

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

DOCKET NO. UE-032065

ICNU'S SECOND SUPPLEMENTAL RESPONSE TO BENCH REQUEST NO. 3

Bench Request No. 3:

Please state with respect to each adjustment proposed by your witnesses whether the proposed adjustment is identical to an adjustment proposed by any other party, should be viewed as a complete or partial alternative to an adjustment proposed by any other party, or is an adjustment proposed only by ICNU. In the case of adjustments proposed only by ICNU, state the cost category(ies) under which such adjustment should be made on bases comparable to prefiled Exhibit Nos. TES-2 and TES-3.

Second Supplemental Response to Bench Request No. 3:

On August 27, 2004, PacifiCorp provided a Bench Response to the Washington Utilities and Transportation Commission ("Commission") Bench Request No. 3 that is inaccurate and non-responsive. This Second Supplemental Bench Response corrects the errors and omissions in PacifiCorp's Bench Response.

Bench Request No. 3 solicited information regarding: 1) whether the Industrial Customers of Northwest Utilities' ("ICNU") adjustments were duplicative of other parties adjustments; and 2) the value of ICNU's adjustments in a format comparable to Staff's adjustments. The Commission did not ask ICNU to identify which adjustments by other parties ICNU supported.

ICNU properly responded and provided a list of ICNU's adjustments in a format comparable to Staff's adjustments. Since the Bench Request only requested information on ICNU's proposed adjustments, ICNU did not incorporate or address adjustments from other parties that ICNU may support.

PacifiCorp's response included two separate parts. In the first part of the response, the Company claims that ICNU's response is incorrect because ICNU did not include a total recommended revenue requirement based on the Company's proposed capital structure and requested return on equity ("ROE"). PacifiCorp claims that ICNU has not opposed PacifiCorp's capital structure or ROE, and that ICNU is recommending a \$14.5 million revenue requirement increase.

PacifiCorp's response is non-responsive because the Bench Request sought information on the value of the individual adjustments proposed by ICNU, and did not solicit

Date: September 1, 2004
Respondents: Randall Falkenberg, Donald Schoenbeck
Witnesses: Randall Falkenberg, Donald Schoenbeck

ICNU's position on the adjustments proposed by other parties or ICNU's position on PacifiCorp's overall revenue requirement.

More importantly, PacifiCorp's response is also inaccurate. It is inappropriate to characterize ICNU's case as supporting a \$14.5 million revenue requirement increase because ICNU opposes other aspects of the Company's filing. Typically, in Commission rate proceedings, intervenors do not testify on all issues and each party's overall position includes adjustments proposed by other parties. Given PacifiCorp's behavior in other proceedings, ICNU witness Don Schoenbeck specifically addressed this issue in his direct testimony in order to ensure that the Commission and PacifiCorp understood that ICNU's overall case would include adjustments in addition to those presented in the direct testimony of its witnesses. Specifically, Mr. Schoenbeck stated that his testimony:

addresses just two revenue requirement matters: steam plant maintenance expenses and outside services. It is important to note, however, that my testimony does not address numerous other matters of concern raised by the Company's filing, in addition to the power cost and Multi-State Process ("MSP") issues addressed by Mr. Falkenberg. Fundamentally, intervenors such as ICNU have limited budgets and can only address a limited number of issues. Accordingly, we have targeted two significant matters that will not likely be addressed by the Commission Staff or another intervenor to this proceeding. Our silence on the other aspects of PacifiCorp's revenue requirement should not be construed as acceptance by ICNU of the Company's proposals on these items.

Exhibit No. __ (DWS-1T) at 1-2 (emphasis added). Apparently, PacifiCorp neglected to read Mr. Schoenbeck's testimony on this issue.

PacifiCorp's Bench Response inaccurately ignores the fact that ICNU supports many of the revenue requirement adjustments proposed by Staff and Public Counsel. Inclusion of these adjustments would result in a significantly lower revenue requirement, and potentially an overall revenue requirement reduction, than that assumed in PacifiCorp's response to Bench Request No. 3.

For example, ICNU supports the capital structure and ROE proposed by Public Counsel and Staff witness Stephen Hill. Substituting Mr. Hill's recommended ROE of 9.375% and capital structure, and including ICNU's adjustments would produce a recommended revenue requirement increase of \$5.3 million. This result is included in the attachments to this response.^{1/}

Inclusion of additional Staff and Public Counsel adjustments that are supported by ICNU would further reduce the Company's overall revenue requirement. At a minimum,

^{1/} The attachments to the Second Supplemental Bench Response have recalculated PacifiCorp's response based on the ROE and capital structure proposed by Public Counsel.

Date: September 1, 2004
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PacifiCorp's Bench Response should have incorporated the adjustments contained in the Settlement Agreement between Staff, PacifiCorp and the Natural Resources Defense Council.^{2/}

PacifiCorp's second part of its response purports to restate ICNU's case based on an "Adjustment for Jurisdictional Allocation Methodology." This "restatement" is particularly confusing, erroneous and non-responsive. First, as above, PacifiCorp calculates ICNU's adjustments based on the erroneous assumption that ICNU does not support the adjustments of any other party. Second, without explanation, PacifiCorp removes the adjustments to the Protocol contained in Mr. Falkenberg's direct testimony, which reduce the revenue requirement by approximately \$3.6 million. PacifiCorp incorrectly states that "the ICNU case implies a recommended increase in revenue requirement of approximately \$17.6 million"

The second part of the response is non-responsive because the Commission's Bench Request requested ICNU to "state the cost category(ies) under which such adjustments should be made on bases comparable to" Staff. PacifiCorp did not state the cost categories under which ICNU's adjustments should be made.

The second part of the response is also inaccurate because it implies that ICNU has somehow abandoned its position that, if the Commission adopts the Protocol as an interjurisdictional cost allocation methodology, then the Commission should make ICNU's adjustments to the Protocol. PacifiCorp's response also incorrectly assumes that ICNU does not have any additional adjustments to the Protocol. In fact, ICNU will likely propose that, if the Commission adopts Protocol, then the Commission should adopt the revisions in the Revised Protocol, including Mr. Falkenberg's adjustments and conditions that have not been incorporated in the Revised Protocol. As filed by the Company, the Revised Protocol, without Mr. Falkenberg's adjustments or additional conditions, reduces the Company's overall revenue requirement by approximately \$2.5 million.^{3/}

^{2/} PacifiCorp and Staff filed the Settlement Agreement on August 24, 2004, three days prior to its response to Bench Request No. 3, and could have easily included those adjustments in its response to Bench Request No. 3.

^{3/} Exhibit No. __ (DLT-20) (Taylor) at 1.

Date: September 1, 2004
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