

August 1, 2008

VIA ELECTRONIC FILING AND OVERNIGHT DELIVERY

Washington Utilities and Transportation Commission 1300 S. Evergreen Park Drive S.W. P.O. Box 47250 Olympia, WA 98504-7250

Attention: David Danner

Executive Director and Secretary

Re: Docket No. UE-080220

Dear Mr. Danner:

Enclosed for filing are an original and twelve (12) copies of an all-party Stipulation entered into by PacifiCorp d/b/a Pacific Power, Staff of the Washington Utilities and Transportation Commission, Public Counsel Section of the Office of the Attorney General, Industrial Customers of Northwest Utilities and The Energy Project, ("The Parties"). This Stipulation is being filed with the Commission as a full settlement pursuant to WAC 480-07-730(1).

The Parties respectfully request that the procedural schedule in this matter be suspended, except for the Public Comment Meeting, which Pacific Power will request be rescheduled for an earlier date. The Parties further request that a prehearing conference be scheduled as soon as possible to determine a procedural schedule for processing the Stipulation. The settling parties will be filing joint testimony in support of the Stipulation no later than August 8, 2008.

Sincerely,

Andrea L. Kelly

Vice President, Regulation

Andrea L. Kerry

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I certify that I have cause to be served the foregoing Settlement Stipulation in WUTC

Docket UE-080220 upon all parties of record in this proceeding via email and overnight mail, as

listed below:

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DATED this 1st day of August, 2008.

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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

DOCKET UE-080220

v.

PACIFICORP d/b/a PACIFIC POWER AND LIGHT COMPANY,

Respondent.

SETTLEMENT STIPULATION

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As described below, all parties to this docket, *i.e.*, PacifiCorp d/b/a Pacific Power and Light Company ("PacifiCorp" or "the Company"), Staff of the Washington Utilities and Transportation Commission ("Staff"), Public Counsel Section of the Office of the Attorney General ("Public Counsel"), Industrial Customers of Northwest Utilities ("ICNU") and The Energy Project¹ (individually, "Party,"; collectively, "Parties") have reached an agreed resolution of issues in this docket, subject to Commission approval. Consequently, this Settlement Stipulation ("Stipulation") is being filed with the Commission as a "full settlement" pursuant to WAC 480-07-730(1). The Stipulation consists of this document entitled "Settlement Stipulation," and Appendix A attached hereto.

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

The Parties understand that this Stipulation is not binding on the Commission or any Party unless and until the Commission approves it.²

I. PARTIES

This Stipulation is entered into by the Company, Staff, Public Counsel, ICNU and The Energy Project regarding PacifiCorp's pending general rate filing in the above docket.

These are all the parties to this docket.

II. RECITALS

On February 6, 2008, PacifiCorp filed with the Washington Utilities and Transportation Commission ("Commission") revisions to its currently effective Tariff WN U-74, designed to affect a general rate increase for electric service. The filing was based on an historical twelve-month period ending June 30, 2007, adjusted for known and measurable changes through June 30, 2008. In the filing, the Company requested a revenue increase of \$34.9 million, or 14.6 percent. The filing was suspended by Commission order dated February 14, 2008.³

The Company's filing also requested authorization to begin amortization of \$12.5 million of costs related to poor hydro conditions during 2005, which the Company was previously authorized to defer by Commission order.⁴

By an order dated February 26, 2008, presiding Administrative Law Judge Dennis Moss granted the petition to intervene of ICNU.⁵ At the prehearing conference on March 6, 2008, The Energy Project was also granted intervention in this proceeding.

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² The exception is that prior to the Commission's approval of the Stipulation, the Parties agree to support the Stipulation before the Commission. ¶28, *infra*.

³ *Utilities and Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-080220, Order 01

³ Utilities and Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co., Docket UE-080220, Order 01 (Feb. 14, 2008).

⁴ Utilities and Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co., Docket UE-050684, Order 04, In the Matter of the Petition of PacifiCorp d/b/a Pacific Power & Light Co. for an Order Approving Deferral of Costs Related to Declining Hydro Generation, Docket UE-050412, Order 03 (Cons.) (Apr. 17, 2006).

Subsequent to the prehearing conference, Staff, Public Counsel, ICNU and The 7

Energy Project conducted extensive discovery on the Company's direct testimony.

The Parties participated in a settlement conference on July 24, 2008. At the settlement conference on July 24 and over subsequent days, the Parties presented proposals and counter-proposals which resulted in agreement among all Parties on a resolution of this proceeding.

The Parties have reached an agreed resolution of this proceeding and wish to present their agreement for the Commission's consideration. The Parties therefore adopt the following Stipulation, which is entered into by the Parties voluntarily to resolve matters in dispute among them in the interests of expediting the orderly disposition of this proceeding.

III. **AGREEMENT**

Rate Increase and Rate Effective Date A.

The Parties agree that PacifiCorp shall be authorized to implement rate changes designed to increase its revenues from Washington customers by \$20.4 million (or 8.5 percent). The Parties agree that the agreed rate changes identified herein will be effective October 15, 2008. The rate increase primarily consists of two components:

- Increase to Base Rates. The Parties agree that base rates will be increased 1. by \$18.4 million. Of the overall 8.5 percent increase, this amounts to 7.7 percent.
- Hydro Deferral. The Parties agree that, consistent with the Commission's 2. order issued in Dockets UE-050684 and UE-050412 (Consolidated),⁶ the Company will amortize \$6.25 million plus interest (based on the Company's authorized rate of return)

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⁵ Utilities and Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co., Docket UE-080220, Order 02 (Feb. 26, 2008).

⁶ Utilities and Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co., Docket UE-050684, Order 04, In the Matter of the Petition of PacifiCorp d/b/a Pacific Power & Light Co. for an Order Approving Deferral of Costs Related to Declining Hydro Generation, Docket UE-050412, Order 03 (Cons.) (Apr. 17, 2006).

related to low hydro conditions which occurred during 2005 by means of a \$2 million annual surcharge collected over an approximate three-year period. Of the overall 8.5 percent increase, this amounts to 0.8 percent.

В. Rate Design

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The Parties agree that the Commission should accept the Company's rate design proposals as set forth in the Company's direct testimony in this proceeding, 7 with three exceptions: 1) The residential basic charge will be increased to \$6.00;8 2) The primary voltage discount for Schedule 48T will be \$0.75/kW; and 3) All other billing components of Schedule 48T will be increased on an equal percentage basis; 10

The Company agrees to consult with ICNU and other interested parties to review Schedule 48T cost of service and rate design issues. Such consultation will occur sufficiently in advance of the Company's next general rate case in order to allow time to consider inclusion of any recommendations in the general rate case filing.

C. Rate Spread

The parties agree to the rate spread shown on Appendix A to this Stipulation, which shows the class-by-class results of the agreed rate spread. Appendix A reflects the following rate spread for the base rate increase of 7.7 percent, or \$18.4 million:

- No increase for lighting schedules;
- 85 percent of the overall average percentage increase for small general service:
- The balance is spread equally among all other classes.

⁽WRG-1T) at 4:7-7:12. Griffith, Exh.

Schedule 16 Residential Service

⁹ Schedule 48T Large General Service – 1,000 kW and Over

¹⁰ Schedule 48T Large General Service – 1,000 kW and Over

The Parties agree that the hydro deferral amount will be spread on an equal percentage of revenue basis to all rate schedules and will be applied as a cents per kWh surcharge.

D. Other Customer Charges

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The Parties agree that the Company's proposals for Rule changes and Schedule 300 charges as set forth in the Company's direct testimony in this proceeding¹¹ will be accepted, subject to the following:

- The Company will not increase its Field Visit Charge; it will remain at \$15.00;
- The Company will increase Reconnection Charges to the following levels:
 - o Normal Business \$25.00
 - o Evening \$50.00
 - o Weekend and holiday \$75.00.

E. Authorized Return on Rate Base

The Parties agree that the Company's authorized rate of return will remain at 8.060 percent, unchanged from the rate of return adopted by the Commission in Docket UE-061546. 12

F. Low Income Issues

1. Low Income Bill Assistance. The Company agrees that the Low Income Bill Assistance ("LIBA") Program credit, available through Schedule 17, and funded by other customers through Schedule 91, will be increased by a percentage amount equal to the overall percentage change in residential rates. One hundred percent of the increase will be applied to increase the Schedule 17 energy credit to partially offset the impact of the rate increase on those customers who are able to participate in the Schedule 17 rates.

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¹¹ Rockney, Exh. (CAR-1T) at 2:11-11:2.

¹² Utilities and Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co., Docket UE-061546, Order 08 (Jun. 21, 2007) at 6 (table). The Parties understand that the Commission has the right to change this rate of return in a future proceeding.

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2. Low Income Weatherization. The Company agrees that on or before

October 15, 2008, the Company will schedule a meeting with the appropriate members of
the Low Income and Demand-Side Management Advisory Groups, subject to schedules and
availability of the participating members, to explore and consider an increase to the
Company's application of funding (currently at 50 percent of the cost of cost-effective
measures) of the low-income weatherization program. The Company and The Energy
Project will work jointly to develop a presentation for the group that outlines key
considerations on that issue, with the goal of reaching a consensus recommendation. Based
on the feedback from the Advisory Group members, the Company will make a filing with
the Commission by November 15, 2008, to initiate a proceeding before the Commission for
resolving this issue.

G. Discovery and Procedural Schedule

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The Parties agree to suspend all discovery in this proceeding pending filing and consideration of this Stipulation and, upon filing of the Stipulation, request that the Commission promptly issue an order suspending the remainder of the procedural schedule in this docket, except for the Public Comment Hearing. Any Party may request that the Commission reschedule the Public Comment Hearing. The Parties request that the Commission hold a prehearing conference to determine the procedures for Commission consideration of this Stipulation. In the event the case resumes, the Parties agree to work cooperatively to develop a new schedule taking into consideration the delay associated with this settlement.

H. Next General Rate Case

The Company will not file a general rate case until after January 31, 2009.

I. Generation Cost Adjustment Mechanism

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The Company agrees to withdraw its request for a Generation Cost Adjustment Mechanism ("GCAM") as proposed in this docket and will not propose a GCAM or similar mechanism in its next general rate case or by other means (e.g., by petition) until after its next general rate case. "Similar mechanism" is to be broadly defined and includes any power cost adjustment mechanism, proposal for a power cost only rate case, or similar item.

J. Test Period and Rate Case Filing Considerations

The Company will consult with Staff and other interested parties on accounting presentation, test period conventions, and appropriate documentation to demonstrate the prudence of new resources. These consultations will take place prior to the Company filing its next general rate case, and, to the extent possible, in time for the Company to reflect the recommendations in the Company's next general rate case filing, if not as part of the Company's presentation, then as part of its workpapers.

K. Request for Findings

The Parties agree that the Commission should make the following findings as part of an order accepting this Stipulation:

- Prudence of New Resources. The Company's Goodnoe Hills and Marengo
 I wind projects are prudent and used and useful for service to Washington customers.
- 2. Net Power Cost Baseline. A net power cost ("NPC") baseline will be established for the West Control Area for purposes of reporting and historical comparisons. The NPC baseline is \$430,880,359 million on a West Control Area basis, or \$96,757,278 million on a Washington-allocated basis. The Parties do not agree to the use of the NPC

baseline for any other purposes, including but not limited to a power cost or hydro deferral, but are not precluded from proposing the use of the NPC baseline for other purposes.

L. General Provisions

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1. The Parties agree that this Stipulation is in the public interest and would produce rates for the Company that are fair, just, reasonable, and sufficient. The Parties agree to support this Stipulation as a settlement of all contested issues in this proceeding. The Parties further agree that this Stipulation, upon its approval by the Commission, resolves and concludes this proceeding. The Parties understand that this Stipulation is not binding on the Commission or any Party unless and until it is approved.

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2. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding.

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3. The Parties agree this Stipulation represents the entire agreement of the Parties, and it supersedes any and all prior oral or written understandings or agreements related to this docket or this settlement, if any, and no such prior understanding, agreement or representation shall be relied upon by any Party. Parties have negotiated this Stipulation as an integrated document. Accordingly, the Parties recommend that the Commission adopt this Stipulation in its entirety.

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4. The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and cooperate in supporting this Stipulation throughout the Commission's consideration of this Stipulation. In particular, each Party shall cooperate in developing a narrative and presenting supporting witnesses, and/or presenting supporting

testimony, as described in WAC 480-07-740(2)(a) and (b). The Parties agree to support the Stipulation throughout the Commission's consideration of this Stipulation, and abide by the procedures determined by the Commission for its review of this Stipulation. If necessary, each Party will provide witnesses to sponsor and support this Stipulation at a Commission hearing. If the Commission decides to hold such a hearing, each Party will recommend that the Commission issue an order adopting the Stipulation. In the event the Commission rejects this Stipulation, the provisions of WAC 480-07-750(2)(a) shall apply. In the event the Commission accepts the Stipulation upon conditions not proposed herein, the provisions of WAC 480-07-750(2)(b) shall apply. In the event the Commission accepts the Stipulation upon conditions not proposed herein, or approves resolution of this proceeding through provisions which are different than recommended in this Stipulation, each Party reserves the right, upon written notice to the Commission and all parties to this proceeding within seven (7) days of the Commission's order, to state its rejection of the conditions. If any Party rejects a proposed new condition, the Parties will: 1) request the prompt reconvening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case pursuant to WAC 480-07-750(2)(a); and 2) cooperate in development of a schedule that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in participating in hearings and preparing briefs.

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5. In the event the Commission determines that it will reject the Stipulation or accept the Stipulation upon conditions not proposed herein, the Parties request that the Commission issue an order as soon as possible so that the Parties may promptly invoke the provisions of WAC 480-07-750.

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6. The Parties enter into this Stipulation to avoid further expense, inconvenience, uncertainty and delay. By executing this Stipulation, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed in arriving at the terms of this Stipulation, nor shall any Party be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except to the extent expressly set forth in the Stipulation, including but not limited to prudence of new resources, the filing date for the next general rate case, and the ability to file a GCAM in the next general rate case.

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7. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document. A Party may authorize another Party to sign on the first Party's behalf. A signed signature page that is faxed or emailed is acceptable as an original signature page signed by that Party.

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8. This Stipulation is the product of negotiation and no part shall be construed against any Party on the basis that it was the drafter.

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9. Each Party agrees to provide all other Parties the right to review in advance of publication any and all announcements or news releases that any other Party intends to make about the Stipulation (with the right of review to include a reasonable opportunity to request changes to the text of such announcements). Each Party also agrees to include in any news release or announcement a statement to the effect that the Commission Staff's recommendation to approve the Stipulation is not binding on the Commission itself.

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10. The effective date of this Stipulation is the date of the Commission order approving it, subject to the procedures of Part III.L.4 (\P 31) above.¹³

¹³ The effective date of the provisions wherein the Parties agree to support the Stipulation is the date of the latest dated signature to the Stipulation.

PacifiCorp	Staff of the Washington Utilities and Transportation Commission
By Andrea & Kelly Andrea L. Kelly Vice President, Regulation	By Donald T. Trotter Senior Counsel
Public Counsel	Industrial Customers of Northwest Utilities
By	By Irion A. Sanger Attorney for ICNU
The Energy Project	
By Brad Purdy Attorney for The Energy Project	

PacifiCorp	Staff of the Washington Utilities and Transportation Commission
ByAndrea L. Kelly Vice President, Regulation	By Donald T. Trotter Senior Counsel
Public Counsel	Industrial Customers of Northwest Utilities
By Sarah A. Shifley Assistant Attorney General Public Counsel Section of the Office of the Attorney General	By Irion A. Sanger Attorney for ICNU
The Energy Project	
ByBrad Purdy Attorney for The Energy Project	

This STIPULATION is entered into by each Party as of the date entered below.

DATED: August 1, 2008.

The Energy Project

Brad Purdy

Attorney for The Energy Project

PacifiCorp	Staff of the Washington Utilities and Transportation Commission
Andrea L. Kelly Vice President, Regulation	By
Public Counsel	Industrial Customers of Northwest Utilities
By	By Irion A. Sanger Attorney for ICNU

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APPENDIX A

Results of Rate Spread by Class

TABLE A. PRESENT AND TARGET RATES PACIFIC POWER & LIGHT COMPANY ESTIMATED EFFECT OF PROPOSED PRICES ON REVENUES FROM ELECTRIC SALES TO ULTIMATE CONSUMERS IN WASHINGTON 12 MONTHS ENDED JUNE 2008 PRO FORMA

7.7% Base Rate Increase with 0.8% Hydro Deferral Surcharge

				-	./% base Kate	/./% base kate increase with 0.8% hydro Deferral Surcharge	% Hyaro Delen	ai Surchar	<u>ي</u>					Hydro Deferral
						Proposed	ğ			Change	63			Surcharge
		Curr.			Base	Base	Net	Base	H	Hydro Deferral	Hydro	Net		
Line		Sch.	Avg.		Revenues	Revenues	Revenues	Increase	Base	Increase	Deferral	Increase	Net	
No.	Description	No.	Cust.	MWH	(2000)	(\$000)	(\$000)	(\$000)	%	(\$000)	%	(\$000)	%	(cents/kWh)
	(1)	(2)	(3)	(4)	(5)	(9)	(7)	(8)	(6)	(10)		(12)	(13)	(14)
						(5)+(8)	(6)+(10)		(8)/(2)		(10)/(2)		(12)/(5)	
-	Residential Residential Service	16/18	102,489	1,581,587	\$103,498	\$111,735	\$112,602	\$8,237	8.0%	2887	%8.0	\$9,103	8.8%	0.055
		l		***************************************										
7	Total Residential	1	102,489	1,581,587	\$103,498	\$111,735	\$112,602	\$8,237	8.0%	\$867	0.8%	\$9,103	8.8%	
	Commercial & Industrial													
3	Small General Service	24	17,493	529,663	\$34,688	\$36,959	\$37,249	\$2,270	6.5%	\$290	0.8%	\$2,561	7.4%	0.055
4	Partial Requirements Service	33	0	0	80	80	\$0	\$0	8.0%	\$0	%0:0	\$0	%0.0	•
5	Large General Service <1,000 kW	36	1,066	909,585	\$49,464	\$53,400	\$53,814	\$3,936	8.0%	\$414	%8.0	\$4,350	8.8%	0.046
9	Agricultural Pumping Service	40	5,293	151,117	\$9,177	\$9,907	\$9,984	\$730	8.0%	\$77	0.8%	\$807	8.8%	0.051
7	Partial Requirements Service => 1,000 kW	47		2,437	\$238	\$256	\$257	\$19	8.0%	\$	0.4%	\$20	8.3%	0.038
00	Large General Service => 1,000 kW	48	63	892,786	\$40,277	\$43,482	\$43,819	\$3,205	8.0%	\$337	%8.0	\$3,543	8.8%	0.038
6	Recreational Field Lighting	54	28	235	\$19	\$19	\$19	\$0	%0.0	80	0.8%	80	%8.0	0.067
		I										3		
10	Total Commercial & Industrial		23,944	2,485,823	\$133,862	\$144,024	\$145,143	\$10,161	7.6%	\$1,119	0.8%	\$11,281	8.4%	
	Public Street Lighting													
11	Outdoor Area Lighting Service	15	2,797	3,795	\$481	\$481	\$485	20	%0:0	\$4	0.8%	\$	%8.0	0.106
12	Street Lighting Service	51	156	2,952	\$531	\$531	\$536	\$0	0.0%	\$4	0.8%	\$4	%8.0	0.151
13	Street Lighting Service	52	20	454	09\$	09\$	09\$	\$0	%0:0	80	0.8%	20	%8.0	0.110
14	Street Lighting Service	53	283	4,439	275	\$275	\$277	80	%0.0	\$2	0.8%	\$2	%8.0	0.052
15	Street Lighting Service	27	46	2,076	225	\$225	\$227	\$0	%0.0	\$2	%8.0	\$2	%8.0	0.091
ţ		1			6		700 14	6	ò	6	òo	213	8000	
91	Lotal Public Street Lighting	i	3,300	13,710	6/6,16	\$1,5/3	\$1,300	0	0.070	618	0.0.0	C) e	0.0/0	
17	Total Sales to Standard Tariff Customers	l l	129,738	4,081,126	\$238,934	\$257,331	\$259,331	\$18,398	7.7%	\$1,999	0.8%	\$20,397	8.5%	0.049
18	Total AGA				\$311	\$311	\$311							
61	Total Sales to Ultimate Consumers	ŀ	129,738	4,081,126	\$239,245	\$257,643	\$259,642	\$18,398	7.7%	\$1,999	%8.0	\$20,397	8.5%	