysis". Please explain in enough detail to allow us to understand the relationship of this project to PacifiCorp and how this project affects PacifiCorp's ratepayers.

**Response to ICNU Data Request 7.29**

Please see PacifiCorp's response to ICNU data request 7.3.

**ICNU Data Request 7.31**

With reference to PacifiCorp's responses to data requests ICNU 5.17 and 5.18: e.g., the PricewaterhouseCoopers invoice paid in Jan-03 for \$80,648, please identify and explain the project identified on this invoice as "PHI Indebtedness Analysis". Please explain in enough detail to allow us to understand the relationship of this project to PacifiCorp and how this project affects PacifiCorp's ratepayers.

**Response to ICNU Data Request 7.31**

Please see PacifiCorp's response to ICNU data request 7.3.

