

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES &
TRANSPORTATION
COMMISSION,

Complainant,

v.

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

Respondent.

DOCKET NO. UE-061546

DOCKET NO. UE-060817

In the Matter of the Petition of

PACIFIC POWER & LIGHT
COMPANY

For an Accounting Order Approving
Deferral of Certain Costs Related to
the MidAmerican Energy Holdings
Company Transition.

INITIAL BRIEF OF PUBLIC COUNSEL

APRIL 23, 2007

I. INTRODUCTION

1. In this case Public Counsel has focused on two issues of significant importance to consumers. The first is the issue of inter-jurisdictional cost allocation. PacifiCorp's Revised Protocol proposal was appropriately rejected in the last general rate case and its new Western Control Area (WCA) methodology is therefore a central issue in this docket. Public Counsel has joined with the Industrial Customers of Northwest Utilities (ICNU) in sponsoring witness Randy Falkenberg to evaluate the WCA and recommend several key changes to correct its shortcomings. Public Counsel adopts the ICNU brief on that issue.
2. The second important issue in the case is PacifiCorp's proposal for approval of a power cost adjustment mechanism (PCAM). Because PCAs depart from fundamental ratemaking principles and shift risk from a company and its shareholders to consumers, such mechanisms must be closely scrutinized to determine, in the first instance, whether they are warranted at all for the given company. If a need for a PCA is demonstrated, the Commission must then determine that the PCA is properly designed, and must reflect the shift of risk in an adjustment to the company's cost of capital. PacifiCorp's proposal fails to satisfy these criteria and should not be adopted in this case.

II. PACIFICORP DOES NOT NEED A POWER COST ADJUSTMENT MECHANISM

A. The Last PacifiCorp Order Establishes The Standards For Evaluating A PCA Proposal

3. As PacifiCorp witness Andrea Kelly stated, "a power cost adjustment mechanism is a departure from traditional rate case ratemaking[.]"¹ In PacifiCorp's last general rate case in

Washington, the Commission enunciated the standards for determining when such a departure is appropriate. The Commission set forth the criteria for the proper design of a PCA mechanism, reaffirming principles it had announced in several decisions over a period of years:

Previously, we have observed that a properly designed mechanism should address the following principles:

- The purpose is to recognize variability in the cost of operating *existing* power supply resources as a result of abnormal weather conditions that are out of a utility's control. Ratepayers understand the connection between weather and rates;
- Power cost adjustment mechanisms are *short-run* accounting procedures to address *short-run* cost changes resulting from unusual weather;
- It is not appropriate to include new resources in a power cost adjustment mechanism. New resources must be considered in general rate cases or power cost only rate cases;
- Ratepayers should receive the benefit of a reduction in cost of capital, as a power cost adjustment introduces rate instability for ratepayers and earnings stability for stockholders, and;
- Power cost adjustment mechanisms should not interfere with least cost planning, conservation or other regulatory goals.

The application and appropriateness of these principles must take into account the specific circumstances facing the utility. We agree with Staff that all power cost adjustment mechanisms for Washington utilities need not be the same.²

4. The Commission also spoke of the need to address the risk shifting nature of a PCA:

In addition to the principles we have stated previously, we observe that power cost recovery mechanisms should also apportion risk equitably between ratepayers and shareholders. In striking that balance, we consider risks already allocated through the normalization process, a utility's financial condition and other circumstances affecting a utility's ability to recover its prudent expenditures. Deadbands and sharing bands are useful mechanisms, not only to allocate risk, but to motivate management to effectively manage or even reduce power costs.

² *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-050684 et al, Order 04, ¶ 91 (2005 PacifiCorp GRC Order)(footnotes omitted).

Generally, the design of a sharing mechanism is an important factor in our consideration of whether a reduction in the cost of capital should accompany approval of the mechanism. We will consider the need for a reduction in the cost of capital as a part of the overall analysis of how the mechanism shifts risks between investors and ratepayers.³

5. The PCA proposals in this case should be evaluated in terms of how well they meet these criteria. There is no entitlement to a PCA. Single-issue ratemaking is disfavored, and single-issue mechanisms like PCAs therefore, must overcome a presumption that rates are to be set in a general rate case. The fact that Avista and PSE have PCAs is not determinative of whether PacifiCorp should have such a mechanism. The Commission must take into account each utility's own special circumstances.⁴

B. PacifiCorp Does Not Face Significant Power Cost Volatility

1. PacifiCorp is already compensated for variability in its power costs and has remedies for extraordinary events

6. Variability in power costs is not a new development but a well-understood phenomenon that is already taken into account in the setting of utility rates. This occurs through the normalization process, which recognizes that a given cost fluctuates, and seeks to build into rates a sufficient amount of revenue to deal with cost changes within a likely range. As Staff pointed out in the 2005 rate case: “normalized power supply costs in base rates reflect most, though not all, variation in water conditions, fuel prices and market prices.”⁵ Staff witness Mr. Buckley provides examples of more extreme variability, but cautions that “the Commission should be aware these examples and amounts of variability I have described are extreme examples showing

³ *Id.*, ¶¶ 96-97.

⁴ *Id.*, ¶ 91.

⁵ *Id.*, ¶ 84.

the effects of the most variable of all costs.” He points out that water conditions generally have a normal distribution “meaning the extremes have a low probability to occur.”⁶

7. Should extreme power costs occur, PacifiCorp is not without remedies, as Mr. Buckley notes in his testimony. “In past years, regulated electric utility companies in this state have filed for deferrals or interim rate relief to recover excess costs associated with extreme water and market conditions.”⁷ Indeed PacifiCorp availed itself of the opportunity to seek deferred accounting for \$15.9 million in excess power costs following the 2000-2001 energy crisis. The Commission rejected the request, however.⁸ The Commission noted that PacifiCorp had decided not to seek recovery of \$98 million of excess costs in Washington allegedly resulting from the power crisis,⁹ that it had decided not to seek a power cost adjustment mechanism,¹⁰ that many of the so-called excess costs were tied to events that PacifiCorp could have anticipated,¹¹ and that the excess costs were not tied to or a consequence of the crisis.¹² PacifiCorp has not requested interim rate relief since prior to its acquisition by Scottish Power.

8. To the extent that power costs included in rates are no longer representative, of course, a general rate case is an opportunity to address and correct the problem. One of the justifications for a PCA has been the argument that it avoids frequent rate case filings. PacifiCorp makes that argument in this case.¹³ At the same time, PacifiCorp makes no commitment that adoption of a

⁶ Exh. No. 261, p. 35:1-4 (Buckley).

⁷ 2005 *PacifiCorp GRC Order*, p. 35:15-17.

⁸ *In re Petition of PacifiCorp d/b/a Pacific Power & Light Co. for an Accounting Order Authorizing Deferral of Excess Net Power Cost*, Docket No. UE-020417, Sixth Supplemental Order (July 15, 2003).

⁹ *Id.*, ¶ 16.

¹⁰ *Id.*, ¶ 18.

¹¹ *Id.*, ¶ 28.

¹² *Id.*, ¶ 29.

¹³ Exh. No. 12, p. 4:7 (Kelly).

PCA will in any way lessen the frequency of its rate cases.¹⁴ In fact, the Company indicates it can live without a PCA unless it gets a mechanism to its liking.¹⁵

2. PacifiCorp does not have unusually volatile power costs

9. PacifiCorp's last proposal for a PCA in the 2005 general rate case was rejected for a number of reasons, including the fact that PacifiCorp had not established sufficient power cost volatility. As the Commission put it:

PacifiCorp asserts it needs the PCAM to address the volatility of power costs. However, the record does not show that current power cost volatility is due to extraordinary events.¹⁶

The record does not show any significant change in PacifiCorp's power cost situation since that case was litigated in the latter part of 2005, less than two years ago.

10. Again the purpose of a PCA, as the Commission has declared, is to deal with extraordinary levels of volatility, primarily resulting from unusual weather. As Staff witness Alan Buckley agreed at the hearing, there is a level of fluctuation that does not trigger the need for a PCA.¹⁷ This is consistent with Staff's position in the 2005 rate case cited below. On the other hand, PacifiCorp witness Widmer, takes the extreme position that a company should have a PCA under any circumstances, no matter what level of risk exposure or volatility the Company faces.¹⁸

11. As Public Counsel witness Steve Johnson points out in his Direct Testimony, PacifiCorp has not carried its burden of proof of showing that volatility is so great as to require that it be

¹⁴ Kelly, Tr. 150:14-152:2 .

¹⁵ Exh. No. 12, p.4:2-3 (Kelly).

¹⁶ 2005 PacifiCorp GRC Order, ¶ 92.

¹⁷ Buckley, Tr.333:17-22.

¹⁸ Widmer, Tr. 214:18-215:12. This appears to be inconsistent with Andrea Kelly's testimony that

PacifiCorp might prefer to operate without a PCA unless it is designed to the Company's satisfaction.

allowed to have a PCA. Company witness Widmer states that for Washington the WCA load is met with 17.9 percent hydro on a normalized MWh basis. This is less than half the hydroelectric exposure of PSE and Avista.¹⁹ To provide additional context, Mr. Johnson points out also that the level of variation of hydro production is even lower if PacifiCorp is viewed on a company-wide basis – only 8 percent. This level of variation is within the level of expected annual load variation that PacifiCorp should be expected to be able to manage.²⁰ Standard & Poor’s states that company-wide, only 5 percent of PacifiCorp’s power comes from hydro.

12. It is appropriate as a contextual matter for the Commission to consider the Company’s ability to manage variation in hydro production on a company-wide basis because the actual ability to manage the variation in hydro production and the net variable power costs due to hydro variation occurs as part of a short-run company-wide optimal dispatch. Public Counsel’s concern is that the Company not overstate its true level of variability by focusing only on Washington data to create an artificial picture of its need for a PCA. Unlike PSE or Avista, to which PacifiCorp compares itself, PacifiCorp has a much larger system of resources to help manage hydro resources variation. The WCA stand alone cost allocation model used by the Company to compare itself to Avista and PSE does not represent actual short-run system operation. Before the decision is made to shift volatility risk in power costs to ratepayers through the approval of a PCAM, the Company needs to provide an accurate analysis of actual company operation with respect to managing hydro variation.

¹⁹ Exh. No. 241, p.5:17-6:9 (Johnson).

²⁰ Exh. No. 241, p. 7:10-8:2 (Johnson). As of December 2006, Standard & Poor’s described PacifiCorp on a company-wide basis as having a resource portfolio of 70% owned coal, 21% from purchases, 5% from hydro and 4% from natural gas. Exh. No. 59.

13. Mr. Widmer testified that “the expected level of volatility is quite high over a substantial portion of this period [2006-2014], which demonstrates the need for a PCA to capture the impacts of the volatility.”²¹ However, when Public Counsel asked in discovery for information to support the claim, PacifiCorp responded that “[t]he Company is not making a claim about a specific level of forward volatility.” Public Counsel was simply directed to the charts attached to Mr. Widmer’s testimony for graphical examples of historical and future volatility.²² As Mr. Widmer conceded on cross-examination, Exh. No. 86, showing projected forward prices, reflects a regular and predictable fluctuation of prices within a constant range, following a clear seasonal pattern and a declining trend.²³ This level of regular seasonal price fluctuation within a predictable range hardly seems to qualify as extraordinary volatility. If there is no claim of a specific level of forward volatility, then it is mere speculation that the PacifiCorp will face levels beyond its control or outside the levels included in normalized power costs.

14. Mr. Widmer attempted to argue that prices could still be volatile if the Company had a plant outage during a time when the prices were in a high part of the cycle.²⁴ This is not a satisfactory response. The price profiles provided by PacifiCorp in the exhibits do not themselves show price volatility. Instead, they show predictability and near term decline in the price of replacement power that would be needed in the event of an outage. Moreover, plant outages and the need to temporarily replace power are a historical fact of the utility business and are already included in rates.

²¹ Exh. No. 81, p. 28:1-3 (Widmer).

²² Exh. Nos. 85 and 86.

²³ Widmer, Tr. 216:9-218:23.

²⁴ Widmer, Tr.219:8-18.

15. Public Counsel was also referred to a PacifiCorp chart of historical costs, Exh. No. 85. An examination of this chart again shows little volatility, apart from the major spike during the 2000-2001 energy crisis and Hurricanes Katrina and Rita.²⁵ The Commission Staff relied in part on PacifiCorp's lack of price volatility to oppose the PCA in the last case, as the Commission noted in its order:

Staff asserts the market price volatility of the energy crisis of 2000-2001 has lessened. Like Staff, ICNU asserts the Company has not shown a need to address price volatility, or that actual power cost fluctuations continue to occur after the 2000-2001 energy crises.²⁶

16. The section of Staff's brief referred to in the PacifiCorp order argued that:

The Company has plainly overstated its case for a PCAM. First, as Exhibit No. 395 shows, while there was large power cost volatility in the 2000-01 time frame, since mid-2001, "market price volatility has been relatively smooth, ... and does not reflect the volatility of the Energy Crisis years that provides much of the 'exposure' claimed by the Company." Second, it has been five years since the Western energy crisis. If the problem were as severe as PacifiCorp suggests, it would have pursued a PCAM to implementation long before now, particularly in its larger jurisdictions. Finally, normalized power supply costs in base rates reflect a range of water year conditions, fuel price scenarios, and market price levels. The Company's PCAM fails to take this into account.²⁷

It is true that Staff in the 2005 rate case did indicate it was willing to work on a PCA with the Company, *after* the inter-jurisdictional cost allocation issue was resolved.²⁸ In this case, however, Staff appears willing to have the PCA adopted and implemented simultaneously with the new cost allocation method. At the same time, Staff has not offered any persuasive evidence to show that its prior appraisal of the lack of volatility in the market was incorrect.

²⁵ At the hearing Mr. Widmer referred to a subsequent price increase not shown on the chart. PacifiCorp did not supplement the data request responses to provide this information to Public Counsel in advance of the hearing.

²⁶ 2005 PacifiCorp GRC Order, ¶ 82 (footnotes omitted), citing Staff Initial Brief ¶¶ 37-38, 93.

²⁷ 2005 PacifiCorp GRC, Staff Initial Brief, ¶ 93.

²⁸ 2005 PacifiCorp GRC Order, ¶ 79,

17. Other parties have made much of the issue of whether or not a specific numerical or other type of “threshold” has been established by the Commission for a PCA proposal to meet. This misinterprets Public Counsel’s testimony. Public Counsel’s point is a straightforward one. There is no presumption that an electric utility is entitled to a PCA regardless of its power cost situation. As the foregoing discussion shows, the approach of the Commission (and of Commission Staff) to PCAs has been premised on some showing that there is a “need” for a PCA based on volatility that goes beyond the bounds of fluctuation already accounted for through normalization. No such showing has been made in this case.

C. PacifiCorp Does Not Plan To Use Actual Power Costs In Its Proposed PCA

18. Rather than comparing actual recorded accounting costs to authorized cost as the Avista and PSE PCAs do, the PacifiCorp PCA proposes to use the GRID model to produce short term costs.²⁹ Use of these so-called “pseudo actual” costs is not consistent with the 2005 PacifiCorp order, which states that “power cost adjustment mechanisms are *short run* accounting procedures to address *short run* cost changes resulting from unusual weather.”³⁰ As PacifiCorp witness Mr. Widmer acknowledged on cross examination, this Commission has never approved a PCA based on the use of a computer model to derive actual costs.³¹ When asked if the term “short run accounting procedure was meant to include computer generated costs” he said “I have no idea whether the Commission contemplated that or did not contemplate that.”³²

²⁹Exh. No. 81, p. 29:21-30:12 (Widmer).

³⁰ 2005 PacifiCorp GRC Order, ¶ 91.

³¹ Widmer, Tr. 213:7-10.

³² Widmer, Tr. 213:22-214:1.

19. PacifiCorp argues that it has no choice but to base its PCA power costs on the fiction of the WCA, which it claims the Commission is requiring it to employ.³³ Staff shares Public Counsel's discomfort with this approach. Mr. Buckley expressed reservations in his direct testimony,³⁴ and confirmed them at the hearing:

I think the Company is very aware of the concerns I have and others have over the true comparisons of actuals and actuals [sic], that the PCAs with the other companies do not have those problems and, for various reasons, and they're aware of the problem and they've expressed their willingness to work to try to alleviate the problem.³⁵

Notwithstanding this problem, Staff recommends approval, with no proposal or time frame for fixing the problem, other than a statement that PacifiCorp "should be required to explore changes in its accounting system to address this issue[.]"³⁶ Staff is apparently satisfied to rely on a Company willingness to alleviate the problem in some unspecified way at some unstated future time.³⁷ In the meantime, unfortunately, this becomes the ratepayers' problem. At the hearing, Mr. Buckley claims that the problem is "pretty minimal,"³⁸ although that characterization does not appear in his filed testimony. Public Counsel is not aware of any basis in the record of the case for minimizing the issue in this fashion. Indeed, it seems anomalous for Staff to identify the problem, express discomfort with it, recommend that a remedy be required, but then to dismiss it as unimportant.

D. PacifiCorp's PCA Does Not Include A Reduction In ROE

20. PacifiCorp's proposal for a PCA does not include any adjustment to its cost of capital to

³³ Widmer, Tr. 210:9-24; Exh. No. 131, p.4:6-14 (Wrigley); Exh. No. 81, p. 4:8-12 (Widmer).

³⁴ Exh. No. 261, p. 38:17-20 (Buckley).

³⁵ Buckley, Tr. 337:22-339:17

³⁶ Exh. No. 265, p.20:21-21:2.

³⁷ *Id.*, Tr. 338:24-339:17.

³⁸ Buckley, Tr. 339:17.

recognize the reduction in risk which the Company would see from the mechanism. Given the Commission's clear statements on this issue, PacifiCorp seems to be in denial by presenting a mechanism with no accompanying adjustment.³⁹ The absence of an ROE adjustment provides a further basis for rejection of the Company's proposal.

21. The Commission established a return on equity in the 2005 rate case *without* a PCA in place. That return has been accepted by the Company and other parties for purposes of rate setting this case. It would be a windfall for PacifiCorp shareholders to be authorized the same ROE after approval of a PCA. Although Public Counsel does not have a cost of capital witness in this case, we strongly support as a matter of policy the recommendations of the other parties that an adjustment should be made to cost of capital if a PCA is approved in this docket.

III. PACIFICORP'S PCA PROPOSAL SHOULD BE REJECTED

A. The Commission Should Not Adopt A PCA For PacifiCorp At This Time

22. For the reasons discussed above, PacifiCorp has not established that it has a need for a power cost adjustment mechanism in Washington. The Commission should reject its request. While Staff and ICNU both present PCA proposals in this case which are superior to that of the Company, Public Counsel believes the best approach is to reject a PCA at this time, and to allow PacifiCorp to renew its request either in its next general rate case, or in a separate petition at a later time, no sooner than 12 months after the new power cost allocation method is adopted.
23. Even if the Commission concludes that PacifiCorp has shown adequate volatility to establish a need for a PCA, it should not approve the implementation of any PCAM for PacifiCorp until there has been time for experience with the "pilot" cost allocation methodology

adopted in this proceeding. The new methodology, some form of the WCA, will determine the authorized power cost that would be used in any PCA. The WCA, however, is new and untried. If the Commission adopts the changes recommended by ICNU and Public Counsel, or by Staff, or some combination of the two, the WCA will require adjustment.⁴⁰ It is premature to build on this foundation by creating a new PCA with costs derived from a WCA allocation model that is still being developed. This is even more the case given that the issue of actual versus “pseudo actual” power costs must also to be resolved.⁴¹

B. If The Commission Approves A PCA For Immediate Implementation In This Proceeding, It Should Include Some Key Requirements

1. The “pseudo actual” cost issue should be resolved

24. For the reasons discussed above, the Commission should require that PacifiCorp develop a means of using actual costs for its PCA before its implementation is approved. Staff concurs that this should happen but is willing to delay addressing the problem. Public Counsel does not agree that it is equitable to put the risk on ratepayers of the inaccuracies and inadequacies of “pseudo actual” costs.

25. The Company’s use of the GRID model for the determination of actual net power costs is a fundamental departure from Commission practice. The Company has failed to demonstrate and to provide sufficient specifications for how GRID will be used to determine adjusted actual net power costs to enable the Commission to find the wholly untried PCA methodology is in the

⁴⁰ The WCA mechanism utilizes the GRID model to derive authorized costs. Any changes in the WCA mechanism will, therefore, require certain settings in the GRID model to be changed and rerun. Parties to the proceeding will need an opportunity to review the GRID model runs that occurs as a result of Commission modification of the WCA. The record is also opaque as to how Mr. Widmer’s “pseudo actual” net power costs will be created with the various possible modifications to the WCA proposed in this docket.

⁴¹ This is not inconsistent with Public Counsel’s opposition to bifurcated consideration of the settlement. Public Counsel interpreted the settlement as asking for pre-approval of the PCA without examination of the details or its interaction with the WCA, such as the pseudo actual cost issue.

public interest. Company witness Mr. Widmer claims that, a significant portion of the pseudo-actual costs will be “based on actual information or calculated from actual information.”⁴²

Notably, he does not claim the costs will be based on actual accounting. If the Commission chooses to implement a PCAM, it should order the Company to develop an accounting basis for calculating actual power costs that does not use computer models. Staff supports this requirement.⁴³ The Commission should set a 12 month due date for this to occur, to avoid the prolonged use of “adjusted actual” or “pseudo-actual” net power costs.

2. The PCA should not include a PCORC

26. PacifiCorp has not presented a developed proposal for a PCORC in this case nor has the issue been seriously addressed by other parties.⁴⁴ No record has been made upon which a PCORC could be approved. The Company made clear at the hearing that all it is asking for is permission to bring one before the Commission at a later time.⁴⁵ Given the lack of a record, the decision in this docket should not pre-approve adoption of a PCORC for PacifiCorp but should defer that decision until a request is filed.

3. The PCA should include an ROE adjustment

27. As discussed above, if any PCA is adopted, the Commission should also adopt the Staff or the ICNU recommendation for a cost of capital adjustment to fairly reflect the change in the burden of risk.

⁴² Exh. No. 88, p.45:14.

⁴³ Exh. No. 265, p. 20:21 -21:1-2 (Buckley).

⁴⁴ Widmer, Tr. 225:24-226-7.

⁴⁵ *Id.*, Tr. 226:2-7.

4. The PCA should not include new contracts or resources over two year years in length

28. The Commission has expressly stated that “[i]t is not appropriate to include new resources in a power cost adjustment mechanism. New resources must be considered in a general rate case or power cost only rate case.” PCAs are intended to deal with short run not long run costs.⁴⁶ PacifiCorp nevertheless proposes to include new contracts or resources over two years in length if they are under 50 aMW. The Company provides no support for this departure from PCA principles, other than the fact that this provision was part of the Avista ERM. This argument overlooks two important points. First, the Commission has clearly stated that it will look at each utility’s specific circumstances in evaluating PCA requests.⁴⁷ PacifiCorp has not explained why its own circumstances require this provision. Second, the provision in the Avista ERM was the result of a negotiated settlement. The agreement, adopted by the Commission’s final order, expressly states that “no Party shall be deemed to have agreed that such a Settlement Agreement is appropriate for resolving any issues in any other proceeding.”⁴⁸ The fact that this provision was an ingredient appropriate to Avista’s specific situation does not now make it a standard provision for all PCAs in Washington.

IV. INTERJURISDICTIONAL COST ALLOCATION

29. In this case, Public Counsel recommends against adoption of PacifiCorp’s WCA cost allocation mechanism as filed. As Randy Falkenberg’s joint testimony for ICNU and Public Counsel explains, PacifiCorp has adopted a simplistic misreading of the 2005 rate case order

⁴⁶ 2005 PacifiCorp GRC Order, ¶ 91.

⁴⁷ *Id.*

⁴⁸ *In the Matter of the Petition of Avista Corporation d/b/a Avista Utilities For Continuation of the Company’s Energy Recovery Mechanism, With Certain Modifications*, Docket No. UE-060181, Order 03, Appendix A, ¶ 11 (“No Precedent” provision). *See also*, ¶¶ 16, 18.

which, the Company argues, forces it to go to the opposite extreme from the Revised Protocol and adopt a fictional pure “stand-alone” methodology to allocate costs to Washington. The perverse result is that PacifiCorp’s WCA actually costs Washington consumers *more* than the Revised Protocol methodology. Public Counsel adopts ICNU’s brief on this issue and urges the Commission to implement the recommended changes to make the WCA reflect the 2005 rate case order and fairly allocate costs.

V. RATE DESIGN AND RATE SPREAD

30. Public Counsel has no objection to the rate design and rate spread proposal in PacifiCorp’s filed case. It is consistent with the agreement on these issues in the prior case.

VI. PUBLIC HEARINGS AND PUBLIC COMMENT

31. A public hearing was held by the Commission in Walla Walla at 4:00 p.m., Friday, March 2, 2007. Eight customers addressed the Commission. Of these, seven spoke against the rate increase. Customers spoke of the need for low-income assistance, of the hardship on local public schools, and of concerns about poor reliability.

32. Mr. Chuck Glessner spoke on behalf of Boise Cascade. He is employed at the company’s Wallula Mill. He expressed concerns about reliability, about the impact on jobs and competitiveness, and the impact on employees.⁴⁹

33. John Butenhoff, an energy manager for the Walla Walla public schools, spoke about his efforts to reduce electric consumption in the schools which he said had been reduced by 28 percent. He then went on to say about the proposed price increases:

And again, I guess my biggest concern would be, you know, we are – our school district is doing a lot to conserve energy and use less electricity and dual approval

⁴⁹ Glessner, Tr. 15:22-18:19.

and use tax payers' money wisely. And I guess any concern also is, is this going to continue?⁵⁰

34. Mr. Rick Camp spoke on behalf of his company:

I'm here on the behalf of my company, Basin Company of Moxy, Washington. And briefly, just, I guess, it's hard to find specific data to look at what their request is relative to costs. So I believe we can only comment what it means to our situation. For us, an increase of over 10 percent would be an increase of over \$15,000 in direct – direct expense to our company.⁵¹

35. Ms. Jean Dolling also spoke about the impact of the rate increase:

My consideration also has been for the low-income, fixed income people. It's always the people at the bottom that these increases seem to hurt the most.⁵²

36. Ms. Barbara Clark spoke of her reliance on the Commission to require PacifiCorp to demonstrate the need for cost increase:

Also I'm not clear about the scope of the Commission and what you're entitled to do, but I'm going to assume that you are – that you rather carefully scrutinize the issue of whether the costs that are alleged are actually justified.⁵³

37. Public Counsel submitted Exh. No. 1, the Public Testimonial exhibit consisting of written comments sent to the Commission and Public Counsel. A total of 79 comments were received, of which 77 opposed the rate increase. Sixty percent of the comments addressed the impact of the proposed increase on low income or fixed income customers.

VII. CONCLUSION

38. For the reasons set forth in this brief and in the evidence of record, Public Counsel respectfully requests that the Commission reject PacifiCorp's proposed WCA cost allocation

⁵⁰ Butenhoff, Tr. 34:14-18.

⁵¹ Camp, Tr. 13:10-17.

⁵² Dolling, Tr. 27:14-16.

⁵³ Clark, Tr. 30:4-8.

methodology, and adopt the modifications proposed by ICNU and Public Counsel. In addition, Public Counsel recommends that PacifiCorp's power cost adjustment mechanism be rejected.

39. RESPECTFULLY SUBMITTED this 23rd day of April, 2007.

ROBERT M. McKENNA
Attorney General

Simon J. ffitch
Assistant Attorney General
Public Counsel

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