

Exhibit No. \_\_\_ CT (APB-1CT)  
Docket UE-111190  
Witness: Alan P. Buckley  
REDACTED VERSION

BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP d/b/a PACIFIC POWER  
& LIGHT COMPANY

Respondent.

DOCKET UE-111190

TESTIMONY OF

Alan P. Buckley

STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

*Power Supply*

January 6, 2012

CONFIDENTIAL PER PROTECTIVE ORDER – REDACTED VERSION

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**LIST OF EXHIBITS**

Exhibit No. \_\_\_ (APB-2C)      Summary of Proposed Power Supply Adjustments

Exhibit No. \_\_\_ (APB-3)      Various Company Responses to UTC Staff Data Requests

Exhibit No. \_\_\_ (APB-4)      Excerpts from Company Responses to UTC Staff Data Requests 91 and 101

Exhibit No. \_\_\_ (APB-5C)      Confidential Excerpts from Company Supplemental Response to UTC Staff Data Request 101

1 I. INTRODUCTION

2  
3 Q. Please state your name and business address.

4 A. My name is Alan P. Buckley. My office address is The Richard Hemstad Building,  
5 1300 South Evergreen Park Drive Southwest, P.O. Box 47250, Olympia,  
6 Washington 98504. My email address is [abuckley@utc.wa.gov](mailto:abuckley@utc.wa.gov).

7  
8 Q. By whom are you employed and in what capacity?

9 A. I am employed by the Washington Utilities and Transportation Commission  
10 (“Commission”) as a Senior Policy Strategist. Among other duties, I am responsible  
11 for analyzing rate and power supply issues as they pertain to the investor-owned  
12 electric utilities under the jurisdiction of the Commission.

13  
14 Q. How long have you been employed by the Commission?

15 A. I have been employed by the Commission since 1993.

16  
17 Q. Would you please state your educational and professional background?

18 A. I received a Bachelor of Science degree in Petroleum Engineering with Honors from  
19 the University of Texas at Austin in 1981. In 1987, I received a Masters of Business  
20 Administration degree in Finance from the University of California at Berkeley.

21 From 1981 through 1986, I was employed by Standard Oil of Ohio (now  
22 British Petroleum-America) as a Petroleum Engineer working on Alaskan North  
23 Slope exploration drilling and development projects. From 1987 to 1988, I was

1 employed as a Rates Analyst at Pacific Gas and Electric Company. I was next  
2 employed by R.W. Beck and Associates, an engineering and consulting firm in  
3 Seattle, Washington, conducting cost-of-service and other rate studies, carrying out  
4 power supply studies, analyzing mergers, and analyzing the rates of the Bonneville  
5 Power Administration (“BPA”) and the Western Area Power Administration.

6 I came to the Commission in December 1993, where I have held a number of  
7 positions including Utility Analyst, Electric Program Manager, and the position that I  
8 now hold. I have been a witness in numerous proceedings before the Commission,  
9 including several general rate cases of Puget Sound Energy, Inc. (“PSE” or the  
10 Company”) in which I testified on power supply issues. I also have testified before  
11 BPA and the Federal Energy Regulatory Commission.

## 12 II. SCOPE AND ORGANIZATION OF TESTIMONY

13  
14  
15 **Q. What is the purpose of your testimony?**

16 **A.** The purpose of my testimony is to address the proposed pro forma normalized net  
17 power costs for the 12 month period ending May 31, 2013, as presented in Exhibit  
18 No. \_\_\_ (GND-1T), the testimony of PacifiCorp witness Gregory N. Duvall.

19 The Company’s proposed Washington-allocated pro forma normalized net  
20 power costs of approximately \$128.2 million (prior to the application of the  
21 production factor adjustment) represents an approximate \$7.0 million increase from  
22 the level authorized in the Company’s 2010 rate case. In Exhibit No. \_\_\_ (APB-2C),  
23 I provide a summary of my recommended adjustments to the Company’s proposed

1 Washington-allocated pro forma normalized net power costs at the expense level.  
2 The results of these adjustments on revenue requirement are reflected in Staff  
3 witness Michael Foisy's Exhibit No. \_\_\_\_ (MDF-2).  
4

5 **Q. How is the remainder of your testimony organized?**

6 A. The remainder of my testimony is divided into three sections. In Section III, I  
7 discuss the overall context for evaluating the Company's proposed Washington-  
8 allocated pro forma normalized net power costs. In Section IV, I summarize my  
9 recommended adjustments to the Company's proposed Washington-allocated pro  
10 forma normalized net power costs. In Section V, I explain the basis for each  
11 adjustment and describe the method of calculating the adjustment amount.  
12

13 **Q. Did you prepare any exhibits in support of your testimony?**

14 A. Yes. They are the following:

- 15 • Exhibit No. \_\_\_\_ (APB-2C) Summary of Proposed Power Supply Adjustments
- 16
- 17 • Exhibit No. \_\_\_\_ (APB-3) Various Company Responses to UTC Staff Data
- 18 Requests
- 19
- 20 • Exhibit No. \_\_\_\_ (APB-4) Excerpts from Company Responses to UTC Staff Data
- 21 Requests 91 & 101
- 22
- 23 • Exhibit No. \_\_\_\_ (APB-5C) Confidential Excerpts of Company's Supplemental
- 24 Response to UTC Staff Data Request 101
- 25
- 26



1 position in this proceeding would be that it has chosen not to re-contest issues that  
2 were decided by the Commission scarcely a few short weeks prior.

3 Second, by its nature, the development of pro forma normalized net power  
4 costs for a future rate year period does not truly fit the “make-whole” only nature of  
5 the Company’s claims. In general, many power supply costs are being updated, and  
6 will continue to be updated throughout the proceeding. As PacifiCorp explains, the  
7 requested \$7 million dollar increase in authorized power supply costs is actually the  
8 result of numerous changes in those parameters used to determine Washington-  
9 allocated pro forma normalized net power costs.

10  
11 **Q. What factors has the Company identified as causing the requested increase in**  
12 **authorized normalized net power cost?**

13 A. The Company identifies the following factors as contributing to the requested  
14 increase: load growth, expiring contracts, changing market prices, changing reserve  
15 requirements, changing wholesale sales volumes, changes in thermal generation, coal  
16 costs, and changes in purchased power expense. Exhibit No. \_\_\_(GND-1T),  
17 beginning on page 3, line 10. In addition, the Company changed certain basic GRID  
18 model inputs subsequent to the 2010 Rate Case. I will discuss this issue later in my  
19 testimony.

20  
21 **Q. Did you attempt to keep within the spirit of a “make-whole rate filing**  
22 **approach” when evaluating proposed Washington-allocated pro forma**  
23 **normalized net power costs in this proceeding?**

1 A. Yes. In fact, this approach forms the basis for several of my proposed adjustments  
2 and is a factor in addressing a related issue, namely what not to include in a “make-  
3 whole” filing.

4

5 **Q. Are there any other factors that you considered in evaluating the Company’s**  
6 **proposed Washington-allocated pro forma normalized net power costs?**

7 A. Yes. Unlike the other two electric utilities regulated by this Commission,  
8 PacifiCorp does not operate under a power cost adjustment mechanism. And  
9 finally, as evidenced by this filing, the Company appears to be continuing in the  
10 mode of relatively constant and regular general rate case filings.

11

12 **IV. SUMMARY OF STAFF RECOMMENDATIONS**

13

14 **Q. Please summarize your recommended adjustments to the Company’s proposed**  
15 **pro forma normalized net power costs.**

16 A. Exhibit No. \_\_\_ (APB-2C) identifies each of my recommended adjustments with the  
17 corresponding expense level impact. My proposed adjustments address two issues  
18 that significantly affect Washington-allocated pro forma normalized net power costs.  
19 The first adjustment addresses the level of generation assumed for the Company’s  
20 Western Control Area hydro facilities. The second adjustment addresses the effect  
21 of updating various pricing components that affect rate year power costs, including



1 the effect of declining electric and gas forward market prices during the 12-month  
2 period ending May 31, 2013.

3 My proposed adjustments reduce Washington-allocated pro forma  
4 normalized net power costs by an initially estimated \$4,942,607 at the expense level,  
5 as shown in Exhibit No. \_\_\_ (APB-2C), line 13. The exact level of the reduction will  
6 depend on incorporating the latest Commission-ordered market price update that  
7 occurs at the end of the rate case. Notably, forward electric and gas prices have  
8 continued to decline throughout the time of this proceeding. In addition, I present a  
9 Staff proposed adjustment reflecting additional revenues associated with an extended  
10 ancillary services contract. This contract results in approximately [REDACTED] in  
11 additional rate year Washington jurisdictional revenues above what was included in  
12 the Company's as-filed rate case. The revenue requirement effect of this and my  
13 other adjustments shown in Exhibit No. \_\_\_ (APB-2C) are reflected in Staff witness  
14 Foisy's Exhibit No. \_\_\_ (MDF-2). Finally, I make a longer-term recommendation  
15 addressing what I believe should be the appropriate course of action for the  
16 Commission to take regarding power cost models to be used in future general rate  
17 case proceedings.



1 docket, the Company provided additional narrative and information as a supplement  
2 to its response to ICNU Data Request 6.10. However, as part of its original “make-  
3 whole” rate case filing, no explanation of the significant decline in available hydro  
4 generation was offered.

5  
6 **Q. What is your concern with the observed decline in hydro generation between**  
7 **rate case filings?**

8 A. The Company’s use of a different set of hydro generation parameters violates the  
9 spirit of the “make-whole rate filing approach” of this proceeding. The Company  
10 did not identify the proposed change, nor did it provide specific testimony, exhibits,  
11 or workpapers supporting the decrease. I do not believe it is sufficient to cite an  
12 inadvertent error from the preceding case as reason for the accepting the change  
13 without support. As indicated by the extent of the information provided by the  
14 Company in its Supplemental Response to ICNU Data Request 6.10, the relationship  
15 between changes in forced outages and the actual output of multi-unit hydro  
16 generation facilities is a complicated one and its review is beyond the scope of a  
17 “make-whole” rate filing. It is not an update to a contract or market price forecast.  
18 For purposes of this proceeding, the change in methodology should not be allowed.  
19 The equivalent hydro generation that was used in the previous rate case filing, with  
20 the exception of Condit generation, should be used for purposes of this “make-  
21 whole” filing.

1 **Q. How did you determine your adjustment?**

2 A. I used the Company's GRID model workpapers from this and the previous rate case  
3 to compare the difference in Western Control Area hydro generation by month. I  
4 eliminated the generation related to the Condit facility which has been removed and  
5 the generation associated with the Company's Mid-C project rights. The remaining  
6 Company-owned hydro generation difference varies by month, with most months  
7 experiencing a decrease in generation as compared to the previous general rate case.  
8 To determine an adjustment amount, I effectively added the lost generation back into  
9 pro forma normalized net power costs as a revenue credit by pricing that generation  
10 at the California/Oregon Border ("COB") electric market prices used in the GRID  
11 model. To more accurately reflect the monthly shape of the generation differences, I  
12 used average monthly COB electric prices.

13

14 **Q. What is the amount of your proposed Hydro Generation adjustment?**

15 A. My adjustment decreases Western Control Area pro forma normalized net power  
16 costs by \$3,089,637, which equates to a decrease in Washington-allocated pro forma  
17 normalized net power costs of approximately \$694,371 at the expense level based on  
18 the CAGW allocator of 22.4742%.

19

20 **B. Update Adjustments**

21

22 **Q. You have several adjustments under the label "Update Adjustments" in Exhibit**  
23 **No. \_\_\_ (APB-2C). Please explain the context of these adjustments.**

1 A. The Commission has recently allowed electric utilities to update certain costs during  
2 the general rate case process, as long as there is a suitable transparency to the  
3 calculation and adequate time for other parties to review the updated amounts.  
4 Typically, those updates have been limited to forecasted gas and electric market  
5 prices, new firm contracts, or budget updates from third party owners of resources  
6 such as the Mid-Columbia project owners. This transparency is critical, given the  
7 timing of when the updates are allowed to occur. It is critical that these updates be  
8 limited to items that can be readily audited and evaluated, preferably using generally  
9 available public or industry information.

10

11 **Q. Has the Company proposed to update its Washington-allocated pro forma**  
12 **normalized net power costs in this case?**

13 A. Only explicitly in the context of the final BPA rate case decision. Exhibit No. \_\_\_\_  
14 (GND-1T), p.9, lines 10-12. However, on two occasions, Staff has asked the  
15 Company to update its net power costs using the latest available electric and gas  
16 forward price curves. Exhibit No. \_\_\_\_ (APB-4) contains the non-confidential  
17 narrative response and summary sheet from the Company's response to UTC Staff  
18 Data Requests 91 and 101. The Company narrative provides a brief explanation of  
19 updates to power supply costs made by the Company in response to the data  
20 requests, and the summary provides the numbers attached to those updates.

21

22

1 **Q. Are you satisfied with the overall results of the updates identified by the**  
2 **Company in the data responses?**

3 A. No. I have three principal issues with the Company's updates, two of which can be  
4 addressed in this proceeding, and one that will require some additional action on the  
5 part of the Commission and Company. First, any increases, or decreases, in net  
6 power costs associated with the amount identified as "Updated Coal Costs" should  
7 not be allowed in the proceeding. Second, although I will identify update  
8 adjustments in my testimony and in Exhibit No. \_\_\_ (APB-2C), it should be  
9 understood that several of the proposed adjustments shown on Exhibit No. \_\_\_  
10 (APB-2C) are based on already out-of-date forward gas market pricing, and therefore  
11 should be further updated upon Commission order to reflect the latest available  
12 auditable pricing information. Finally, in order to address issues arising out of the  
13 Company's use of a proprietary dispatch model, together with balancing the needs  
14 for transparency and timely auditing of updates, the Commission should order the  
15 Company to use a common commercially available dispatch model, such as what is  
16 used by our other two regulated electric utilities in general rate case and other  
17 proceedings before the Commission. The AURORA dispatch model is presently  
18 being used by both PSE and Avista, with results that are satisfactory to both  
19 companies, Staff, and intervening parties.

20  
21 **Q. You state that the Commission should not allow net power costs to be updated**  
22 **for changes in coal prices as identified in the Company responses included in**  
23 **Exhibit No. \_\_\_ (APB-4). Please explain.**

1 A. As part of the Company's direct case and "make-whole rate filing approach" in this  
2 filing, the Company provides testimony, exhibits, and workpapers supporting a  
3 significant increase in coal prices since the 2010 Rate Case. Exhibit No. \_\_\_\_ (CAC-  
4 1CT). The increase discussed in the Company's direct case is principally related to  
5 costs at the mines serving the Company's Jim Bridger plant. Later in this  
6 proceeding, in response to both UTC Staff Data Requests 91 and 101, the Company  
7 identified additional potential cost changes labeled "Updated Coal Costs" in the  
8 summaries that were included with those responses. In the first instance the change  
9 was a decrease in costs, while in the second, the change was a significant increase.

10 The Jim Bridger plant is presently served by two mines—one is an  
11 independent, "third-party" mine, while the other operates as an affiliate to the  
12 Company. To support a significant increase in coal prices, even during a proceeding,  
13 I would expect to see substantial support and analyses regarding the causes and  
14 possible alternatives. In any case, as can be observed by looking at the narrative  
15 summary for both data responses, the Company initially provided no explanation for  
16 either change amount or any alternatives as costs increased, although the cost  
17 changes were explicitly identified. Attempting to further update power costs based  
18 on unsupported presentations, in my opinion, goes well beyond the purported  
19 "make-whole rate filing approach" of this filing. The Company should not be  
20 allowed to recover in base rate coal costs greater than what has been supported in  
21 their "make-whole" filing, particularly given that the majority of the cost increases  
22 appear to be pass-through of affiliate costs.

23

1 **Q. Has the Company subsequently attempted to provide additional support for its**  
2 **response to UTC Staff Data Request 101?**

3 A. Yes. On December 22, 2011, a full 17 days after its initial response, the Company  
4 provided a supplemental response to UTC Staff Data Request 101, attempting to  
5 support the updated coal prices indicated in both UTC Staff Data Requests 91 and  
6 101, as well providing information regarding the calculation of revenue from a new  
7 Seattle City Light Stateline contract. The supplement's narrative summary and  
8 several excerpts are included in Exhibit No. \_\_\_ (APB-5C).

9  
10 **Q. Does receipt of the supplemental information change your testimony regarding**  
11 **the coal cost updates indicated in the Company's response to UTC Staff Data**  
12 **Requests 91 and 101?**

13 A. No. It only serves to reinforce my opinion to disallow any allowed coal cost updates  
14 in this "make-whole" filing. Receiving documents purporting to support cost  
15 updates that consists of numerous worksheets, each requiring significant analysis and  
16 auditing, 15 days before the due date of Staff and intervenor direct testimony is not  
17 consistent with a "make-whole rate filing approach." A cost component that requires  
18 significant review, auditing, potential discovery and analyses, such as coal pricing of  
19 Company-owned mining facilities, is clearly different than update components such  
20 as FERC tariffs, contracts, or public and generally available industry market  
21 information that can be readily reviewed.

22



1 **Q. Does the Company propose to recover other increased coal costs in this**  
2 **proceeding?**

3 A. Yes. PacifiCorp's witness Cindy Crane addresses the \$20.3 million Western Control  
4 Area basis increase in coal costs reflected in the net power costs as initially filed in  
5 the Company's direct case. The entire increase is due to increased costs associated  
6 with the Jim Bridger plant mines.

7  
8 **Q. Are you contesting the Company's proposed coal cost increases that are the**  
9 **subject of Company witness Crane's testimony in this proceeding?**

10 A. No. In fact, that increase is the largest single component of the Company's proposed  
11 \$32.7 million difference in WCA net power costs between this rate case and the 2010  
12 Rate Case. For purposes of this "make-whole" rate case, I have evaluated and have  
13 accepted the initially filed coal cost increase. For the reasons explained above I do  
14 not recommend the Commission accept coal cost updates related to the Jim Bridger  
15 plant.

16  
17 **Q. The Company appears to have identified additional revenue from an ancillary**  
18 **service contract. Can you explain this update and the excerpt contained in**  
19 **Exhibit No. \_\_\_ (APB-5C) that is labeled "Confidential Attachment UTC 101-1**  
20 **2<sup>nd</sup> Supplemental?"**

21 A. Yes. This worksheet shows the calculation of rate period revenues and the impact on  
22 Washington costs from a new integration and exchange contract with Seattle City  
23 Light ("SCL") to manage the generation from SCL's share of the Stateline wind

1 project. As shown on the pages marked 3.7 and 3.7.1 in Exhibit No. \_\_\_(APB-5C),  
2 the Company has removed all booked revenues associated with the previous SCL  
3 Stateline contract on the assumption that it was expiring. This was included as  
4 Adjustment 3.7 of Company witness Mr. Dalley's Exhibit No. \_\_\_ (RND-3). In  
5 actuality however, the contract is being extended.  
6

7 **Q. How should the revenues associated with the extended SCL Stateline contract**  
8 **be treated in this proceeding?**

9 A. To maintain an easily understandable approach and to streamline adjustments, Staff  
10 chose to work within the existing Adjustment 3.7. In its Adjustment 3.7, the  
11 Company has removed, or effectively zeroed out, the approximately \$5 million of  
12 ancillary contract revenues booked from the previous contract. To reflect an increase  
13 in revenues of [REDACTED], instead of zero revenues due to the new contract, Staff has  
14 included in Adjustment 3.7 the above revenues for a net increase in rate year  
15 Account 456 revenues of [REDACTED], which represents the difference between test-  
16 year booked revenues (now not zeroed out) and the additional rate-year revenues  
17 from the extended contract. From a Company as-filed perspective, this adjustment  
18 increases WCA revenues by [REDACTED] with a Washington jurisdictional allocation  
19 revenue increase of [REDACTED] based on a WA CAGW allocator of 22.4742%. The  
20 revenue requirement effect of this adjustment is shown in Staff witness Foisy's  
21 Exhibit No. \_\_\_(MDF-2), Adjustment 3.7.  
22

1 **Q. Is this contract update different than the coal cost update from a “make-whole”**  
2 **rate case context?**

3 A. Yes. The extended SCL Stateline contract has been entered into by the parties. It is  
4 easily audited and confirmed by the intervening parties, in stark contrast to the coal  
5 cost changes as discussed earlier.

6  
7 **Q. What other updates do you recommend that the Commission adopt for**  
8 **purposes of this “make-whole rate filing approach” filing?**

9 A. In addition to the “Hydro Generation” adjustment and SCL Stateline contract  
10 revenue adjustment discussed above, I recommend that the Commission adopt the  
11 remaining updates other than those for coal costs, that are due to changes in actual  
12 FERC tariff rates or contract terms and are identified and included in the Company’s  
13 responses to UTC Staff Data Requests 91 and 101 (and supplements), as contained in  
14 Exhibits Nos. \_\_\_ (APB-4) and (APB-5C). In addition, I recommend that the  
15 Commission order an additional limited update at the time of the Company’s  
16 compliance filing in the manner that I further describe below.

17  
18 **Q. What is the total effect of your additional recommended adjustments?**

19 A. As shown on Exhibit No. \_\_\_ (APB-2C), line 12, the total Update Adjustment  
20 amount is \$18,902,722 on a Western Control Area basis, including the estimated  
21 system balancing impacts and without the updated coal costs. This equates to an  
22 approximate reduction in Washington-allocated pro forma normalized net power  
23 costs of \$4,248,236, at the expense level based on a CAGW allocator of 22.4742%.

1 **Q. Returning to other updated items, how contemporary are the forward prices**  
2 **used in the Exhibit No. \_\_\_ (APB-4) updates?**

3 A. Unfortunately, not very contemporary. The Company's response to UTC Staff Data  
4 Request 101 uses its own Company "Official" Forward Price Curves from November  
5 8, 2011. The underlying market data used to develop those curves is even earlier  
6 than that.

7  
8 **Q. How have forward gas price forecasts for the rate year behaved since the**  
9 **Company made its initial filing and data request responses?**

10 A. The three-month average of daily forward rate year gas price prices has continued to  
11 decline significantly. I expect the resulting Update Adjustment to increase, perhaps  
12 significantly, depending on the Company's hedged position during the rate year. For  
13 general comparison purposes, the Company's response to UTC Staff Data Request  
14 101 shows a power cost reduction of almost \$4 million due to a \$0.26 decrease in  
15 annual average forward gas prices (\$4.31/MMBTU annual 11/08/11 average  
16 compared to the \$4.57/MMBTU annual 9/30/11 average used in the response to UTC  
17 Staff DR 91). The annual average of three-month rolling average daily forward rate  
18 year gas prices are in the range of \$4.00/MMBTU in late December and still falling.  
19 The expected decrease in net power costs due to this trend should be significant.

20  
21 **Q. You state that the Company uses its "Official" Forward Price Curves. Do these**  
22 **present problems for the parties when evaluating power cost updates during**  
23 **rate case proceedings?**

1 A. For Staff and intervenors, yes. The Company's process for developing its "Official  
2 Forward Price Curves" is an internal one, carried out by its commercial and trading  
3 department. Market data is adjusted by using what the Company calls "scalars"  
4 developed from historic hourly data in order to develop on and off-peak market  
5 prices. However, the process is time consuming and not transparent for the  
6 customers who ultimately pay the rates. Moreover, the Company's non-transparent  
7 process poses significant problems for Staff during a rate case proceeding,  
8 particularly when it is necessary to review and audit power cost updates that are  
9 proposed within a limited amount of time.

10

11 **Q. Do you have a solution for this problem?**

12 A. Yes. The short term solution is for the Commission to order a "final" update during  
13 the compliance phase of this proceeding to incorporate the latest forward market  
14 conditions, using generally available market information, NOT the latest Company  
15 internally generated "official" price curves. For example, Staff and the intervening  
16 parties are familiar with using a three-month rolling average of rate year forward gas  
17 prices in proceedings involving the other regulated electric utilities. The Commission  
18 should order the Company to use such easily auditable pricing data and to provide  
19 immediate access to resources sufficient for the parties to review and audit the  
20 updated data and results in a timely manner. The longer-term solution is for the  
21 Company to move away from the basic GRID model and to the same power supply  
22 dispatch model used by the other Commission regulated electric utilities and to use

1 general forward pricing methodologies for rate making purposes that are as  
2 consistent with one another as possible.

3  
4 **Q. Do you believe having a common power supply dispatch model and consistent**  
5 **general forward pricing methodology for all of the regulated electric companies**  
6 **will provide some benefits to ratepayers?**

7 A. Yes. Puget Sound Energy and Avista currently use EPIS, Inc.'s AURORA market  
8 forecasting model for rate case proceedings before this commission. PacifiCorp uses  
9 its internally developed and supported GRID model. All of the Companies have  
10 continued to file regular general rate cases along with their other periodic and  
11 necessary filings. It is important to look for ways to streamline the efforts of all the  
12 parties involved in these proceedings. In general, internal dispatch model issues with  
13 PSE and Avista have decreased significantly, or have been eliminated as the parties  
14 have gained familiarity and trust with a common dispatch model. In addition, the  
15 relatively transparent methodology used to update forward gas prices has enabled the  
16 parties to carry out timely reviews of updates throughout proceedings without  
17 reliance on proprietary or internally generated data.

18  
19 **Q. Should the Company be allowed to present additional updates, including**  
20 **support for hydro generation changes or coal price changes, as part of its**  
21 **rebuttal filing in this proceeding?**

22 A. No. The context for this case should remain within the spirit of the "make-whole  
23 rate filing approach" suggested by the Company. To allow unsupported, untimely,

1 or additional belated adjustments would violate this intent. Although the  
2 Commission has not adopted a set regulatory framework for proceeding with what  
3 might be called a “make-whole” rate case, Staff and the intervening parties should  
4 certainly expect the Company to maintain its stated intent to “minimize controversy  
5 and encourage expeditious resolution.” Exhibit No. \_\_\_\_ (ALK-1T), page 7. From a  
6 real and practical perspective, both Staff and intervening parties must schedule  
7 resources, make assignments, and carry out other business with certain rate case  
8 expectations in mind, including the needs of the Commission, the Company, and  
9 their constituents. However, neither Staff, nor the intervening parties, should be  
10 expected to process, evaluate, and make recommendations regarding burdensome  
11 updates to any, and all, cost components with little or no warning, and in some cases  
12 questionable support, including during the rebuttal phase of a proceeding.

13 Fortunately, the regulated electric companies have for the most part been working  
14 with Staff and intervening parties to eliminate issues associated with providing  
15 updated costs, particularly power cost related ones, to the Commission for their  
16 consideration during rate cases. However, in this instance, I suspect that a gap  
17 remains between what the Company may believe is appropriate to update and what  
18 Staff and others believe appropriate. As stated in the testimony above, my  
19 recommendation is simply to not allow further increases, other than those proposed  
20 in the Company’s direct case, in coal costs associated with an affiliated mine at this  
21 time, and to not allow the Company to include the effects of any adjustments in  
22 hydro generation levels until a complete and thorough study can be carried out and  
23 evaluated by the parties. All other proposed cost updates are proposed to be

1 allowed, including a final update of net power costs due to the latest electric and gas  
2 market prices.

3

4 **Q. Does this conclude your testimony?**

5 A. Yes.

6

7