

## Christine O. Gregoire

## ATTORNEY GENERAL OF WASHINGTON

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August 16, 2004

Carole J. Washburn, Secretary Washington Utilities and Transportation Commission 1300 S. Evergreen Park Dr. SW P. O. Box 47250 Olympia, Washington 98504-7250

Re:

PacifiCorp dba Pacific Power & Light - 2004 General Rate Case

Docket No. UE-032065

Dear Ms. Washburn:

Enclosed for filing in the above referenced matter are the original and 16 copies of errata pages (11 and 19) to the Testimony of Danny P. Kermode on behalf of Commission Staff, and a Certificate of Service.

Very truly yours,

SHANNON E. SMITH

Assistant Attorney General

SES:kll Enclosures cc: Parties

Exhibit T \_\_\_ (DPK-1T)
Docket No. UE-032065
Witness: Danny P. Kermode
SECOND REVISED ERRATA VERSION

## BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION	)	
	)	
Complainant,	)	
	)	DOCKET NO. UE-032065
v.	)	
	)	
PACIFICORP d/b/a Pacific Power &	)	
Light Company,	)	
	)	
Respondent	)	
	)	

TESTIMONY OF DANNY P. KERMODE, CPA

STAFF OF THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

July 2, 2004

1 2 3		to amortize the net amount received of \$43,574,000 over the life of the related asset, which he calculated to be 30 years to be consistent with the book life of the Malin/Midpoint line
4		· · · ·
5		As it did in Cause Nos. U-82-12/U-82-35, the Commission accepts
6		the Commission staff's proposal
7		
8		In the 1986 case, Staff's adjustments were uncontested, except for a slight
9		modification to the amortized amount. I will address the reason for the modified
10		amortization amount later in my testimony.
11		
12	Q.	How did you derive your recommendation for the Malin-Midpoint
13		amortization adjustment?
14	A.	As shown in Exhibit(DPK-4) (DPK-3), I took the net proceeds of the sale and
15		divided by 30 years to derive the annual amortization amount of \$1,452,000. I
16		then applied the general divisional-Pacific allocation factor to the total amount.
17		That resulted in a Washington amortization amount of \$244,000 or an increase in
18		Company operating revenue of \$158,600 after taxes.
19		
20	Q.	How did you derive your recommendation for the Malin-Midpoint Rate base
21		adjustment?
22	A.	I computed the average balance for the deferred balance as shown on lines 31
23		through 33 in Exhibit(DPK-4). I then applied the general divisional-pacific
		Revised August 16, 2004

1		VII. WYOMING WIND TAX CREDIT
2	0	Do you have any comments regarding the Company's Wyoming Wind Tay
3	Q.	Do you have any comments regarding the Company's Wyoming Wind Tax
4		Credit?
5	A.	Yes. I reviewed the adjustment and removed the proposed allocation of the
6		Wyoming Wind Credit consistent with Staff's Control Area based allocation. The
7		wind generation is related to the Eastern Control Area. Therefore, as with a
8		similar expense, the credit should not be allocated to Washington. The credit
9		should be allocated to the states that are actually benefiting from the use of wind
10		power.
11		
12		V. IRS SETTLEMENT
13		
14	Q.	Please discuss the Company's adjustment to recover its IRS Settlement,
15		adjustment <del>7.1</del> <u>7.7</u> .
16	A.	The Company has made an adjustment to recover \$5.8 million in additional taxes
17		assessed by the IRS for tax years 1991 to 1998. The additional taxes from prior
18		periods would increase test year income tax expense for Washington ratepayers
19		by \$1.16 million annually, with a \$4.6 million increase in rate base. The Company
20		has requested that the additional taxes associated with the eight years be
21		recovered over a five-year period.
		TMONY OF DANNY P. KERMODE  tet No. UE-032065  Revised August 16, 2004 Exhibit (DPK-1T) Page 19