

**Exhibit No. \_\_\_ CT (JMW-1CT)**

**Docket UE-130043**

**Witness: Juliana Williams**

**Redacted Version**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PACIFIC POWER & LIGHT  
COMPANY,**

**Respondent.**

**DOCKET UE-130043**

**TESTIMONY OF**

**JULIANA WILLIAMS**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Prudence of Major Hydroelectric Plant Additions and Low Income Bill Assistance (LIBA)*

**June 21, 2013**

**CONFIDENTIAL PER PROTECTIVE ORDER  
Redacted Version**

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1 I. INTRODUCTION

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**Q. Please state your name and business address.**

A. My name is Juliana M. Williams. My business address is The Richard Hemstad Building, 1300 S. Evergreen Park Drive S.W., Olympia, Washington 98504.

**Q. By whom are you employed and in what capacity?**

A. I am employed by the Washington Utilities and Transportation Commission (“Commission”) as a Regulatory Analyst in the Conservation and Energy Planning Section of the Regulatory Services Division.

**Q. How long have you been employed by the Commission?**

A. I have been employed by the Commission since May 2012.

**Q. Would you please state your educational and professional background?**

A. I graduated from Whitman College in 2007 with a Bachelor of Arts degree in Geology. I graduated from the University of Maryland in 2011 with a Master of Public Policy degree, with a concentration in Energy Policy.

Prior to my employment with the Commission, I held various policy research and analysis positions with a clean energy developer, multiple think tanks and environmental non-profit organizations. In 2012, I attended the New Mexico State University’s “The Basics – Practical Regulatory Training,” as well as other sector specific trainings.

1

2 **Q. What are your responsibilities at the Commission?**

3 A. My responsibilities at the Commission include the review and analysis of resource  
4 acquisition prudence, electric utility compliance filings regarding integrated resource  
5 planning and the energy conservation and renewable portfolio standards of the  
6 Energy Independence Act, energy conservation program implementation and  
7 evaluation, and low-income and reliability issues.

8

9 **Q. Have you previously testified before the Commission?**

10 A. No. However, I have presented Staff recommendations to the Commission at open  
11 public meetings. I have also participated in Commission rulemakings and supported  
12 Staff testimony in other cases before the Commission.

13

14 **II. SCOPE AND SUMMARY OF TESTIMONY**

15

16 **Q. Please explain the purpose of your testimony.**

17 A. My testimony addresses the prudence of significant capital improvements to various  
18 hydroelectric projects owned by PacifiCorp d/b/a Pacific Power & Light  
19 (“PacifiCorp” or “Company”). These major plant additions to rate base are the Swift  
20 Fish Collector, Soda Springs Fish Passage, Prospect In-Stream Flow and  
21 Automation, and Merwin Fish Collector projects. The relevant Company witnesses  
22 on this subject matter are Mark R. Tallman and Steven R. McDougal.

1 I also respond to PacifiCorp witness Joelle R. Steward regarding proposed  
2 changes to the Low Income Bill Assistance (“LIBA”) Program and the impact of  
3 these changes on the Company’s five-year plan for the LIBA Program.  
4

5 **Q. Please summarize your conclusions on the issues addressed in your testimony.**

6 A. I conclude that the Company’s acquisitions of the Swift Fish Collector, Soda Springs  
7 Fish Passage, and Prospect In-Stream Flow and Automation projects are prudent  
8 under Commission-established standards. Staff witness Christopher R. McGuire  
9 presents the specific ratemaking treatment recommended for these projects. Based  
10 on Mr. McGuire’s recommendation, I do not address the prudence of the Merwin  
11 Fish Collector project at this time.

12 I also conclude that the Company’s proposed changes to the LIBA program  
13 are reasonable in principle, and that the percentage increase in LIBA participant  
14 benefits should remain twice the final percentage increase in residential general rates  
15 that result from this case, in accordance with Commission Order 07 in Docket UE-  
16 111190.  
17

### 18 **III. PRUDENCE OF MAJOR HYDRO ELECTRIC PLANT ADDITIONS**

#### 19 **D. Description of the Hydroelectric Plant Additions**

20 **Q. Please briefly describe the Swift Fish Collector.**

21  
22 A. The Swift Fish Collector is a facility designed to collect, sort and provide  
23 downstream transportation to juvenile and adult fish at the Swift Hydroelectric  
24

1 Project No. 1 (“Swift No. 1”) on the Lewis River in Skamania County, Washington.<sup>1</sup>  
2 The Company pursued the addition of this facility to fulfill conditions in the Lewis  
3 River Settlement Agreement, as part of the new operating license ordered by the  
4 Federal Energy Regulatory Commission (“FERC”).<sup>2</sup>

5 There are three primary phases of this project. Phase 1 consists of a trestle to  
6 provide access for two-way traffic to the floating barge and collection systems, and  
7 was completed in December, 2011. Phase 2 is a barge moored to the trestle, which  
8 was completed in September 2012. Phase 3 includes the collection, sorting and  
9 guidance systems, which were completed in November 2012. Final project closeout  
10 costs were expected to be completed by May 2013.

11

12 **Q. Please briefly describe the Soda Springs Fish Passage.**

13 A. The Soda Springs Fish Passage consists of an upstream fish ladder, spillway  
14 improvement, downstream fish screen, and evaluation facility at the Soda Springs  
15 dam on the North Umpqua River in Douglas County, Oregon.<sup>3</sup> The Company  
16 pursued the addition of this facility to fulfill the conditions of North Umpqua  
17 Settlement, as part of the operating license for the North Umpqua Hydroelectric  
18 Project (“North Umpqua”) ordered by FERC.<sup>4</sup> The facility was placed into service  
19 in October 2012, but final closeout costs were expected to be completed in May  
20 2013.

21

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<sup>1</sup> Tallman, Exhibit No. \_\_ (MRT-1T) at 3:4-12.

<sup>2</sup> FERC Project No. 2111 License, Ordering Paragraphs F and G and Article 401.

<sup>3</sup> Tallman, Exhibit No. \_\_ (MRT-1T) at 7:4-13.

<sup>4</sup> FERC Project No. 1927-008, License Ordering Paragraph 47 and Article 401.

1 **Q. Please briefly describe the Prospect In-Stream Flow and Automation project.**

2 A. The Prospect In-Stream Flow and Automation addition consists of water flow  
3 measuring devices, flow release structures, and an automation and communication  
4 system for the Prospect No. 1, 2, and 4 hydroelectric projects (“Prospect”) on the  
5 Rogue River and two tributary streams in Jackson County, Oregon.<sup>5</sup> Prospect  
6 consists of three concrete diversion dams located on the Middle Fork Rogue River  
7 (Middle Fork dam), Red Blanket Creek (Red Blanket dam), and the Rogue River  
8 (North Fork dam). The dams divert water through approximately 9.25 miles of water  
9 conveyance system to a fore-bay, which supplies water to three powerhouses.

10 The Company pursued the addition of the Prospect In-Stream Flow and  
11 Automation facilities to fulfill conditions of the FERC license issued for Prospect.<sup>6</sup>  
12 These conditions include controlling in-stream flow and meeting ramp rate  
13 requirements established by the Oregon Department of Environmental Quality as  
14 part of the 401 certification process of the Clean Water Act. The facilities were  
15 placed into service in December 2012. Final closeout costs are expected to be  
16 completed in June 2013.<sup>7</sup>

17  
18 **Q. Please briefly discuss the Merwin Fish Collector.**

19 A. The Merwin Fish Collector was not placed into service prior to the filing of this rate  
20 case in January 2013, and therefore the expenditures on the project are not known  
21 and measurable, as discussed in the testimony of Staff witness McGuire. Therefore,  
22 my testimony does not discuss the prudence of the acquisition of the Merwin Fish

<sup>5</sup> Tallman, Exhibit No. \_\_\_ (MRT-1T) at 8:8-17.

<sup>6</sup> FERC Project No. 2630, License Ordering Paragraph D, Articles 401 and 403, and Appendix A.

<sup>7</sup> PacifiCorp 2<sup>nd</sup> Supplemental Response to Staff Data Request 194, Confidential Attachment.

1 Collector because such a determination would be premature and unnecessary at this  
2 time. It should be addressed only once the facility is complete and the final  
3 expenditures can be fully assessed. Staff witness Deborah J. Reynolds presents the  
4 concept of an expedited rate filing that will allow timely consideration of the Merwin  
5 Fish Collector by the Commission.

6  
7 **Q. What information did you evaluate in conducting your analyses in this case?**

8 A. I reviewed the direct testimony and exhibits of PacifiCorp witnesses McDougal and  
9 Tallman, and PacifiCorp's responses to data requests from Staff. These documents  
10 included FERC licenses, applicable settlement agreements and orders, approvals of  
11 parties to the settlement agreements, economic analyses, request for proposal criteria  
12 and analyses, proof of project in-service dates, and other related documents.

13  
14 **E. Used and Useful for Service**

15  
16 **Q. What is the importance of the "used and useful for service" issue?**

17 A. In order for a capital investment to be included in rate base for ratemaking purposes,  
18 the resource must be "used and useful for service" in Washington State.<sup>8</sup>

19  
20 **Q. Are the Swift Fish Collector, Soda Springs Fish Passage and Prospect In-**  
21 **Stream Flow and Automation projects used and useful for service in**  
22 **Washington?**

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<sup>8</sup> RCW 80.04.250.

1 A. Yes. The Swift Fish Collector began operation in December 2012.<sup>9</sup> The Soda  
2 Springs Fish Passage was placed into service in October 2012. The Prospect In-  
3 Stream Flow and Automation project was placed into service in December 2012. All  
4 three capital improvements were required by FERC license. The underlying  
5 generation projects for all three improvements are used to provide electric service to  
6 customers in Washington State.

7 All three projects also indirectly reduce costs to Washington customers by  
8 enabling the Company to continue to operate the Swift No. 1, North Umpqua  
9 Hydroelectric Project and Prospect facilities, instead of acquiring more costly  
10 replacement resources.

11

12 **F. Prudence of PacifiCorp's Acquisition of Swift Fish Collector, Soda**  
13 **Springs Fish Passage and Prospect In-Stream Flow and Automation**  
14 **projects**  
15

16 **1. Prudence Standard**  
17

18 **Q. What is the relevant standard to assess the Company's acquisition of the Swift**  
19 **Fish Collector, Soda Springs Fish Passage and Prospect In-Stream Flow and**  
20 **Automation additions?**

21 A. The Commission applies a "prudence" standard when it determines whether a  
22 specific resource acquisition decision by a utility was appropriate, and that  
23 ratepayers can be required to support that resource through rates. Overall, the  
24 prudence standard is a reasonableness standard:

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<sup>9</sup> PacifiCorp Response to Staff Data Request 251, Confidential Attachment.

1 The Commission has consistently applied a reasonableness standard when  
2 reviewing the prudence of decisions relating to power costs, including those  
3 arising from power generation asset acquisitions. The test the Commission  
4 applies to measure prudence is what would a reasonable board of directors  
5 and company management have decided given what they knew or reasonably  
6 should have known to be true at the time they made a decision. This test  
7 applies both to the question of need and the appropriateness of the  
8 expenditures. The company must establish that it adequately studied the  
9 question of whether to purchase these resources and made a reasonable  
10 decision, using the data and methods that a reasonable management would  
11 have used at the time the decisions were made.<sup>10</sup>  
12

13 **Q. What factors does the Commission use to evaluate the prudence of a utility's**  
14 **electric resource acquisition?**

15 A. There is no single set of factors. However, the Commission has generally focused  
16 on the following four factors:

- 17 1) *The Need for the Resource* - The utility must first determine whether new  
18 resources are necessary. Once a need has been identified, the utility must  
19 determine how to fill that need in a cost-effective manner. When a utility is  
20 considering the purchase of a resource, it must evaluate that resource against  
21 the standards of what other purchases are available, and against the standard  
22 of what it would cost to build the resource itself.<sup>11</sup>  
23
- 24 2) *Evaluation of Alternatives* - The utility must analyze the resource alternatives  
25 using current information that adjusts for such factors as end effects, capital  
26 costs, dispatchability, transmission costs, and whatever other factors need  
27 specific analysis at the time of a purchase decision. The acquisition process  
28 should be appropriate.<sup>12</sup>  
29
- 30 3) *Communication With and Involvement of the Company's Board of Directors* -  
31 The utility should inform its board of directors about the purchase decision  
32 and its costs. The utility should also involve the board in the decision process  
33 as appropriate.<sup>13</sup>  
34

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<sup>10</sup> *WUTC v. Puget Sound Energy, Inc.*, Docket UE-031725, Order 12 at ¶19 (April 7, 2004) (footnotes and related citations omitted).

<sup>11</sup> *WUTC v. Puget Sound Power & Light Co.*, Docket UE-921262, *et al.*, Nineteenth Supplemental Order at 11 (September 27, 1994).

<sup>12</sup> *WUTC v. Puget Sound Energy, Inc.*, Docket UE-031725, Order 12 at ¶20 (April 7, 2004).

<sup>13</sup> *Id.*

1           4) *Adequate Documentation* - The utility must keep adequate contemporaneous  
2 records that will allow the Commission to evaluate the Company's decision-  
3 making process. The Commission should be able to follow the utility's  
4 decision process; understand the elements that the utility used; and determine  
5 the manner in which the utility valued these elements.<sup>14</sup>  
6

7           Although these factors have been typically applied to the acquisition of new  
8 major resources, in my opinion, it is likewise appropriate to consider these factors  
9 when evaluating the prudence of major upgrades to existing resources.  
10

11                   **2. Application of the Prudence Standard – Swift Fish Collector**

12  
13                           **b. The Need for the Resource; Evaluation of Alternatives;**  
14                                           **Cost**  
15

16 **Q. Did the Company adequately support the need for the Swift Fish Collector, and**  
17 **show that it was an appropriate investment to acquire to meet that need?**

18 **A.** Yes. The testimony of Company witnesses McDougal and Tallman supports the  
19 need for the Swift Fish Collector, as does Section 4.4.1 of the Lewis River  
20 Settlement Agreement, adopted by FERC in the new operating license for Swift  
21 No. 1, which states,

22           By six months after the fourth anniversary of the Issuance of the New  
23 License for the Swift No. 1 Project or the Swift No. 2 Project, whichever is  
24 later, PacifiCorp shall construct and provide for the operation of a passage  
25 facility at the Swift No. 1 Dam, including a modular surface collector, to  
26 collect, sort, tag, and transport downstream-migrating Transported Species.<sup>15</sup>

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<sup>14</sup> *Id.* at ¶20.

<sup>15</sup> Lewis River Settlement Agreement, Section 4.4.1. *See also* PacifiCorp Response to Staff Data Request 61.

1           The ongoing need for Swift No. 1 as a generating resource is also recognized  
2           by the FERC license and PacifiCorp's 2007 Integrated Resource Plan, which  
3           includes Swift No. 1 as part of the existing resource portfolio.<sup>16</sup> Thus, the fish  
4           collector is required for the Swift No. 1 to continue to generate electricity in  
5           compliance with the FERC license.

6  
7   **Q.   How did PacifiCorp evaluate the Swift Fish Collector project?**

8   A.   First, the Company conducted a Relicensing Cost Analysis to compare the  
9           economics of relicensing the Lewis River Hydroelectric Projects to  
10          decommissioning. This analysis showed that relicensing was the lower cost option.<sup>17</sup>

11           Once FERC issued the new license for Swift No. 1, PacifiCorp consulted  
12          with parties to the Lewis River Settlement Agreement on the design of all three  
13          phases of the Swift Fish Collector, as described below:

14                   The Licensee shall coordinate with and shall provide 30% and 60%  
15                   completed preliminary designs for review and comment to the Services and  
16                   WDFW.<sup>18</sup>

17           The Company considered 22 design alternatives to evaluate configuration  
18          options for the facility under a range of reservoir conditions.<sup>19</sup> These alternatives  
19          included options for accessing the collection facility by boat, rail or motor vehicle.  
20          The Company determined that the trestle option, which allows for two-way vehicle

21  

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<sup>16</sup> FERC Project No. 2111 License, paragraphs 137-141; PacifiCorp 2007 Integrate Resource Plan, page 47.

<sup>17</sup> PacifiCorp Response to WUTC Staff Data Request 197, Confidential Attachment.

<sup>18</sup> Lewis River Settlement Agreement, Section 4.1.2. *See also*, PacifiCorp Response to Staff Data Request 111, Attachment 111-2.

<sup>19</sup> PacifiCorp Response to Staff Data Request 157, Confidential Attachment.

1 traffic to the collection facility, was the only option that could perform in the full  
2 range of operational conditions.<sup>20</sup>

3 The final design of the Swift Fish Collector was reviewed and approved by  
4 the National Oceanic and Atmospheric Administration (“NOAA”) and the U.S. Fish  
5 and Wildlife Service (“FWS”). The Washington State Department of Fish and  
6 Wildlife (“WDFW”) provided informal review in support of the project.

7 PacifiCorp issued a Request for Proposals (“RFP”) for the Swift Fish  
8 Collector and invited 29 bidders to submit proposals. Five proposals were received  
9 in June 2010, and two were selected as short-list contractors.<sup>21</sup> The Company  
10 conducted an evaluation of the two proposals that included review of construction  
11 plans and schedules, experience constructing similar facilities and documentation of  
12 key personnel. The winning proposal scored the highest on PacifiCorp’s evaluation  
13 matrix in addition to providing the lowest cost bid.

14  
15 **Q. Was the cost of the Swift Fish Collector project reasonable?**

16 A. Yes. The cost through December 2012 was \$60,608,221.<sup>22</sup> This excludes final  
17 project closeout costs which were incurred after the filing of this case. The  
18 Company initially estimated that all three phases of the project would cost \$[REDACTED]  
19 [REDACTED], including engineering costs and other miscellaneous costs.<sup>23</sup> This estimate  
20 was based on the first stage of design consultation with NOAA, FWS and WDFW,  
21 as well as a comparison with the only other project of similar design and scale that

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<sup>20</sup> PacifiCorp Response to Staff Data Request 157, Confidential Attachment.

<sup>21</sup> PacifiCorp Response to Staff Data Request 196.

<sup>22</sup> PacifiCorp Response to Staff Data Request 250, Attachment.

<sup>23</sup> PacifiCorp Response to Staff Data Request 157, Confidential Attachment.

1 was under construction at the time. The final project came in significantly under  
2 budget, due to lower material costs than originally estimated.<sup>24</sup>

3 Construction of the Swift Fish Collector occurred both during and after the  
4 test year for this rate case. PacifiCorp included in rate base \$ [REDACTED] incurred  
5 during the test year.<sup>25</sup> PacifiCorp spent \$38,935,266 after the end of the test period  
6 and before the rate case was filed.<sup>26</sup> This after test period amount is included by  
7 Staff as a *pro forma* adjustment to rate base, as discussed by Mr. McGuire.

8  
9 **b. Participation of the Company's Board of Directors**

10  
11 **Q. Did PacifiCorp's Board of Directors make the final decision to build Swift Fish  
12 Collector?**

13 **A.** No. However, it may be reasonable for upper management to be the decision-makers  
14 for these types of projects, rather than the Board of Directors, as would be required  
15 for significant new resource acquisitions.

16 Here, PacifiCorp's Board of Directors "delegates operating decisions such as  
17 approval of major capital projects to PacifiCorp's executive management."<sup>27</sup>

18 Following receipt of detailed analysis of the project proposal, Greg Abel, PacifiCorp  
19 Chief Executive Officer, gave final approval of the project.<sup>28</sup> The Lewis River

20 Settlement Agreement was signed by Judith Johansen, PacifiCorp Chief Executive

21 Officer at the time, on November 30, 2004. Staff reviewed the Schedule of

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<sup>24</sup> PacifiCorp Response to Staff Data Request 157, Confidential Attachment.

<sup>25</sup> PacifiCorp Response to Staff Data Request 250, Confidential Attachment.

<sup>26</sup> Costs incurred from July 2012 through December 2012.

<sup>27</sup> PacifiCorp Response to Staff Data Request 157.

<sup>28</sup> PacifiCorp Response to Staff Data Request 157, Confidential Attachment.

1 Authorities and accepts that the final approval for the Swift Fish Collector was made  
2 at the appropriate level for this type of project, pursuant to Company policy.<sup>29</sup>

3

4 **e. Documentation of the Company's Decision-Making**  
5 **Process**  
6

7 **Q. Did PacifiCorp meet the documentation requirement for the acquisition of the**  
8 **Swift Fish Collector project?**

9 A. Yes. PacifiCorp provided adequate contemporaneous records of its decision-making  
10 process and supporting analysis in this case, as cited above.

11

12 **f. Conclusion on Swift Fish Collector Acquisition Prudence**

13

14 **Q. What is your conclusion regarding the prudence of PacifiCorp's acquisition of**  
15 **the Swift Fish Collector?**

16 A. Based on the documentation provided by the Company, I conclude that the Swift  
17 Fish Collector is "used and useful" and that acquisition of the project by PacifiCorp  
18 was prudent. Staff recommends that the total \$60,608,221 of project costs incurred  
19 through December 2012 be included in rate base, including \$38,935,266 as a *pro*  
20 *forma* adjustment. Inclusion of final closeout expenditures in rate base should occur  
21 in a later proceeding after the final totals are known and measurable.

22

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<sup>29</sup> PacifiCorp Response to Staff Data Request 231.

1                   **5. Application of the Prudence Standard – Soda Springs Fish**  
2                   **Passage**  
3

4                   **b. The Need for the Resource; Evaluation of Alternatives;**  
5                   **Cost**  
6

7 **Q. Did the Company adequately support the need for the Soda Springs Fish**  
8 **Passage, and show that it was an appropriate resource to acquire to meet that**  
9 **need?**

10 A. Yes. The testimony of Company witnesses McDougal and Mr. Tallman supports the  
11 need for the Soda Springs Fish Passage, as does the North Umpqua Settlement  
12 Agreement, adopted by FERC in the new operating license for North Umpqua,  
13 which became final October 18, 2005. The North Umpqua Settlement Agreement  
14 states,

15                   PacifiCorp shall provide volitional upstream fish passage at Soda Springs  
16                   Dam by means of a vertical-slot fish ladder that meets design criteria  
17                   established by NMFS, USFWS, and ODFW for passage of adult salmonids  
18                   and lamprey. These fish passage facilities shall be tested and functioning by  
19                   the seventh anniversary of the New License.<sup>30</sup>

20 and,

21                   PacifiCorp shall provide downstream fish passage at Soda Springs Dam by  
22                   the seventh anniversary of the New License.<sup>31</sup>

23                   The ongoing need for generation from the North Umpqua Hydroelectric  
24                   Project is recognized by the FERC license.<sup>32</sup> Continued operation is dependent on  
25                   the construction of the fish passage facilities.

26  

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<sup>30</sup> North Umpqua Settlement Agreement, Section 4.1.1. See also, PacifiCorp Response to Staff Data Request 61.

<sup>31</sup> North Umpqua Settlement Agreement, Section 4.1.2. See also, PacifiCorp Response to Staff Data Request 61.

<sup>32</sup> FERC Project No. 1927-008, paragraphs 97-100.

1 **Q. How did PacifiCorp evaluate the Soda Springs Fish Passage?**

2 A. As for the Swift Fish Collector project, the Company conducted a Relicensing Cost  
3 Analysis to compare the economics of relicensing North Umpqua to  
4 decommissioning, and determined that relicensing was the lower cost option.<sup>33</sup> Once  
5 FERC issued the new license for North Umpqua, PacifiCorp consulted with the U.S.  
6 Forest Service, National Marine Fisheries Service, the U.S. Fish and Wildlife Service  
7 and the Oregon Department of Fish and Wildlife when 30, 60 and 90 percent of the  
8 design of the Soda Springs Fish Passage was completed.<sup>34</sup>

9 The Company considered multiple design alternatives for the fish screens  
10 based on survival performance criteria and technical feasibility at the site. In  
11 consultation with agencies party to the North Umpqua Settlement Agreement, the  
12 Company determined that the initial design was unfeasible at the site, and that a  
13 criteria fish screen constructed on the spillway was the best design option.<sup>35</sup> The  
14 final design was approved by the agencies in March, 2009.

15 Once the design was complete, PacifiCorp issued an RFP for the Soda  
16 Springs Fish Passage and invited 20 bidders to submit proposals. Five proposals  
17 were received for the project.<sup>36</sup> The Company conducted an evaluation of the  
18 proposals that included review of the technical specifications of the project,  
19 construction plan and schedules, and experience constructing similar facilities. The  
20 winning proposal was the highest evaluated bidder and provided the lowest cost bid.

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<sup>33</sup> PacifiCorp Response to Staff Data Request 197, Confidential Attachment.

<sup>34</sup> North Umpqua Settlement Agreement, Sections 4.1.1 and 4.1.2. *See also*, PacifiCorp Response to Staff Data Request 114.

<sup>35</sup> PacifiCorp Response to Staff Data Request 157 Confidential Attachment.

<sup>36</sup> PacifiCorp Response to Staff Data Request 196.

1 **Q. Was the cost of the Soda Springs Fish Passage reasonable?**

2 A. Yes. The cost through December 2012 was \$73,422,320.<sup>37</sup> This excludes final  
3 project closeout costs which were incurred after the filing of this case. The  
4 Company initially estimated a project cost of \$[REDACTED], based on a design  
5 utilizing an Eicher screen and comparison with a similarly scaled facility.<sup>38</sup>  
6 However, after preliminary analysis, the Company and consulted agencies concluded  
7 that the initial design would not meet the requirements of the project. The revised  
8 design was estimated to cost \$[REDACTED], based on similar facilities.<sup>39</sup> Final project  
9 expenditures were, therefore, about \$[REDACTED] or [REDACTED] percent above the revised  
10 design estimate. The increased cost of the project was due to a one-year delay for  
11 regulatory approval and the associated Allowance of Funds Used During  
12 Construction (“AFUDC”).<sup>40</sup> Staff does not consider the amount over budget to be  
13 unreasonable.

14  
15 **b. Participation of the Company’s Board of Directors**

16  
17 **Q. Did PacifiCorp’s Board of Directors make the final decision to build Soda**  
18 **Springs Fish Passage?**

19 A. No. Following receipt of detailed analysis of the project proposal, Greg Abel,  
20 PacifiCorp Chief Executive Officer, formally delegated final approval of the project  
21

<sup>37</sup> PacifiCorp Response to Staff Data Request 262.

<sup>38</sup> PacifiCorp Response to Staff Data Request 157, Confidential Attachment.

<sup>39</sup> PacifiCorp Response to Staff Data Request 157, Confidential Attachment.

<sup>40</sup> PacifiCorp 1<sup>st</sup> Supplemental Response to Staff Data Request 157.

1 to Robert Lasich, President of PacifiCorp Energy.<sup>41</sup> Staff reviewed the Schedule of  
2 Authorities and accepts that the final approval for the Soda Springs Fish Passage was  
3 made at the appropriate level for this type of project, again, pursuant to Company  
4 policy that allows the Board to delegate decisions on major capital projects to  
5 executive management.<sup>42</sup>

6  
7 **d. Documentation of the Company's Decision-Making**  
8 **Process**  
9

10 **Q. Did PacifiCorp meet the documentation requirement for the acquisition of the**  
11 **Soda Springs Fish Passage?**

12 A. Yes. PacifiCorp provided adequate contemporaneous records of its decision-making  
13 process and supporting analysis in this case, as cited above.

14  
15 **e. Conclusion on Soda Springs Fish Passage Acquisition**  
16 **Prudence**  
17

18 **Q. What is your conclusion regarding the prudence of PacifiCorp's acquisition of**  
19 **the Soda Springs Fish Passage?**

20 A. Based on the documentation provided by the Company, I conclude that Soda Springs  
21 Fish Passage is "used and useful" and that the acquisition of the project by  
22 PacifiCorp was prudent. Staff recommends that the \$73,422,320 of project costs  
23 incurred through December 2012 be placed into rate base as a *pro forma* adjustment.

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<sup>41</sup> PacifiCorp Response to Staff Data Request 254.

<sup>42</sup> PacifiCorp Response to Staff Data Request 231.

1 Inclusion of final closeout expenditures in rate base should occur in a later  
2 proceeding after the final totals are known and measurable.

3  
4 **6. Application of the Prudence Standard – Prospect In-Stream**  
5 **Flow/Automation project**  
6

7 **b. The Need for the Resource; Evaluation of Alternatives;**  
8 **Cost**  
9

10 **Q. Does the Company adequately support the need for the Prospect In-Stream**  
11 **Flow and Automation project, and show that it was an appropriate resource to**  
12 **acquire to meet that need?**

13 A. Yes. The testimony of Company witnesses McDougal and Mr. Tallman supports the  
14 need for the Prospect In-Stream Flow and Automation project, as does the Section  
15 401 Certification requirements issued by the Oregon Department of Environmental  
16 Quality<sup>43, 44</sup> and the conditions to the operating license for Prospect Nos. 1, 2 and 4  
17 issued by FERC.<sup>45</sup> The FERC license requires PacifiCorp to:

18 [R]elease minimum flows in the project's bypassed reaches<sup>46</sup> ..., install gages  
19 with telemetry at the head of the project's bypassed reaches<sup>47</sup> ..., operate the  
20 project run-of-river<sup>48</sup> ..., [and] maintain specific ramping rates in river  
21 reaches affected by the project<sup>49</sup> ...

22 Compliance with these water management requirements necessitates constant  
23 monitoring, data storage and reporting. Manual operation was determined by the

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<sup>43</sup> Submitted by the Oregon Department of Environmental Quality (filed by PacifiCorp on April 5, 2007) under Section 401(a)(1) of the Clean Water Act, 33 U.S.C. § 1431(a)(1) (2000).

<sup>44</sup> The Section 401 Certification Requirements were adopted by FERC as a condition in the operating license for Prospect Nos. 1, 2 and 4 (FERC Project No. 2630, issued April 8, 2008).

<sup>45</sup> FERC, Order Issuing New License, Project No. 2630-004, April 8, 2008.

<sup>46</sup> *Id.*, Appendix A – Condition 1(a).

<sup>47</sup> *Id.*, Appendix A – Condition 2(d)(1), and Article 401(b).

<sup>48</sup> *Id.*, Article 403.

<sup>49</sup> *Id.*, Appendix A – Condition 1(b).

1 Company to be an infeasible long-term solution as it would not allow for real-time  
2 compliance measurement and response capabilities. Therefore, an automated flow  
3 management system was deemed necessary.

4 The ongoing need for generation from the North Umpqua Hydroelectric  
5 Project is recognized by the FERC license.<sup>50</sup> Continued operation is dependent on  
6 the construction of the automated flow management system.

7  
8 **Q. How did PacifiCorp evaluate the Prospect In-Stream Flow and Automation**  
9 **project?**

10 A. Again, the Company conducted a Relicensing Cost Analysis to compare the  
11 economics of relicensing Prospect to decommissioning, and determined that  
12 relicensing was the lower cost option.<sup>51</sup> The FERC License did not require the  
13 Company to consult with Settlement parties on the final design of the Prospect In-  
14 Stream Flow and Automation project.

15 On June 1, 2011, PacifiCorp issued an RFP for this project and invited 14  
16 bidders to submit proposals.<sup>52</sup> Eight bidders attended the pre-bid meeting and two  
17 submitted proposals. The Company's evaluation of the proposals included review of  
18 construction plans and schedules, experience constructing similar facilities and  
19 qualifications of key personnel. The winning proposal scored the highest on  
20 PacifiCorp's evaluation matrix and provided the lowest cost bid.

21  

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<sup>50</sup> FERC Project No. 2630, paragraphs 93-97.

<sup>51</sup> PacifiCorp Response to Staff Data Request 197, Confidential Attachment.

<sup>52</sup> PacifiCorp Response to Staff Data Request 161.

1 **Q. Was the cost of the Prospect In-Stream Flow/Automation project reasonable?**

2 A. Yes. The cost through December 2012 was \$10,090,905.<sup>53</sup> This excludes final  
3 project closeout costs incurred after the filing of this case. The final cost of the  
4 project through June 2013 is projected to be \$[REDACTED].<sup>54</sup> The Company initially  
5 estimated that the project would cost \$[REDACTED], so the final project is expected to  
6 come in roughly \$[REDACTED], or [REDACTED], above that estimate.<sup>55</sup>

7

8 **b. Participation of the Company's Board of Directors**

9

10 **Q. Did PacifiCorp's Board of Directors make the final decision to build the**  
11 **Prospect In-Stream Flow and Automation project?**

12 A. No. Following receipt of detailed analysis of the project proposal, Michael Dunn,  
13 President of PacifiCorp Energy, gave final approval of the project.<sup>56</sup> Staff reviewed  
14 the Schedule of Authorities and accepts that the final approval for the Prospect In-  
15 Stream Flow and Automation project was made at the appropriate level for this type  
16 of project, pursuant to Company policy.<sup>57</sup>

17

18 **e. Documentation of the Company's Decision-Making**  
19 **Process**

20

21 **Q. Did PacifiCorp meet the documentation requirement for the acquisition of the**  
22 **Prospect In-Stream Flow and Automation project?**

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<sup>53</sup> PacifiCorp Response to Staff Data Request 262, Attachment.

<sup>54</sup> PacifiCorp Response to Staff Data Request 194, Second Supplemental Confidential Attachment.

<sup>55</sup> PacifiCorp Response to Staff Data Request 157, Confidential Attachment.

<sup>56</sup> PacifiCorp Response to Staff Data Request 157, Confidential Attachment.

<sup>57</sup> PacifiCorp Response to Staff Data Request 231.

1 A. Yes. PacifiCorp provided adequate contemporaneous records of its decision-making  
2 process and supporting analysis in this case, as cited above.

3

4 f. **Conclusion on Prospect In-Stream Flow and Automation**  
5 **Acquisition Prudence**  
6

7 **Q. What is your conclusion regarding the prudence of PacifiCorp's acquisition of**  
8 **the Prospect In-Stream Flow/Automation project?**

9 A. Based on the documentation provided by the Company, I conclude that the Prospect  
10 In-Stream Flow/Automation project is "used and useful" and that the acquisition of  
11 the project by PacifiCorp was prudent. Staff recommends that the \$10,090,905 of  
12 project costs incurred through December 2012 be placed into rate base as a *pro*  
13 *forma* adjustment. Inclusion of final closeout expenditures in rate base should occur  
14 in a later proceeding after the final totals are known and measurable.

15

16 **Q. Does that complete your testimony regarding the Company's investment in**  
17 **hydroelectric project improvements?**

18 A. Yes.

19

20 **IV. LOW INCOME BILL ASSISTANCE (LIBA)**

21

22 **Q. What is the current framework for the Company's LIBA Program?**

23 A. A five-year plan for LIBA funding for 2012 through 2016 was agreed to by the  
24 parties in the Settlement Stipulation that was approved by the Commission in

1 Order 07 in Docket UE-111190.<sup>58</sup> The key provisions of that plan are described by  
2 Company witness Steward, and, for the 2013-2014 program year (the rate year for  
3 this case), are summarized as follows:

- 4 1. Increase the number of program participants to approximately 5,192  
5 customers, through implementation of two-year certification.
- 6 2. Increase agency funding to \$67.50 per certification, with a maximum of  
7 4,720 certifications for the 2013-2014 program year.
- 8 3. Increase benefits to each program participant by two times the percentage  
9 increase of any future residential general rate increase.
- 10 4. File for an annual increase to the Schedule 91 surcharge, which funds the  
11 LIBA program, by May 1, 2013.<sup>59</sup>

12  
13 **Q. Please explain the changes proposed by PacifiCorp to the LIBA Program.**

14 **A.** As instructed by Order 07 in Docket UE-111190, the Company proposes to:

- 15 1. Increase the number of program participants to approximately 5,192  
16 customers, through two-year certification.
- 17 2. Increase agency funding to \$67.50 per certification, with a maximum of  
18 4,720 certifications, which increases program costs by \$11,800.
- 19 3. Increase benefits per participant by \$86.90, or 30 percent, which is twice the  
20 percentage increase of the Company's proposed residential general rate

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<sup>58</sup> *WUTC v. PacifiCorp*, Docket UE-111190, Order 07 at ¶¶17-18 and Settlement Stipulation at ¶¶25-26 (March 30, 2012). Parties to the Settlement Agreement are PacifiCorp, Staff, Public Counsel, the Industrial Customers of Northwest Utilities and The Energy Project.

<sup>59</sup> Steward, Exhibit No. \_\_\_(JRS-1T) at 8:3-20.

1           increase. To provide program benefits to 5,192 participants, this increases  
2           program costs by \$597,046.

3           The total impact of these changes increases LIBA funding by 36 percent, from \$1.7  
4           million to \$2.3 million, for the 2013-2014 program year.<sup>60</sup>

5

6   **Q.    Are the proposed changes to the Company's LIBA Program consistent with the**  
7   **five-year plan approved in Docket UE-111190?**

8   A.    Yes. The proposed changes will allow the number of LIBA participants and Agency  
9   funding for certification to increase, as required by Order 07 in Docket UE-111190.

10   The average benefit to LIBA participants will increase by \$86.90, or 30 percent,  
11   which is two times the Company proposed residential rate increase of 15 percent.<sup>61</sup>

12   The proposed changes reflect the annual update to funding levels, as well as the  
13   increase in benefits to participants in response to the proposed residential rate  
14   increases.

15           The Company filed annual changes to the Schedule 91 surcharge on May 6,  
16   2013 in Docket UE-130694, which includes the annual increase in certification  
17   funding and number of participants. Appropriately, the filing did not include an  
18   increase in the benefit per customer due to proposed rate increases in this case.

19

20   **Q.    Does Staff support the proposed changes to the LIBA Program?**

21   A.    In principle, yes. The scope of the changes is appropriate and consistent with the  
22   provisions of the five-year plan approved in Docket UE-111190. However, as

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<sup>60</sup> Steward, Exhibit No. \_\_ (JRS-1T) at 9:22 and Exhibit No. \_\_ (JRS-6).

<sup>61</sup> Steward, Exhibit No. \_\_ (JRS-1T), at 3.

1 discussed in the testimony of Staff witness Christopher T. Mickelson, Staff's  
2 proposed increase in residential general rates is 5.54 percent, versus the Company's  
3 15 percent. Therefore, Staff recommends an increase in LIBA benefits per  
4 participant of \$32.11, which is an increase of 11.08 percent, or two times Staff's  
5 proposed residential general rate increase.

6 Although the proposed changes to LIBA will have no impact on the overall  
7 revenue requirement requested in this case, the Company will make a separate  
8 Schedule 91 filing to reflect the increase in benefits to program participants that  
9 results from the final residential general rate increase approved by the Commission  
10 in this case.<sup>62</sup>

11

12 **Q. Does this conclude your testimony?**

13 **A. Yes.**

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<sup>62</sup> PacifiCorp Response to WUTC Staff Data Request 59.