

Washington Utilities and Transportation Commission
Docket No. UE-991832

PacifiCorp Response to Commission Bench Requests

Bench Request No. 11

Against what benchmarks (e.g., capital structure, cost of capital elements, overall return) will the Parties evaluate PacifiCorp's earnings during the "Post Rate-Plan Earnings Review" described in Section 3 of the Comprehensive Settlement? What period of operations will be considered during this review (i.e., will the full Rate Plan Period be evaluated, or will review be limited to the last twelve months for which actual data then are available)?

In responding to this question, please consider and explain the significance of the statement in Section 1.b. of the Comprehensive Settlement that the rate plan

Provides the Company with an opportunity to earn reasonable returns, on balance, over the Rate Plan Period. . . .

That is, do the Parties contemplate that PacifiCorp's *average earnings over the Rate Plan Period* will reflect returns on equity, or overall returns, that fall within some range of reasonableness, or is it expected that *each year's returns* will fall within some range of reasonableness?

Response to Bench Response No. 11:

It is anticipated that the filing under Section 3 of the Comprehensive Stipulation will be based upon the actual results of operations for the then-most recent twelve months for which actual data are reasonably available. The Company's filing will propose the capital structure, cost of capital elements, and overall return against which these results will be evaluated in determining whether the Company's then-existing rates are reasonable.. To the extent that a change in rates is warranted, the filing will contain all the elements of a general rate filing. Section 3 also requires that prior to such filing, the Company will consult with Commission Staff concerning filing requirements.

The referenced statement from Section 1.b. of the Comprehensive Stipulation does not relate to the evaluation of the Company's rates that will occur under Section 3. Rather, that statement reflects the expectation that earnings may be at the lower end of the range of reasonableness in the early years of the Rate Plan Period and at the higher end in the later years, given that "costs to achieve" expenditures will be made in the early years under the Transition Plan to produce savings in operating costs and capital expenditures in subsequent years. See the Company's Response to Bench Request No. 7.

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EXHIBIT # <u>218</u>		
ADMIT <input checked="" type="checkbox"/>	W/D <input type="checkbox"/>	REJECT <input type="checkbox"/>