

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

V.

PACIFICORP,

Respondent.

DOCKET NO. UE-090205

TESTIMONY OF MARK T. WIDMER (MTW-1T)
IN SUPPORT OF SETTLEMENT
ON BEHALF PUBLIC COUNSEL

SEPTEMBER 22, 2009

I. INTRODUCTION

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Q: Please state your name and business address.

A: My name is Mark T. Widmer and my business address is 27388 S.W. Ladd Hill Road
Sherwood, Oregon 97140.

Q: Please state your occupation, employment, and on whose behalf you are testifying.

A: I am a utility regulatory consultant and Principal of Northwest Energy Consulting, LLC
(NVEC). I am appearing on behalf of the Public Counsel Section of the Washington State
Attorney General's Office (Public Counsel).

Q: What consulting services are provided by NVEC?

A: NVEC provides consulting services related to electric utility system operations, energy
cost recovery issues, revenue requirements, and avoided cost pricing for qualifying
facilities.

Q: Please summarize your qualifications and appearances.

A: My qualifications and appearances are provided in Exhibit No.____ (MTW-2). Prior to
forming NVEC, I was employed by PacifiCorp. While employed by PacifiCorp, I
participated in and filed testimony on power cost issues in numerous dockets in
Washington, Wyoming, Oregon, Utah, Idaho, and California over a 10 plus year period.
At the time of my departure from PacifiCorp, I was the Director of Net Power Costs.
Subsequent to forming NVEC, I participated and testified on recovery of deferred net
power costs in Wyoming Docket No. 20000-315-EP-08, filed testimony on forecast net
power costs and recovery of deferred net power costs in Wyoming Docket No. 20000-341-
EP-09, and filed testimony on avoided cost methodology in Wyoming Docket No. 20000-
342-EA-09.

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

2 A: My testimony describes how Public Counsel determined that the proposed settlement is in
3 the public interest as it relates to net power costs, and the acquisition, deferral, and
4 amortization of costs associated with PacifiCorp's acquisition of the Chehalis gas plant.

5 **II. NET POWER COST REVIEW**

6 **Q: Do you believe the net power cost aspects of the proposed settlement are in the public**
7 **interest?**

8 A: Yes. Based on my review of proposed net power costs, I believe the proposed settlement
9 is in the public interest. Accordingly, I recommend approval of the proposed settlement.

10 **Q: Please describe your review of the proposed net power costs.**

11 A: I performed an in-depth review and analysis that included: review of the current filing;
12 WUTC Commission orders from previous dockets; filings from other PacifiCorp
13 jurisdictions; review of approximately 270 discovery responses; and, review of the
14 Generation Regulation Initiatives Decision Tools (GRID)production dispatch model
15 inputs. I also prepared over 40 GRID net power cost studies as part of my analysis. Based
16 on my review and analysis, I developed 18 adjustments that could have potentially reduced
17 net power costs by a significant amount. These potential adjustments, along with other
18 potential adjustments from the parties, resulted in the settlement agreement that lowered
19 the requested rate increase from \$38.5 million to \$13.5 million.

20 **III. CHEHALIS ACQUISITION IS IN THE PUBLIC INTEREST**

21 **Q: Do you believe PacifiCorp's acquisition of the Chehalis gas plant was prudent?**

22 A: Yes. Based on my review of PacifiCorp's testimony, regarding the Company's economic
23 analysis, compliance with green house gas emission requirements, resource requirements

1 and the actual operation of the generation plant, I believe the acquisition was prudent and
2 the plant is used and useful for Washington customers. In no small part, my conclusion
3 was based upon the fact that the project acquisition cost was lower compared to the
4 acquisition cost of a similar new resource. Based on my review of this alternative resource,
5 had PacifiCorp not acquired the Chehalis gas plant when they did, I believe this could have
6 been a lost opportunity.

7 **Q: How did you determine that Chehalis is used and useful for Washington customers?**

8 A: My determination was based on a review of PacifiCorp actual net power costs, which show
9 that Chehalis has been generating electricity to serve retail customers or to sell in the
10 wholesale market. Since Chehalis is located in the WCA, it is used and useful for
11 Washington retail customers.

12 **Q: Is Chehalis needed to meet resource requirements?**

13 A: Yes. The 2008 Integrated Resource Plan Preferred Portfolio identified a significant need
14 for resources located in PacifiCorp's western system starting in 2012. While Chehalis was
15 acquired prior to the time when new resource additions were required, the economics of
16 the transaction justified the earlier acquisition date.

17 **Q: Please explain your basis for concluding that Chehalis complied with the greenhouse
18 gas emission requirements?**

19 A: My conclusion that Chehalis complies with the greenhouse gas emission requirements was
20 based on my review of PacifiCorp's testimony and the review performed by WUTC Staff,
21 which is described in detail in Mr. Nightingale's testimony.

22 **Q: What analysis did you undertake to reach your conclusion that the Chehalis revenue
23 requirement deferral is in the public interest?**

1 A: In determining that deferral of these costs is in the public interest, I analyzed three
2 components of the Chehalis revenue requirement deferral. Those components included:
3 (1) the revenue requirement of the fixed capital and operating expenses excluding net
4 power cost impacts; (2) fixed wheeling contract and gas transportation expenses; and, (3)
5 variable net power costs. I also reviewed PacifiCorp's latest estimate of \$23 million of
6 costs deferred through the deferral period. From this analysis, I concluded that the \$18
7 million Chehalis deferral was reasonable and in the public interest.

8 **Q: Specifically, is the six year amortization term of the Chehalis deferral in the public**
9 **interest?**

10 A: Yes. I believe the six (6) year amortization term is reasonable because it strikes a better
11 balance between not burdening customers with a large rate increase in the near future while
12 allowing PacifiCorp to recover its prudent costs. PacifiCorp's originally proposed
13 amortization of approximately \$2.0 per year, which would equate to a nine (9) year
14 amortization schedule, (based on the \$18 million settlement deferral), would have extended
15 the recovery period of the deferred costs and unnecessarily increased interest payments by
16 customers on the unamortized balance.

17 **Q: Does this conclude your testimony?**

18 A: Yes.