

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)	
)	
Complainant,)	
)	
v.)	DOCKET UE-152253
)	
PACIFIC POWER & LIGHT COMPANY,)	
)	
Respondent.)	
_____)	

EXHIBIT NO. BGM-7

**EXCERPTS FROM WEST CONTROL AREA INTER-JURISDICTIONAL
ALLOCATION METHODOLOGY (“WCA”) MANUAL**

Washington

West Control Area Inter-Jurisdictional Allocation Methodology (WCA) Manual



Overview

PacifiCorp employs the West Control Area inter-jurisdictional allocation methodology (WCA) for the purpose of allocating its costs to customers in the state of Washington. This method was adopted by the Washington Utilities and Transportation Commission in Docket No. UE-061546. In its Final Order, the Commission stated, “We approve PacifiCorp’s proposed West Control Area (WCA) inter-jurisdictional cost-allocation for Washington modified by ... Staff’s adjustments We approve the Company’s recommended five-year trial period and Staff’s recommended “oversight committee.” We reject all other proposed modifications to the WCA.” (Order 08 at 13, ¶ 43)

The WCA consists of PacifiCorp’s California, Oregon and Washington jurisdictions. Generation and transmission resources assigned to the WCA consist of company-owned resources located within the PacifiCorp West balancing authority (PACW) or with physical capability to deliver energy into the WCA. The WCA includes: (1) the Hermiston and Chehalis natural-gas-fired generating plants; (2) the Jim Bridger and Colstrip Unit 4 coal-fired generating plants; (3) the Leaning Juniper, Marengo, Marengo II, and Goodnoe Hills wind generating facilities; (4) the Lewis River, North Umpqua, Klamath, and Prospect (Rogue River) major hydroelectric projects, as well as minor hydroelectric projects in California, Oregon, and Washington; (5) wholesale contracts and sales with third parties, including the Bonneville Power Administration (BPA); (6) power purchase agreements with qualifying facilities (QF) located in the PACW¹.

¹ In this rate case, the Company is proposing to include all QFs located in Oregon, California and Washington in rates. Please refer to the direct testimony of Mr. Gregory N. Duvall.

The WCA method identifies the costs associated with these resources, purchases and sales, and allocates them to Washington based on Washington's relative contribution to the west control area's demand and energy requirements.

Purpose of this Manual

This allocation manual illustrates how the WCA factors are calculated and how they are used in determining Washington's revenue requirement. The Energy Allocation Notes below provide general explanations on methods of allocation. Part II of the manual explains each factor in detail, how it is calculated, and gives a brief description of the types of costs allocated on each factor. Data in Part II used to demonstrate the calculation of factors correlates with the December 2013 Washington General Rate Case. Part III is a list of PacifiCorp's accounts that shows the factors used to allocate the costs of those accounts.

Energy Allocation Notes

I. Classification of Resource Costs

All resource fixed costs, wholesale contracts and short-term purchases and sales are classified as 75 percent demand-related, 25 percent energy-related. All costs associated with fuel, non-firm purchases and sales are classified as 100 percent energy-related.

II. Allocation of Resource Costs and Wholesale Revenues

Generation and transmission resources are assigned to either the east control area (ECA) or the WCA. The factors used to allocate these costs are the Control Area Generation East (CAGE) and Control Area Generation West (CAGW) factors. Certain generation and transmission expenses such as administration and engineering cannot be assigned to specific resources. These costs are allocated using the System Generation (SG) factor. Control area fuel-related costs and non-firm sales and purchase are allocated using the control area energy factors;

Control Area Energy West (CAEW) and Control Area Energy East (CAEE). The factors used to allocate costs associated with the Jim Bridger plant are weighted to reflect the fact that the total output of the plant cannot be delivered to the west control area. Resource and fixed costs related to the Jim Bridger Plant are allocated using the Jim Bridger Generation (JBG) factor. Fuel-related costs associated with the Jim Bridger Plant are allocated using the Jim Bridger Energy (JBE) factor. The factors used to allocate wheeling revenues are based on the control area allocation of net transmission plant. Firm wheeling revenues are allocated using the Wheeling Revenue – Generation (WRG) factor. Non-firm wheeling revenues are allocated using the Wheeling Revenue – Energy (WRE) factor.

III. Assignment of Distribution Costs

All distribution-related expenses and investments that can be identified with a specific state are directly assigned to the state in which they are located. Certain distribution costs such as administration and engineering that cannot be assigned to a specific state are allocated using the System Net Plant Distribution (SNPD) factor.

IV. Allocation of Administrative and General Costs

Administrative and general expenses are allocated on the following factors: state-specific – Situs (S), customer-related – Customer Number (CN) and general administrative and general expenses – System Overhead (SO). General and Intangible plant are allocated on the following factors: state-specific – Situs; customer-related – CN; generation and transmission – SG, CAGW, JBG, CAGE; fuel-related – SE, CAEW, JBE, CAEE; general office – SO.

xvii) SYSTEM NET PLANT TRANSMISSION (SNPT)

		WCA			ECA				TOTAL
		CA	OR	WA	WY	UT	ID	FERC	
TRANSMISSION PLANT	JBG	2,450,482	40,239,837	12,812,841	75,145	211,582	28,145	1,885	55,819,918
	DGU	-	-	-	-	-	-	-	-
	CAGW	53,293,919	875,149,766	278,658,056	-	-	-	-	1,207,101,741
	CAGE	-	-	-	887,600,622	2,499,177,403	332,449,810	22,268,131	3,741,495,966
	SG	53,211	865,781	274,822	551,100	1,510,644	206,747	13,933	3,476,239
	TOTAL	55,797,611	916,255,384	291,745,720	888,226,867	2,500,899,629	332,684,702	22,283,950	5,007,893,863
LESS ACCUMULATED DEPR / AMORT	DGP	-	-	-	-	-	-	-	-
	JBG	(1,975,137)	(32,434,109)	(10,327,405)	(60,568)	(170,539)	(22,686)	(1,520)	(44,991,963)
	CAGW	(20,178,069)	(331,347,975)	(105,505,122)	-	-	-	-	(457,031,165)
	CAGE	-	-	-	(195,181,828)	(549,564,749)	(73,105,133)	(4,896,723)	(822,748,433)
	SG	(20,642)	(335,859)	(106,611)	(213,786)	(586,018)	(80,203)	(5,405)	(1,348,524)
	TOTAL	(22,173,847)	(364,117,943)	(115,939,137)	(195,456,182)	(550,321,306)	(73,208,021)	(4,903,648)	(1,326,120,085)
TOTAL NET TRANSMISSION PLANT		33,623,764	552,137,442	175,806,582	692,770,685	1,950,578,323	259,476,681	17,380,302	3,681,773,778
SNPT		0.9132%	14.9965%	4.7751%	18.8162%	52.9793%	7.0476%	0.4721%	

System Net Plant Transmission (SNPT) factor is based on the allocation of net transmission plant. The SNPT factor is calculated by dividing net transmission plant allocated to each state by the total company net transmission plant. The SNPT factor is not used to directly allocate any costs. It is used in the calculation of the Wheeling Revenue - Generation (WRG) and Wheeling Revenue - Energy (WRE) factors (see xx and xxi below).

$$\text{SNPT (WA)} = 175,806,582 \text{ divided by } 3,681,773,778 = 4.7751\%$$

xx) WHEELING REVENUE – GENERATION (WRG)

Wheeling Revenue Generation (WRG) factor is based on two other factors; CAGW (xii above) and SNPT for the WCA states (Oregon, Washington and California (see xv above)). The WRG factor is used to allocate firm wholesale wheeling revenues.

$$\text{WRG (WA)} = \text{CAGW of } 23.0849\% \times \text{SNPT of } 20.6848\% \text{ (sum of CA, OR, WA)} = 4.7751\%.$$

xxi) WHEELING REVENUE – ENERGY (WRE)

Wheeling Revenue Energy (WRE) factor is based on two other factors; CAEW (ix above) and SNPT for the WCA states (Oregon, Washington and California (see xv above)). The WRE factor is used to allocate non-firm wholesale wheeling revenues.

$$\text{WRE (WA)} = \text{CAEW of } 22.7414\% \times \text{SNPT of } 20.6848\% \text{ (sum of CA, OR, WA)} = 4.7040\%.$$

xxii) BAD DEBT EXPENSES

	WCA			ECA				TOTAL
	CA	OR	WA	WY	UT	ID	FERC	
ACCOUNT 904 BALANCE	610,033	5,294,295	1,542,629	770,984	3,587,940	1,118,474		12,924,355
BADDEBT	4.7200%	40.9637%	11.9358%	5.9654%	27.7611%	8.6540%	0.0000%	

Bad Debt Expense (BADDEBT) factor is based on balances in FERC Account 904. The BADDEBT factor is calculated by dividing each state's balance of account 904 by the total Company account 904 balance. This factor is used to allocate only the situs portion of deferred federal income taxes relating to unrecoverable customer account balances.

$$\text{BADDEBT (WA)} = 1,542,629 \text{ divided by } 12,924,355 = 11.9358\%$$