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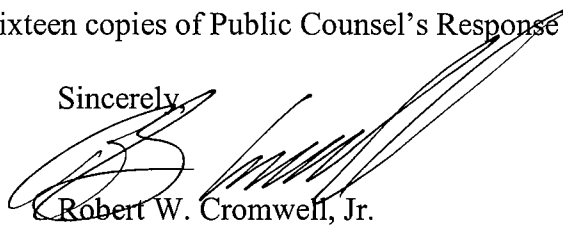
Carole Washburn
Executive Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

Re: Washington Utilities and Transportation Commission v. Pacificorp, d/b/a Pacific Power & Light Company, Respondent
Docket No. UE-032065

Dear Ms. Washburn:

Enclosed please find an original and sixteen copies of Public Counsel's Response to Bench Request No. 4.

Sincerely,



Robert W. Cromwell, Jr.
Assistant Attorney General
Public Counsel Section
(206) 464-6596

RWC:cjw

cc: Service List (E-mail & First Class Mail)

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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WUTC v. PACIFICORP d/ba/ PACIFIC POWER & LIGHT COMPANY
Docket No. UE-032065**

RESPONSE OF PUBLIC COUNSEL TO BENCH REQUEST 4

Bench Request No: 4
Directed to: Robert W. Cromwell, Jr.
Date Received: August 4, 2004
Date Produced: August 14, 2004
Prepared by: Robert W. Cromwell, Jr.
Witnesses: Jim Lazar
Jim Dittmer

COMMISSION BENCH REQUEST NO. 4 TO PUBLIC COUNSEL:

Please state with respect to each adjustment proposed by your witnesses whether the proposed adjustment is identical to an adjustment proposed by any other party, should be viewed as a complete or partial alternative to an adjustment proposed by any other party, or is an adjustment proposed only by Public Counsel. In the case of adjustments proposed only by Public Counsel, state the cost category(ies) under which such adjustment should be made on bases comparable to prefiled Exhibit Nos. TES-2 and TES-3.

RESPONSE:

Regarding the Testimony of Jim Lazar:

The Public Counsel power supply adjustment sponsored by Mr. Lazar is a complete alternative to the jurisdictional power supply adjustment proposed by staff. It does NOT replace any adjustments to individual power supply costs to individual power resources for which adjustments are proposed by Commission Staff or ICNU. Those adjustments should be applied as proposed by those parties, and then, if the Commission accepts the "situs hydro" proposal set forth by Public Counsel witness Lazar, the adjustments proposed by Mr. Lazar should be applied to the adjusted result. As Mr. Lazar states on the final page of his testimony, the Commission would then have two options. It could opt to direct the Company to include this methodology in a rate filing to take effect at the expiration of the current rate moratorium on January 1, 2006. Alternatively, it could integrate this adjustment into results of operation in this proceeding, and order a reduction in rates at the conclusion of this proceeding.

Mr. Lazar's adjustment does not fit in the format of Exhibits TES-2 or TES-3, as it is a rolled-in adjustment of rate base, operating expense, purchased power expense, depreciation expense, taxes, etc.

Regarding the Testimony of Jim Dittmer:

Schedule B-1 (Customer Deposit Rate Base Offset and Related Interest Costs): This adjustment is identical in concept to Staff Adjustment 8.13 found on Exhibit __ (TES-2), page 13.

According to Company rebuttal testimony presented by Mr. Weston, Mr. Dittmer has used the wrong months in his calculation of the test year average balance of Customer Deposits.

Accordingly, Public Counsel accepts Staff's quantification of this issue which has also been accepted by the Company in rebuttal testimony.

Schedule B-2 (Cash Working Capital as a Rate Base Offset): Mr. Dittmer used a lead lag study approach to cash working capital development whereas the Staff used basically a balance sheet approach. As such, it could be considered an alternative to a Staff adjustment. Specifically, Mr. Dittmer's adjustment would be comparable in concept, but an alternative to, the Staff's rate base adjustment contained within Adjustment No. 8.11 shown on Exhibit __ (TES-2), page 13.

Schedule B-3 (Swift Canal Rate Base and Operating Expense Adjustment): This adjustment was only proposed by Public Counsel.

Schedule B-4 (Miscellaneous Deferred Debits/Other Regulatory Assets Adjustment): This adjustment includes the items incorporated within Staff Adjustment No. 8.14 as found on Exhibit __ (TES-2), page 13. It could be considered an alternative to Staff Adjustment No. 8.14 that goes beyond Staff Adjustment No. 8.14 by excluding additional miscellaneous deferred debits and other regulatory assets which Staff's adjustment did not address.

Schedule C-1 (Eliminate Amortization of IRS Settlement Payments): This adjustment is identical in concept and value as Staff's position on this issue. Public Counsel made all of its adjustments to Pacificorp's "as adjusted" test year cost of service. Staff made all of its adjustments to actual test year operating results just as the Company did. However, Staff did not accept or post Pacificorp's proposed adjustment for amortization of IRS settlement payments which has the same effect as Public Counsel's Adjustment/Schedule No. C-1 which eliminated this amortization expense from Pacificorp's "as adjusted" test year cost of service.

Schedule C-2 (Employee Benefits Adjustment): This Public Counsel adjustment simply reverses Pacificorp's proposed adjustment to reflect budgeted employee benefits expense other than pensions and FAS 106 costs. Staff proposes to reflect fiscal year 2004 actual employee benefits expense other than pensions and FAS 106 cost. Staff's proposed treatment for this cost of service expense item results in a slightly higher jurisdictional adjusted expense level than Public Counsel's Adjustment/Schedule No. C-2.

Schedule C-3 (Interest Synchronization) This Public Counsel adjustment is identical in concept to Staff Adjustment No. 7.1. The interest synchronization adjustment will be a roll out of the jurisdictional rate base and weighted cost of debt.