

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

**OCTOBER 16, 2009**  
**REVISED**

(Added pagination is the only change)

1 **I. INTRODUCTION**

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

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

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

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

9 **Q: What consulting services are provided by NVEC?**

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

13 **Q: Please summarize your qualifications and appearances.**

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

1 power costs and recovery of deferred net power costs in Wyoming Docket No. 20000-341-  
2 EP-09, and filed testimony on avoided cost methodology in Wyoming Docket No. 20000-  
3 342-EA-09.

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

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

8 **II. NET POWER COST REVIEW**

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

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

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

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

1 potential adjustments from the parties, resulted in the settlement agreement that lowered  
2 the requested rate increase from \$38.5 million to \$13.5 million.

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

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

5 A: Yes. Based on my review of PacifiCorp's testimony, regarding the Company's economic  
6 analysis, compliance with green house gas emission requirements, resource requirements  
7 and the actual operation of the generation plant, I believe the acquisition was prudent and  
8 the plant is used and useful for Washington customers. In no small part, my conclusion  
9 was based upon the fact that the project acquisition cost was lower compared to the  
10 acquisition cost of a similar new resource. Based on my review of this alternative resource,  
11 had PacifiCorp not acquired the Chehalis gas plant when they did, I believe this could have  
12 been a lost opportunity.

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

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

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

19 A: Yes. The 2008 Integrated Resource Plan Preferred Portfolio identified a significant need  
20 for resources located in PacifiCorp's western system starting in 2012. While Chehalis was

1           acquired prior to the time when new resource additions were required, the economics of  
2           the transaction justified the earlier acquisition date.

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

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

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

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

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

19  A:   Yes. I believe the six (6) year amortization term is reasonable because it strikes a better  
20       balance between not burdening customers with a large rate increase in the near future while

1 allowing PacifiCorp to recover its prudent costs. PacifiCorp's originally proposed  
2 amortization of approximately \$2.0 per year, which would equate to a nine (9) year  
3 amortization schedule, (based on the \$18 million settlement deferral), would have extended  
4 the recovery period of the deferred costs and unnecessarily increased interest payments by  
5 customers on the unamortized balance.

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

7 A: Yes.