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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

December 3, 1999

Doug Kilpatrick
Washington Utilities and Transportation Commission
1300 S. Evergreen Parkway Dr. SW
P.O. Box 47250
Olympia, WA 98504-7250

Re: Docket No. UE-991262

Dear Doug:

The purpose of this letter is to inform all parties to the docket of modifications to the financial analysis described in the testimony and exhibits of Dr. Rodger Weaver. These modifications, described in detail below, were identified during the course of discovery and have the following impacts on the analysis:

- The net present value of the Keep Case revenue requirement is increased by $19 million.
- The net present value of the Sell Case revenue requirement is decreased by $13 million.
- In combination, the corrected net present value of the benefit to customers of selling Centralia is $42 million, an increase of $32 million.

Modifications to the Keep Case

The following three modifications to the Keep Case were included in updated models and were provided to WUTC Staff and Public Counsel - who requested electronic or hard copies of the detailed modeling results - on November 9, 1999, as a response to Staff Data Request 1.

<u>Plant On-Going Capital:</u>
The initial filing used PacifiCorp's share of historical capital expenditures as the total plant share and then multiplied it by PacifiCorp's 47.5% share. This caused the net present value to be understated by $22.5 million.

<u>Plant On-going Property Tax:</u>
The initial filing used PacifiCorp's share of historical plant property tax as the total plant share and then multiplied it by PacifiCorp's 47.5% share. This caused the net present value to be understated by $9.7 million.

Plant Emission Control Property Tax
The initial filing included property tax on emission control equipment additions. Under Washington Law, emission control equipment additions at Centralia are exempt from property taxes under specific circumstances. This correction decreases the net present value of keeping Centralia by $13.2 million.

Modification to Sell Case

In the calculation of the revenue requirement associated with the customers' portion of the gain, the initial filing included only the benefit associated with the return on the reduced rate base. It did not provide for the return of the reduced rate base through amortization. The corrected calculation reduces the net present value of selling Centralia by $13 million.

Attached is a revised version of Exhibit___(RW-3) showing the results of these modifications. In addition, PacifiCorp is sending revised responses to relevant data request responses.

If you have any questions, please contact me at (503) 813-6043.

Sincerely.

Andrea Kelly

Andrea Kelly
Regulatory Policy Manager

cc: All Parties

Exhibit ___(RW-3)
Revised

Centralia Sale Scenario / Sensitivity Analysis
Net Present Value Revenue Requirements
Millions $

		Amount	(Benefits) or Dis-Benefits of Sell Centralia & Medium Market Prices
Sensitivities:			
	Keep Centralia, Low Market Price, Aggressive Cost Containment	$10,483	(57)
	Keep Centralia, Medium Market Price	$10,468	(42)
	Keep Centralia, Low Market Price	$10,537	(111)
Base Case:	**Sell Centralia, Medium Market Price**	**$10,426**	
	Keep Centralia, High Market Price, Aggressive Cost Containment	$10,090	336
	Keep Centralia, Medium Market Price, Aggressive Cost Containment	$10,415	11
	Keep Centralia, High Market Price	$10,144	282
	Sell Centralia, High Market Price	$10,385	41
	Sell Centralia, Low Market Price	$10,162	264