Exhibit No.___ (RJF-4)
Docket No. UE-100749
Witness: Randall J. Falkenberg

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY, Respondent.	)	Docket No. UE-100749

EXHIBIT NO. ___ (RJF-4)

COMPARISON OF THE WEST CONTROL AREA TO REVISED PROTOCOL

October 5, 2010

Comparison of the West Control Area to Revised Protocol

Background

The company was asked to prepare a report comparing the company's Washington cost allocations under the West Control Area (WCA) methodology and the Revised Protocol. This is identified as Task Item #9 from the July 30, 2007 MSP meeting.

West Control Area Overview

The WCA method includes only loads and resources contained within PacifiCorp's west control area for operational purposes. The west control area includes California, Oregon and Washington loads and includes Company-owned generating resources such as the west hydroelectric resources, Hermiston, Colstrip, and Jim Bridger as well as wholesale contracts like the Bonneville Power Administration Peak Purchase contract and the Mid-Columbia hydro contracts. The WCA method isolates the costs associated with these assets, purchases and sales, and allocates to Washington a proportionate share of the costs based on Washington's relative contribution to the west control area's demand and energy usage. A summary of the WCA methodology is provided in Attachment 1.

Analysis Background

The analysis is based on the historic test period, the twelve months ended September 30, 2004, with limited known and measurable adjustments through the end of the rate effective period (the twelve months ended March 31, 2007). The following parameters were used in making the known and measurable adjustments:

- The analysis provides twelve-month totals for revenues and expenses and shows rate base as a thirteen-month average except for deferred tax balances which are shown at year-end.
- Net Power Costs have been calculated for the rate effective period, that is, the twelve months ended March 31, 2007.
- Included all major plant additions over $5 million placed into service prior to March 31, 2006 as an adjustment to the historic test period.
- A forecast of wages and benefits that the Company expected to experience in the twelve months ended March 31, 2006.
- The analysis performed reflects the WCA method as approved by the Washington Utilities and Transportation Commission (WUTC) Order from Docket No. UE-061546

Overall, if the Company's proposed WCA method had been used, for the above specified time period, Washington's revenue deficiency would increase from $39.2 million under Revised Protocol to $40.9 million under the WCA. A summary of the changes are provided in the table below.

Washington September 2004 Results of Operations
Revised Protocol - West Control Area Comparison
Change in Revenue Requirement (Millions of Dollars)

	Change RP Less WCA
Net Power Costs:	
Sales for Resale	2.1
Fuel	15.4
Purchased Power	(33.7)
Wheeling	(7.5)
Total Net Power Costs	**(23.7)**
Rate Base:	
Net Change	94.3
Return on Rate Base	11.7%
Total Rate Base	**11.0**
Embedded Cost Differential	(8.7)
Other OMAG	12.6
Depreciation & Amortization	4.8
Taxes Other Than Income	(6.6)
Deferred Taxes, Other	8.9
Total Change - RP Less WCA	**(1.7)**

Explanation of Key Differences between Methodologies

The differences in the methodologies are highlighted below by category and provide useful explanations to the results.

Rate Base
The WCA method includes generation and transmission resources that lie within the west control area. These assets are assigned as followed:

Generation Resources

Fixed generation resources are allocated to Washington customers on the Control Area Generation – West (CAGW) factor. The CAGW factor is 75 percent demand-related and 25 percent energy-related. Variable generation resources are allocated to Washington customers on the Control Area Energy – West (CAEW) factor. The CAEW factor is a 100 percent energy weighting of Oregon, Washington and California retail loads based on each state's share of the west control area temperature normalized annual megawatt hours.

Transmission

Transmission plant located in Oregon, Washington and California is assigned to the west control area. Additionally, the transmission lines associated with delivering Colstrip and

Jim Bridger to the west are assigned to the west control area. Fixed transmission plant is allocated on the CAGW factor and variable transmission plant is allocated on the CAEW factor.

Distribution Plant
Distribution plant located in the state of Washington is situs assigned.

Since there is less plant assigned to Washington under the WCA method than under a system-wide allocation, Washington has a lower rate base. However, the lower rate base associated with transmission assets is offset by a higher proportionate allocation of transmission wheeling expense in the West Control.

<u>Operating Expenses</u>
The costs associated with plant assets are also allocated on the same basis as the plant that generated the expense. Consequently, items such as depreciation and amortization expenses are lower. As for administrative and general expenses, these are applied using the system overhead (SO) factor as described below.

Administrative and General (A&G)
The SO factor is updated in the WCA method. The SO factor is calculated by dividing the gross plant (excluding SO allocated plant) allocated to Washington by total company gross plant. The Gross plant allocated to Washington is based upon the WCA method, which assigns less plant to Washington than under a system-wide allocation.

The updated SO factor under the WCA method leads to slightly lower A&G costs assigned to Washington.

<u>Other Expenses</u>
Items such as taxes depend on whether the items are related to a specific plant asset or a state requirement. A description of how taxes are treated is listed below:

Taxes Other than Income
Franchise Taxes are situs assigned. Energy related taxes in the west control area are allocated using the CAEW factor. Other taxes, including Property and Payroll Taxes, are allocated on the SO factor. Washington has a Business & Occupancy Tax; this is assigned situs to the state of Washington.

Income Taxes
Deferred Income Taxes, "Schedule M" amounts and Accumulated Deferred Income Taxes for existing plant are calculated by the Company's deferred tax model, Power Tax. Taxes related to capital additions and new resources are allocated on the same basis as the plant. State Income Taxes (from other states) are not allocated to Washington and Federal Income Taxes are calculated within the Company's Inter-jurisdictional Allocation Model based on the allocation of revenues and expenses within the model.

<u>Net Power Costs</u>

Net power costs for the west control area are modeled using the company's Generation and Regulation Initiatives Decision Tools model (GRID). GRID isolates west control area loads and resources from east control area loads and resources. The west control area consists of:

- Retail loads for the Company's Washington, Oregon and California retail jurisdictions, and
- Long-term and short-term firm wholesale sales whose point of delivery is in the west control area unless the transaction is tied to a specific east side resource, such as Foote Creek.

West resources consist of:

- Jim Bridger and Colstrip 4 coal generation facilities,
- Hermiston combined cycle combustion turbine generation facility,
- Owned and contracted hydro generation facilities, and
- Long-term and short-term firm purchase power contracts excluding all other QF contracts from other states.

For this analysis, fuel costs for the west control area generation resources, non-firm wholesale sales and purchases within the west control are allocated on the CAEW factor. Firm wholesale sales and purchases are allocated on the CAGW factor. Washington qualifying facility (QF) contracts are assigned situs. All other QF contracts are excluded from the net power cost calculations. Wheeling expenses scheduled for delivery within the west control area are included; firm contracts are allocated on the CAGW factor and non-firm contracts are allocated on the CAEW factor.

Adjustments

Under the WCA method, there is also an adjustment to net power costs to reflect an assumed sale from the west control area to the PacifiCorp's East Control Area (PACE); this adjustment is referred to as the Eastern Market Modification. The Eastern Market Modification is a theoretical sale from the WCA to PACE at the Borah / Brady interconnection to account for market price differences between the Mid-Columbia ("Mid-C") and Four Corners wholesale markets hubs located in each control area. The proposed adjustment reduces Washington net power costs by approximately $1.0 million

Since Washington is not assigned any of the east side resources, this results in higher purchase power costs under the WCA. The net effect of the WCA method described above is higher net power costs under the WCA method.

Attachment 1

PACIFICORP
SUMMARY OF WEST CONTROL AREA
ALLOCATION METHOD

	West Control Area - Washington
Plant:	
Generation	Bridger (based on west control area transmission capacity), Colstrip, Hermiston, Leaning Juniper and west control area hydro generation are assigned to the west control area. All other generation plant is excluded. The fixed costs of West control area resources are allocated on the Control Area Generation factor (CAGW).
Transmission	Transmission Plant located in California, Oregon and Washington, Colstrip Transmission, all other Montana Transmission, Idaho Pacific Transmission and Jim Bridger Transmission lines Kinport and Borah are assigned to the west control area. The fixed costs of these assets are allocated on the CAGW factor.
Distribution	Situs
General/Intangible	Generation, Transmission and Distribution per above. Customer related - CN (number of customers). General Office - SO (Gross Plant)
O&M:	
Generation	Fixed – CAGW, Variable – Control Area Energy factor (CAEW)
Transmission	Fixed – CAGW, Variable - CAEW
Distribution	Situs, System Net Plant Distribution (SNPD)
Customer Account, Customer Service, Sales	Distribution Related – Situs, SNPD System Related - CN
A&G	Distribution Related - Situs Customer Related - CN Other A&G - SO
Other Expenses:	
Depreciation/ Amortization	Follows plant
Taxes Other Than Income	Franchise - Situs Property Tax - Gross Plant System (same as SO) Payroll Taxes - SO Washington Public Utility Tax - Situs Energy Taxes - CAEW
Deferred Income Taxes, Schedule Ms and Accumulated Deferred Taxes	Existing Plant - Power Tax Output by Jurisdiction. Capital Additions and New Resources - Allocated on same basis as plant.
State Income Taxes	Situs
Federal Income Taxes	Calculated in Jurisdictional Allocation Model
Net Power Costs:	
Fuel	CAEW
Wholesale Sales	Firm CAGW Non-Firm CAEW
Purchased Power	Firm CAGW Washington QFs - Situs to Washington. Non-Firm CAEW
Wheeling Expense	Contracts for delivery within the west control area are assigned to the west control area. Firm CAGW Non-Firm CAEW