

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP d/b/a PACIFIC POWER AND
LIGHT COMPANY,

Respondent.

DOCKET NO. UE-032065

SETTLEMENT AGREEMENT

PARTIES

1. This Settlement Agreement is entered into by PacifiCorp d/b/a Pacific Power and Light Company (“the Company”), ~~and~~ Staff of the Washington Utilities and Transportation Commission (“Staff”), and Natural Resources Defense Council (“NRDC”) (collectively together, the “Parties”) regarding PacifiCorp’s pending general rate filing in the above docket.

RECITALS

2. On December 16, 2003, PacifiCorp filed revised tariff schedules to effect a \$26.7 million (13.5%) increase in its base prices to Washington electric customers. The filing was based on normalized results of operations for Washington for the test period ending March 31, 2003. The filing was suspended by the Commission at its January 14, 2004 public meeting.

3. At the prehearing conference on January 26, 2004, the Public Counsel Section of the Office of Attorney General (“Public Counsel”), Industrial Customers of Northwest

Utilities (“ICNU”), Citizens’ Utility Alliance, the Energy Project,¹ and ~~Natural Resources Defense Council (“NRDC”)~~ were granted intervention in the proceeding.

4. Following discovery by Staff and the other parties on the Company’s direct testimony, Staff, Public Counsel, ICNU, the Citizens’ Utility Alliance and NRDC filed opposing testimony on June 30, 2004. Staff, for its part, recommended a revenue requirement increase of \$7.1 million in its testimony. (Braden, Exhibit No. ____ (RAB-1T) at 15.)

5. In the Company’s rebuttal testimony filed July 28, 2004, the Company reduced its requested rate relief to \$25.7 million.

6. Staff and other parties to the case conducted discovery on the Company’s rebuttal testimony. After analysis of the discovery responses, the Parties commenced settlement discussions for purposes of resolving or narrowing the contested issues in this proceeding.

7. The Parties have reached agreement on the contested issues in this proceeding and wish to present their agreement for the Commission’s consideration. The Parties therefore adopt the following Settlement Agreement, which is entered into by the Parties voluntarily to resolve matters in dispute among them in the interests of expediting the orderly disposition of this proceeding. The Settlement Agreement is being filed with the Commission as a “Multipart Settlement” pursuant to WAC 480-07-730(3).

¹ Comprising the Energy Project, Opportunity Council, Northwest Community Action Center, and Industrialization Center of Washington.

request the Commission find that ten years is a reasonable period over which to amortize these environmental remediation costs.

d. Other Regulatory Assets. Except as specifically set forth in the adjustments, all remaining regulatory assets and liabilities are recognized in rates for purposes of this settlement.

13. Removing Disincentives to Demand-Side Initiatives. The Parties recommend that the Commission's Order in this proceeding address the issue of whether it is in the public interest to investigate a true-up mechanism designed to eliminate financial disincentives associated with the Company's demand-side initiatives, based on a review of NRDC's testimony and other information in the record. Upon such a finding, the Company will initiate discussions with Staff and interested parties to review the effects of demand-side investments on the recovery of fixed costs and other potential disincentives to such investments by the Company, and to address the potential structure of a true-up mechanism that would make recovery of these costs independent of retail electricity sales. After such discussions, the Company may propose a true-up mechanism for consideration by the Commission at the earliest practicable time.

143. General Provisions.

a. The Parties agree that this Settlement Agreement is in the public interest and would produce rates for the Company that are fair, just, reasonable and sufficient. The Parties agree to support this Settlement Agreement as a settlement of all contested issues in this proceeding. The Parties understand that this Settlement Agreement is not binding on the Commission in ruling on the Company's rate filing.

b. The Parties agree that this Settlement Agreement represents a compromise in the positions of the Parties. As such, conduct, statements and documents

This SETTLEMENT AGREEMENT is entered into by each Party as of the date entered below.

DATED: August 24⁷, 2004.

PacifiCorp

**Staff of the Washington Utilities and
Transportation Commission**

By _____
Christy A. Omohundro
Vice President, Regulation

By _____
Roger A. Braden
Assistant Director Energy

Natural Resources Defense Council

By _____
Ralph Cavanagh
Energy Program Director

REVENUE REQUIREMENT ADJUSTMENTS

PacifiCorp Revenue Requirement per Rebuttal Case	\$25,659,000	8,815
Adjustments	<u>10,158,000</u>	<u>5,910</u>
Annual Net Power Costs <u>Revenue Requirement</u> for settlement purposes	<u>15,501,000</u>	<u>2,905</u>

Individual Adjustments:

Adjustment	Amount (\$)	Comment
Net power costs	(1,932,000)	527 Per Attachment B
Temperature normalization	(615,000)	782 Staff adjustment (revised)
Working capital	(622,000)	499 Staff, Public Counsel adjustment
Incentive pay-out	(697,000)	630 Staff adjustment
International assignee costs	(21,000)	554 Staff adjustment
IRS settlement	(1,311,000)	754 Staff, Public Counsel adjustment
Property insurance	(630,000)	245 Staff adjustment
Environmental costs	(321,000)	512 Staff adjustment
Severance normalization	(177,000)	569 Staff adjustment
Property tax adjustment	156,000	878 Update
RTO Costs	(340,000)	31 ICNU, Staff adjustment; subject to deferred accounting
Cost of capital	(3,500,000)	Reflects 8.39% overall rate of return
Unspecified ICNU/Public Counsel adjustments	(600,000)	
Interest expense true-up of adjustments	144,000	315
Total Adjustments	(10,158,000)	910
Adjusted Rate Increase	15,501,000	905