**Exhibit No. \_\_\_ T (TES-1T)**

**Docket UE-111190**

**Witness: Thomas E. Schooley**

**BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION**

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| **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,**  **Complainant,**  **v.**  **PACIFICORP dba**  **Pacific Power & Light Company**  **Respondent.** | **DOCKET UE-111190** |

**TESTIMONY OF**

**THOMAS E. SCHOOLEY**

**STAFF OF**

**WASHINGTON UTILITIES AND**

**TRANSPORTATION COMMISSION**

***Introduction and General Policy***

**January 6, 2012**

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### I. INTRODUCTION

### Q. Please state your name and business address.

A. My name is Thomas E. Schooley. My business address is The Richard Hemstad Building, 1300 S. Evergreen Park Drive S.W., P.O. Box 47250, Olympia, WA 98504. My email address is tschoole@utc.wa.gov.

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

A. I am employed by the Washington Utilities and Transportation Commission (“Commission”) as the Interim Assistant Director in the Energy Section of the Regulatory Services Division. My responsibilities include direct supervision of the Commission’s Regulatory Analysts who review tariff filings and other applications of regulated electricity and natural gas companies, and make recommendations for Commission decision on those filings and applications.

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

A. I have been employed with the Commission since September 1991.

**Q. Please state your educational and professional background.**

A. I received a Bachelor of Science degree from Central Washington University in 1986. I met the requirements for a double major in Accounting and Business Administration-Finance. I also have a Bachelor of Science degree in geology from the University of Michigan. I passed the Certified Public Accountant exam in May 1989. Since joining the Commission, I have attended several regulatory accounting courses, including the summer session of the Institute of Public Utilities.

Before obtaining my current position, I held several other positions including Accounting Manager of the Energy Section and Regulatory Analyst. I testified in Docket UE-960195 involving the merger between Washington Natural Gas Company and Puget Sound Power & Light Company (“Puget”). I was the lead Staff analyst in several applications for accounting treatment, including Puget Sound Energy, Inc. Dockets UE-971619 and UE-991918. I testified in the Avista general rate case, Docket UE-991606, and Avista’s energy recovery mechanism, Dockets UE-000972, UE-010395, UE-011595, and UE-030751. I also assisted in the development of Staff testimony in Puget’s “PRAM 2” case, Docket UE-920630, and I presented the Staff recommendation on environmental remediation in Puget Docket UE-911476.

I analyzed PacifiCorp’s proposed accounting treatment of Clean Air Act allowances in Docket UE-940947, and participated in meetings of PacifiCorp’s inter-jurisdictional task force on allocations. I testified in PSE’s power cost only rate case, Docket UE-031725; PSE’s general rate cases, Dockets UE-072300/UG-072301, UE-090704/UG-090705 and UE-111048/UG-111049; and PacifiCorp’s general rate cases, Dockets UE-032065, UE-050684, UE-061546, *et al*., and UE-100749.

I have prepared detailed statistical studies for use by commissioners and other Commission employees, and have interpreted utility company reports to determine their compliance with Commission regulations. I have also presented Staff recommendations to the Commission in numerous open public meetings.

**II. SCOPE AND SUMMARY OF TESTIMONY**

1. **What is the purpose of your testimony in this proceeding?**

A. I summarize the Staff recommended revenue requirement increases for the electricity operations of PacifiCorp. (“Pacific” or the “Company”). I also describe the general policy direction of Staff’s case and introduce Staff’s other witnesses that support that policy direction and Staff’s specific recommendations on revenue requirements, including revenue allocation, rate design and low-income bill assistance.

**III. DISCUSSION**

**Q. Please summarize the revenue requirement increases recommended by Staff for the Company’s electricity operations.**

A. Staff recommends that the Commission allow the Company to increase its annual revenues for electricity service by $3.33 million (1.1 percent). This recommendation is based on an historical test year ending December 31, 2010, with appropriate restating and minimal pro forma adjustments that satisfy the “matching principle” of historical test period ratemaking.[[1]](#footnote-1)

Staff’s recommended revenue requirement increase compares to the Company’s proposal of approximately $12.947 million for its electricity operations.

**Q. What are the primary reasons for the difference between the proposals?**

1. The primary reasons for the difference between Staff and PacifiCorp revenue requirement increase proposals are: 1) power costs; 2) insurance; 3) rate case expense; 4) wages and benefits.

**Q. Please describe the crux of PacifiCorp’s presentation**

A. The Company’s case for its electric operations is driven primarily by power costs due to higher coal costs, expiring low-cost long term purchased power contracts, and the removal of the Condit hydropower facility. During the course of this proceeding gas prices have declined. Staff captures some of this decline in its power cost determination and the Company will update this expense as needed.

**Q. Does the Company attribute its claim of under-earning to factors other than increased power costs?**

A. Yes. PacifiCorp is investing more in its Washington transmission and distribution network, but has no new major resource additions.

**Q. PacifiCorp testifies that its rate filing minimizes controversy by not re-litigating issues decided by the Commission in early 2010. What is Staff’s opinion?**

A. Staff appreciates the restraint shown in the Company’s filed case. Our adjustments relate to removing costs from booked expenses, normalizing costs with a variable history, and updating expenses and revenues related to power costs. However, PacifiCorp could have provided more clarity and support for certain adjustments. For example, PacifiCorp’s proposed power cost adjustment includes revisions to the capacity of hydro-electric generators. This was not disclosed in the company’s filed testimony. Mr. Buckley also addresses concerns about power cost updates and the timeliness and degree of support for certain complex components in those updates. PacifiCorp’s rate filings have improved over the past few years, but staff still sees room for progress.

**Q. Please introduce Staff’s other witnesses and the subjects each addresses.**

A. The following witnesses present testimony and exhibits for Staff:

* Michael Foisy presents the electric revenue requirement based on his own analysis of several ratemaking adjustments plus he introduces staff witness Kathryn Breda and her adjustments.
* Deborah Reynolds presents the electric rate spread and rate design recommendation of Staff. She also presents a five-year plan for PacifiCorp’s Low Income Bill Assistance (LIBA) program.
* Alan Buckley presents Staff’s adjustments for pro forma power costs during the rate year and for other revenues related to power sales. His adjustments, taken together, increase the Company’s rate year power costs about $13.5 million. This is $7.4 million less than PacifiCorp’s proposed increase of $20.9 million. He expects a further reduction as rate year forward gas prices continue to fall and recommends that the Commission order that update as part of the Company’s compliance filing.

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

A. Yes.

1. "Restating actual adjustments" adjust the booked operating results for any defects or infirmities in actual recorded results that can distort test period earnings. Restating actual adjustments are also used to adjust from an as-recorded basis to a basis that is acceptable for rate making. WAC 480-07-510(3)(e)(ii) "Pro forma adjustments" give effect for the test period to all known and measurable changes that are not offset by other factors. WAC 480-07-510(3)(e)(iii). [↑](#footnote-ref-1)