

Washington Utilities and Transportation Commission
Docket No. UE-991832

PacifiCorp Response to Commission Bench Requests

Bench Request No. 7

Please explain what is meant by the following statements in Section 1 of the Stipulation:

“the rate plan covers a period of significant transition for the Company. The rate plan recognizes the difficulty of setting rates during this transitional period”

Include, but do not necessarily limit your response to, an explanation of what factors make this a “period of significant transition” and an explanation of why it is more difficult to set rates during this period than in any other period. Be specific.

Response to Bench Request No. 7:

The Rate Plan Period is a “period of significant transition” for the Company due primarily to the implementation of the Transition Plan, which was prepared following the merger of PacifiCorp with ScottishPower. The Transition Plan describes the steps to be taken by the Company over the next five years to reduce costs and improve quality of service for the Company’s Washington customers. The Transition Plan, which was filed with the Commission in accordance with the merger stipulation approved by the Commission in Docket No. UE-981627, is included in this proceeding as Exhibit 146. The Transition Plan contemplates investment in people, technology and systems in the early years that are expected to lead to significant savings in operating costs and capital expenditures in the later years of the transition period.

It is difficult to set rates during the implementation of the Transition Plan because the expenditures that must be made in the early years of the transition are “lumpy,” and it is therefore challenging to identify a representative test period upon which to set rates. Moreover, these early year expenditures are “costs to achieve” that will produce savings in later years, making it difficult to match costs with savings during any particular year of the transition period. By waiting to set rates after the Rate Plan Period, when the Transition Plan is fully implemented, the test period should be more representative of expected future operations of the Company.

WUTC		
DOCKET NO. <u>2 UE-991832</u>		
EXHIBIT # <u>274</u>		
ADMIT	W/D	REJECT
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