

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP D/B/A PACIFIC POWER & LIGHT COMPANY,

Respondent.

DOCKET NO. UE-090205

TESTIMONY OF DONNA RAMAS (DR-1T) IN SUPPORT OF SETTLEMENT

ON BEHALF OF

PUBLIC COUNSEL

SEPTEMBER 22, 2009

DIRECT TESTIMONY OF DONNA RAMAS (DR-1T)  
DOCKET NO. UE-090205

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**EXHIBIT LIST**

Exhibit No. \_\_\_\_ (DR2)      Qualifications Of Donna (Deronne) Ramas

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**I. INTRODUCTION / SUMMARY**

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

A: My name is Donna Ramas. I am a Certified Public Accountant licensed in the State of Michigan and a senior regulatory analyst at Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

**Q: Please describe the firm Larkin & Associates, PLLC.**

A: Larkin & Associates, PLLC is a Certified Public Accounting Firm. The firm performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups. Larkin & Associates, PLLC has extensive experience in the utility regulatory field as expert witnesses in over 600 regulatory proceedings, including numerous electric, water and wastewater, gas, and telephone utility cases.

**Q: Have you prepared an exhibit describing your qualifications and experience?**

A. Yes. I have attached Exhibit No. \_\_\_\_ (DR-2), which is a summary of my regulatory experience and qualifications.

**Q: On whose behalf are you testifying?**

A: I am testifying on behalf of the Public Counsel Section of the Washington Attorney General’s Office (Public Counsel).

**Q: What is the purpose of your testimony?**

A: My testimony addresses the proposed settlement stipulation (Stipulation), dated August 25, 2009, to which the Public Counsel is a signatory. My review of this case addressed the Company’s overall filed revenue requirement. In my

1 testimony I address Public Counsel's evaluation of PacifiCorp's request for an  
2 increase in rates and discuss Public Counsel's position on several aspects of the  
3 Stipulation. I also address the pension curtailment as well as the Renewable  
4 Energy Credit (REC) reporting requirements.

5 **Q: In your opinion, does the Stipulation result in a fair and reasonable outcome**  
6 **for Washington's residential and small business customers?**

7 A: Yes. Taken as a whole, based on the test year ended June 2008 with certain  
8 known and measurable changes and the information provided by the Company  
9 through discovery in this docket, the Stipulation produces a fair and reasonable  
10 outcome for Washington's residential and small business customers. The  
11 Stipulation results in rates that should allow PacifiCorp the ability to collect the  
12 funds necessary to provide reliable service to its customers in the State of  
13 Washington. The Stipulation also allows for recovery by PacifiCorp of a  
14 reasonable amount of Washington-allocated deferred costs associated with the  
15 Company's acquisition of the Chehalis generation plant.

## 16 II. REVENUE REQUIREMENT

17 **Q: How does the amount of the rate increase incorporated in the Stipulation**  
18 **compare to the rate increase requested by PacifiCorp in its filing in this case?**

19 A: In its Application, filed on February 9, 2009, PacifiCorp requested an increase in  
20 rates of \$38.5 million, or 15.1 percent. The proposed rate increase was based on  
21 the test year ended June 30, 2008, adjusted for limited known and measurable  
22 changes. In addition to the increase in base rates, the Company requested  
23 authorization to begin the amortization of deferred costs related to the Chehalis

1 plant by consolidating the deferral with the current rate Schedule 96 – Hydro  
2 Deferral Surcharge, and to retain the current collection rate under the schedule  
3 until such time as the remaining hydro deferral and the Chehalis Plant deferred  
4 balances were fully amortized.

5 In contrast, the Stipulation calls for an increase in rates of \$13.5 million,  
6 or 5.3 percent. Included in the agreed-to increase in base rates is \$18 million for  
7 the Chehalis regulatory asset which is to be amortized over a six-year period on a  
8 Washington-allocated basis, for a total of \$3 million per year.

9 **Q: Would you please elaborate on the analysis conducted by Public Counsel in**  
10 **evaluating the rate increase requested by PacifiCorp in this case?**

11 **A:** Yes. While the Stipulation was reached in this case prior to filing of Public  
12 Counsel’s testimony on revenue requirement, I, along with other Public Counsel  
13 consultants and staff, conducted a detailed analysis of the Company’s filing. This  
14 included review of the Company’s testimony and supporting exhibits, issuance of  
15 discovery requests, and review of responses to data requests filed by Public  
16 Counsel, WUTC Staff, and other parties.

17 Prior to entering into the settlement negotiations, I determined that several  
18 adjustments to PacifiCorp’s revenue request were warranted. These included  
19 adjustments in the areas of: projected major plant additions, miscellaneous rate  
20 base items, employee-related costs, and several operations and maintenance and  
21 administrative and general expenses. Additionally, other consultants retained by  
22 Public Counsel determined that adjustments were warranted in the areas of net  
23 power cost and cost of capital. The detailed analysis and quantification by the

1 consultants representing Public Counsel of recommended adjustments and the  
2 impact of such adjustments on the overall revenue requirement was close to  
3 complete prior to the start of the settlement negotiations. For the areas that were  
4 still being investigated, a potential adjustment range was determined. Public  
5 Counsel and its consultants also reviewed potential adjustments to PacifiCorp's  
6 request that were being evaluated by the WUTC Staff and discussed those  
7 adjustments with WUTC Staff.

8 **Q. Does the Stipulation incorporate all of the adjustments that were being**  
9 **considered by Public Counsel in this case?**

10 A. As indicated in the General Provisions of the Stipulation, under Paragraph 27:  
11 "the Parties agree that the Stipulation represents a compromise in the positions of  
12 the Parties." In other words, the Parties did not reach an overall agreement on the  
13 specific revenue requirement adjustments which lead to the stipulated revenue  
14 requirement increase of \$13.1 million. However, it is Public Counsel's opinion,  
15 based on the information that was reviewed and analyzed by Public Counsel and  
16 its consultants in this docket, that the Stipulation and revenue requirement  
17 incorporated therein, is fair and reasonable, and in the interest of Washington  
18 ratepayers.

19 **III. PENSION CURTAILMENT**

20 **Q: Are there any additional provisions included in the Stipulation that you wish**  
21 **to address?**

1 A: Yes. Specifically, I wish to address the resolution of the Petition for an  
2 Accounting Order Regarding Pension Curtailment, Docket No. UE-081997, and  
3 the Reporting requirements related to Renewable Energy Credits (RECS).

4 **Q: Would you please first address the pension curtailment issue?**

5 A: Yes. Under Paragraph 17 of the Stipulation, the Parties have agreed that the  
6 Company should defer and amortize the Washington-allocated portion of the  
7 pension curtailment gain over a three-year period, beginning January 1, 2010.  
8 This results in a \$2,901,000 gain being allocated back to Washington customers  
9 via a three-year amortization. It is my opinion that this is a good result for  
10 ratepayers as the gain resulting from the pension curtailment will be flowed to  
11 ratepayers over a reasonable period of time. Further details and background  
12 information regarding the pension curtailment gain, as well as the pension  
13 measurement date change, are addressed in the direct testimony of Thomas  
14 Schooley of the Washington Utilities and Transportation Commission.

15 **IV. RENEWABLE ENERGY CREDITS**

16 **Q: Please address the Renewable Energy Credits reporting requirements**  
17 **provided for in the Stipulation.**

18 A: A market for Renewable Energy Credits (RECs) is developing in which the green  
19 traits of qualifying power production facilities can be sold separately from the  
20 power itself. PacifiCorp currently both banks and sells RECs. Because the  
21 market is still developing and various jurisdictions have differing rules regarding  
22 resource portfolio standards, there was a concern in this case with regard to the  
23 level of RECs and with the associated projected revenues from the sale of RECs

1 incorporated in the filing. Given this uncertainty, it is desirable that the Company  
2 provide regular reporting to the parties on this issue.

3 Under the Stipulation, the Company has agreed to provide an initial report  
4 by January 1, 2010. The report will include an explanation of how RECs and the  
5 associated costs and revenues are allocated among the states in which PacifiCorp  
6 operates, an explanation of how the proper disposition of RECs is determined by  
7 PacifiCorp, and a detailed accounting of RECs that were sold and retained  
8 historically. The Company has also agreed to provide quarterly reports pertaining  
9 to its management of RECs. The initial form of the report was agreed to by the  
10 parties in this case, with the understanding that the report may be revised and  
11 updated based on further discussions among the parties. It is my opinion that  
12 these reports will be very helpful to the parties in monitoring the RECs, including  
13 both the banking and sale of RECs, and for use in evaluating the appropriate  
14 treatment of RECs in future rate cases in Washington.

15 **Q: What amount of revenues is included in the stipulation for the sale of RECs?**

16 A: As indicated in the Stipulation, under paragraph 21, the Parties agree that this case  
17 includes \$657,755 in Washington-allocated REC revenues for 2010.

18 **Q: Does this complete your pre-filed direct testimony on the Stipulation?**

19 A: Yes, it does.