

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

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

Respondent.

DOCKET UE-080220

SETTLEMENT STIPULATION

1 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.

2 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

3 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

4 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

5 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

6 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.

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 (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).

7 Subsequent to the prehearing conference, Staff, Public Counsel, ICNU and The
Energy Project conducted extensive discovery on the Company's direct testimony.

8 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.

9 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

A. Rate Increase and Rate Effective Date

10 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:

11 1. **Increase to Base Rates.** The Parties agree that base rates will be increased
by \$18.4 million. Of the overall 8.5 percent increase, this amounts to 7.7 percent.

12 2. **Hydro Deferral.** The Parties agree that, consistent with the Commission's
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)

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.

B. Rate Design

13 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;⁹ and 3) All other billing components of Schedule 48T will be increased on an equal percentage basis;¹⁰

14 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

15 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.

⁷ Griffith, Exh. ____ (WRG-1T) at 4:7-7:12.

⁸ 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

16 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

17 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:
 - Normal Business - \$25.00
 - Evening - \$50.00
 - Weekend and holiday - \$75.00.

E. Authorized Return on Rate Base

18 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

19 **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.

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.

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

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

23 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

24 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

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

26 **1. 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.

27 **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

28 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.

29 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.

30 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.

31 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.

32

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.

33

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.

34

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.

35

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.

36

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.

37

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 (¶ 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.

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

DATED: August 1, 2008.

PacifiCorp

**Staff of the Washington Utilities and
Transportation Commission**

By Andrea L. Kelly
Andrea 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
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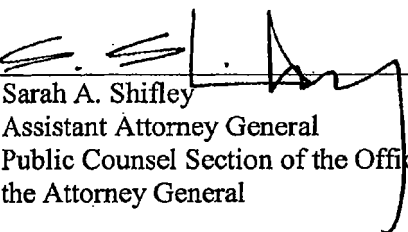
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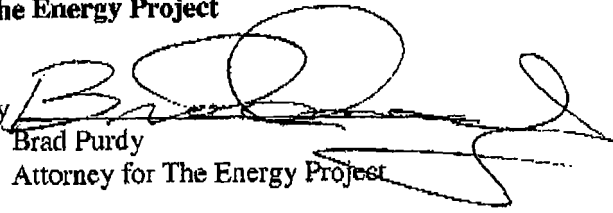
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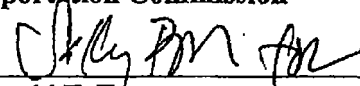
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APPENDIX A

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

Line No.	Description	Curr. Sch. No.	Avg. Cust.	MWH	Base Revenues (\$000)	Proposed		Change				Hydro Deferral Surcharge (cents/kWh)		
						Base Revenues (\$000)	Net Revenues (\$000)	Base Increase (\$000)	Base %	Hydro Deferral Increase (\$000)	Hydro Deferral %		Net Increase (\$000)	Net %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
						(5)+(8)	(6)+(10)	(8)/(5)	(9)/(5)	(10)/(5)	(11)/(5)	(12)/(10)	(13)/(5)	
Residential														
1	Residential Service	16/18	102,489	1,581,587	\$103,498	\$111,735	\$112,602	\$8,237	8.0%	\$867	0.8%	\$9,103	8.8%	0.055
2	Total Residential		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	\$0	\$0	\$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	0.8%	\$4,350	8.8%	0.046
6	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	1	2,437	\$238	\$256	\$257	\$19	8.0%	\$1	0.4%	\$20	8.3%	0.038
8	Large General Service => 1,000 kW	48	63	892,786	\$40,277	\$43,482	\$43,819	\$3,205	8.0%	\$337	0.8%	\$3,543	8.8%	0.038
9	Recreational Field Lighting	54	28	235	\$19	\$19	\$19	\$0	0.0%	\$0	0.8%	\$0	0.8%	0.067
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	\$0	0.0%	\$4	0.8%	\$4	0.8%	0.106
12	Street Lighting Service	51	156	2,952	\$531	\$531	\$536	\$0	0.0%	\$4	0.8%	\$4	0.8%	0.151
13	Street Lighting Service	52	20	454	\$60	\$60	\$60	\$0	0.0%	\$0	0.8%	\$0	0.8%	0.110
14	Street Lighting Service	53	283	4,439	\$275	\$275	\$277	\$0	0.0%	\$2	0.8%	\$2	0.8%	0.052
15	Street Lighting Service	57	49	2,076	\$225	\$225	\$227	\$0	0.0%	\$2	0.8%	\$2	0.8%	0.091
16	Total Public Street Lighting		3,306	13,716	\$1,573	\$1,573	\$1,586	\$0	0.0%	\$13	0.8%	\$13	0.8%	
17	Total Sales to Standard Tariff Customers		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							
19	Total Sales to Ultimate Consumers		129,738	4,081,126	\$239,245	\$257,643	\$259,642	\$18,398	7.7%	\$1,999	0.8%	\$20,397	8.5%	