

Exhibit No.____(CCP-6T)
Docket No. UE-100749
Witness: C. Craig Paice

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP dba Pacific Power

Respondent.

Docket No. UE-100749

PACIFICORP

REBUTTAL TESTIMONY OF C. CRAIG PAICE

November 2010

1 **Q. Are you the same C. Craig Paice that previously provided testimony in this**
2 **docket?**

3 A. Yes.

4 **Purpose and Summary**

5 **Q. What is the purpose of your rebuttal testimony?**

6 A. My rebuttal testimony includes revised exhibits to reflect changes in the
7 Washington Results of Operations contained in the rebuttal testimony of
8 Company witness Mr. R. Bryce Dalley. Additionally, I respond to the testimony
9 of Industrial Customers of Northwest Utilities (ICNU) witness Mr. Donald W.
10 Schoenbeck.

11 **Updated Exhibits**

12 **Q. Have you prepared any updates to the exhibits filed with your rebuttal**
13 **testimony?**

14 A. Yes. Exhibit No.__(CCP-7) are the summary tables from PacifiCorp's class cost
15 of service study for the state of Washington and are based on changes in the
16 Washington Results of Operations as presented in Mr. Dalley's rebuttal
17 testimony. Exhibit No.__(CCP-8) shows the cost of service in more detail by
18 class and by function. Page 1 summarizes the total cost of service by class and
19 pages 2 through 6 contain a summary by class for each major function.

1 **Rebuttal of Mr. Donald W. Schoenbeck**

2 **Q. Mr. Schoenbeck takes issue with the Company's utilization of the highest 100**
3 **winter and highest 100 summer hourly retail west control area peak loads to**
4 **allocate the demand-related portion of generation and transmission costs in**
5 **the cost of service study. Why does the Company use this method?**

6 A. The cost study filed in this docket uses customer class peaks coincident with the
7 Company's west control area (comprised of California, Oregon, and Washington)
8 to develop allocation results based on resources employed exclusively for the
9 benefit of customers located in this portion of PacifiCorp's service territory. As
10 indicated in my direct testimony, the demand-related portion has been allocated
11 using class loads coincident with PacifiCorp's highest 100 summer (April-
12 October) and highest 100 winter (November-March) hourly retail west control
13 area peak loads, consistent with the Company's past practice in Washington. The
14 Company has used this methodology in the previous three rate cases filed in
15 Washington. This methodology reflects that the Company is a dual peaking
16 utility with peaks in both the winter and the summer.

17 **Q. Mr. Schoenbeck compares the average and minimum top 100 winter and top**
18 **100 summer hours to the highest hourly west control area peak during the**
19 **test period. What conclusion can be drawn from this comparison?**

20 A. Mr. Schoenbeck's comparison suggests that a shift in cost responsibility among
21 customer classes occurs when "far too many hours" are used to accurately assign
22 demand related costs. Based on this observation, he recommends developing a
23 demand related allocation factor using only those hours (71 in total) that are

1 within 95 percent of the PacifiCorp system peak hour instead of class loads
2 coincident with the highest 100 winter and highest 100 summer hourly west
3 control area peak loads used by the Company. Mr. Schoenbeck indicates that his
4 proposed methodology is an improvement to the current 100 winter/100 summer
5 hours used by the Company. No evidence is presented to support this
6 methodology as being superior, it is only different.

7 **Q. How does his proposed change in the derivation of the demand related**
8 **allocation factor influence cost of service results in this docket?**

9 A. The impact appears to be minimal. As shown in the table in Mr. Schoenbeck's
10 testimony, Exhibit No.____(DWS-1T), page 4, his proposed methodology results
11 in a demand allocation factor that he states "results in virtually identical class
12 demands for all other major customer classes as compared to the Company
13 study."

14 **Q. Should Mr. Schoenbeck's proposed methodology be considered for use in**
15 **future cost of service studies?**

16 A. No. The Company has concerns with use of Mr. Schoenbeck's proposed
17 methodology in future studies for several reasons. First, the Company recognizes
18 that using only those hours that are within 95 percent of the system peak hour
19 introduces the potential for volatility in cost of service results when considering
20 different test periods. For example, his proposed method in this docket produces
21 results based on a total of 71 hours, 48 summer hours and 23 winter hours.
22 Applying this same method to the June 2008 test period in Docket UE-090205
23 would have resulted in the use of only 35 total hours (a significantly lower

1 number) plus these total hours would not have included any winter period hours.
2 This review suggests that the number of total and seasonal hours used to develop
3 the demand allocation factor may vary (perhaps dramatically) dependent on the
4 test period with the magnitude of variation being uncertain. Varying the number
5 of total and seasonal hours from one test period to another has the potential to
6 shift customer costs and to create rate volatility. Second, selection of only those
7 hours within 95 percent of the system peak hour is arbitrary given that Mr.
8 Schoenbeck provided no accompanying analytical analysis supporting this
9 percentage. Third, he applies this arbitrary value to total system peak hours and
10 not to the west control area hours used by the Company in this case. Finally, the
11 principles of consistency and gradualism are generally viewed as important
12 considerations in determining class cost causation. These principles could be at
13 risk if this proposed methodology were employed.

14 **Q. What is your conclusion?**

15 A. I recommend the Commission reject Mr. Schoenbeck's proposed method of
16 determining a customer class generation and transmission demand related
17 allocator for the reasons cited above.

18 **Q. Have you included your workpapers?**

19 A. Yes. My workpapers are included as Exhibit____(CCP-9). Tab 1 is the complete
20 functionalized results of operations. Tabs 2 and 3 show the class cost of service
21 detail.

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

23 A. Yes.