

May 26, 2005

SENT VIA ELECTRONIC FILING & FIRST CLASS MAIL

Carole Washburn, Secretary

WUTC

1300 S. Evergreen Pk. Dr. S.W.

PO Box 47250

Olympia, WA 98504-7250

RE: PacifiCorp Petition for Deferral of Costs Related to Declining Hydro Generation, Docket No. UE-050412

Dear Ms. Washburn:

The Public Counsel Section of the Washington State Attorney General's office requests the Commission deny PacifiCorp's Petition for a deferral of power costs. The petition fails to demonstrate PacifiCorp's rates are not just, reasonable and fair or that an extraordinary event has overtaken PacifiCorp requiring the establishment of a deferral account. Public Counsel believes any issue of revenue sufficiency is better addressed in the general rate case ("GRC") PacifiCorp has filed. Only two years ago in PacifiCorp's last GRC, the Company chose not to pursue a new mechanism for recovery of power cost due to low hydro. PacifiCorp entered into a revenue requirement based on the long standing practice of using a 40 year average hydro production. Now, less than two years after the completion of the 2003 GRC PacifiCorp is requesting the use of an accounting deferral as a substitute for a mechanism for power cost recovery.

Background

Deferral of costs not justified.

PacifiCorp has not demonstrated it is under a financial hardship or facing a crisis which justifies the creation of a special accounting vehicle such as a deferral. In 2003 PacifiCorp was given a unique opportunity to file for a GRC. In the Eighth Supplemental Order the Commission expressly chose between a deferral for excess power costs or a general rate case. In joint Docket No. UE-020417 and Docket No. UE-991832 at paragraph 22 the Commission concluded,

On balance, considering all the evidence, we determine that PacifiCorp has not borne its burden to demonstrate entitlement to deferral accounting or immediate rate relief.

The PacifiCorp Petition here is also inadequate. Public Counsel emphasizes that a general rate case is the proceeding for determining the need for rate adjustments or special rate mechanisms. Accounting deferrals should not be substituted for hypothetical rate adjustment mechanisms especially considering that only two years ago the Company failed to pursue an adjustment mechanism in a GRC which in part was expressly created to deal with excess power cost deferrals. Any rate adjustment, if needed, can be provided in a timely manner in the current general rate case docket.

By denying the petition and considering any claim for a rate adjustment in the context of a general rate case, the Commission avoids infringing on the principal of single issue ratemaking.

Since there is uncertainty over what the final cost allocation method will be, the amount to be deferred, if any, is subject to revision. This uncertainty undercuts the significant public value associated with the accurate, consistent, and transparent reporting of financial results by investor-owned companies.

PacifiCorp's claim of losses in excess one-half billion over the years 2000 through 2004 are irrelevant to the deferral request now before the Commission. Under the Commission's precedents the deferral would begin no earlier than the date of filing, March 18, 2005.¹ The need to establish an accounting deferral for the relatively short period between the filing date and the conclusion of the present rate case is not shown in the petition. Public Counsel urges the Commission to maintain a minimum standard for the establishment of deferral accounting and uphold the regulatory value of a general rate case by denying the petition.

Sincerely,

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Public Counsel
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¹ Docket No. UE-020417 Third Supplemental Order, ¶ 6 (September 27, 2002).