



1 **Q. Please state your name, business address, and present position with**  
2 **PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company).**

3 A. My name is R. Bryce Dalley and my business address is 825 NE Multnomah  
4 Street, Suite 2000, Portland, Oregon, 97232. I am currently employed as  
5 Director, Regulatory Affairs and Revenue Requirement.

6 **Qualifications**

7 **Q. Briefly describe your education and professional experience.**

8 A. I received a Bachelor of Science degree in Business Management with an  
9 emphasis in finance from Brigham Young University in 2003. I completed the  
10 Utility Management Certificate Program at Willamette University in 2009, and I  
11 have also attended various educational, professional, and electric-industry-related  
12 seminars. I have been employed by PacifiCorp since 2002 in various positions  
13 within the regulation and finance organizations. I was appointed Manager of  
14 Revenue Requirement in 2008 and assumed my current position in February  
15 2012. My primary responsibilities include oversight of regulatory proceedings  
16 and filings in Washington, California, and Oregon.

17 **Purpose of Testimony**

18 **Q. What is the purpose of your testimony in this case?**

19 A. My testimony describes the West Control Area inter-jurisdictional allocation  
20 methodology (WCA) used by the Company in this case, introduces the  
21 Company's report on the WCA, and briefly describes the Company's proposed  
22 modifications to the WCA.

1 **Description of the WCA**

2 **Q. Please describe the WCA.**

3 A. The WCA is the methodology used to allocate revenues, costs, taxes, rate base  
4 balances, and other revenue requirement components to Washington. The  
5 Washington Utilities and Transportation Commission (Commission) originally  
6 approved this methodology in the Company's 2006 general rate case, docket  
7 UE-061546. The Company has used this methodology in rate cases, annual  
8 Commission basis reports, and other regulatory filings since that time.

9 The WCA isolates costs and revenues associated with assets in the  
10 Company's west "control area" or "PacifiCorp West Balancing Authority Area"  
11 (PACW), and allocates to Washington a proportionate share of the costs and  
12 revenues based primarily on Washington's relative contribution to demand and  
13 energy requirements.

14 The Washington-allocated revenue requirement presented by Mr. Steven  
15 R. McDougal is based on the Commission-approved methodology with certain  
16 modifications, which are discussed below.

17 **WCA Report**

18 **Q. Please describe the Company's Report on the West Control Area Inter-**  
19 **Jurisdictional Allocation Methodology (WCA Report).**

20 A. The Company's WCA Report is provided in Exhibit No.\_\_(RBD-2). This report  
21 provides an evaluation of the WCA during the five-year period established by the

1 Commission.<sup>1</sup> This evaluation reflects discussions with Commission Staff, Public  
2 Counsel, and the Industrial Customers of Northwest Utilities resulting from the  
3 settlement in the Company's 2011 general rate case. In that settlement, the  
4 Company agreed not to file another rate case until January 2013 in order to  
5 engage in a collaborative process to discuss, among other things, the WCA as  
6 approved by the Commission.<sup>2</sup>

7 The WCA Report begins by providing an overview and description of the  
8 currently approved WCA (including a description of the generating resources  
9 included in the west control area and the factors used to allocate generation  
10 resources, transmission facilities, distribution facilities, and administrative and  
11 general expenses). The report then summarizes the primary challenges  
12 experienced by the Company since adoption of the WCA and includes a  
13 discussion of the alternatives considered during the collaborative discussions with  
14 other parties. The WCA Report concludes with recommendations for the  
15 Commission. Both the challenges and alternatives are briefly summarized below.

16 **Q. What challenges has the Company experienced since the Commission**  
17 **approved the WCA in the 2006 rate case?**

18 A. As discussed in the WCA Report, the challenges include:

- 19 • The WCA does not reflect the actual operations of the Company.  
20 • The WCA is inconsistent with how the Company finances its investments.

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<sup>1</sup> In Order 06 in Docket UE-100749, the Commission indicated that a review of the WCA was due in June 2012. Docket UE-100749, Order 06, ¶ 294, n444. In PacifiCorp's 2011 general rate case, the Commission extended the five-year evaluation period from June 2012 to January 2013. Docket UE-111190, Order 07, ¶ 8 (March 30, 2012).

<sup>2</sup> Docket UE-111190, Order 07.

- 1 • The WCA is inconsistent with how costs are allocated in the Company's five  
2 other state jurisdictions.
- 3 • The WCA originally impeded adoption of a power cost adjustment  
4 mechanism.
- 5 • The WCA is a hybrid of situs- and system-based methodologies, which leads  
6 to inconsistencies.

7 **Q. What alternatives to the WCA did the parties consider during the**  
8 **collaborative process?**

9 A. Two primary alternatives were considered and discussed with parties during the  
10 collaborative process. First, a true situs methodology was explored. This  
11 methodology would include identifying fixed portions of existing generation  
12 resources that could be used to serve Washington load, with specific situs  
13 assigned purchases and sales to balance Washington load and resources. As noted  
14 in the WCA Report, this proposal failed to gain support from the parties because  
15 of the difficulty and complexity in reaching agreement on which generation  
16 resources, and what share of those resources, would serve Washington load.

17 Second, a six-state system allocation methodology was examined. The  
18 Company and other parties discussed use of a methodology that is similar to the  
19 2010 Protocol inter-jurisdictional allocation methodology used by each of the five  
20 other state jurisdictions in which the Company operates. The parties did not  
21 support a change to a six-state system allocation methodology at this time because  
22 the Company's operations have not significantly changed since the WCA was  
23 adopted.

1 **Q. During the collaborative process, did the parties discuss triggers that could**  
2 **lead to use of a system allocation methodology?**

3 A. Yes. As described in the WCA Report, the Company identified the following  
4 triggers that could support use of a system allocation methodology:

- 5 • Increased transmission transfer capacity between the Company's east and  
6 west balancing authority areas.
- 7 • A change in Washington law allowing the Company to use resources located  
8 in the Company's east balancing authority area (PACE) to comply with  
9 Washington's renewable portfolio standard.
- 10 • Operation of the Company's system as a single balancing authority area.
- 11 • Implementation of federal and regional efforts to increase market initiatives  
12 throughout the western United States.

13 **Proposed Modifications to the WCA**

14 **Q. Is the Company proposing modifications to the WCA in this case?**

15 A. Yes. The Company proposes several modifications to the WCA designed to more  
16 accurately reflect the Company's actual cost to serve customers and to create  
17 greater consistency between the Company's revenue requirement allocations and  
18 the cost of service study. These modifications are discussed in greater detail by  
19 Mr. Gregory N. Duvall and Mr. Steven R. McDougal.

20 **Q. Please briefly describe each of the Company's proposed modifications?**

21 A. The Company proposes the following modifications to the WCA associated with  
22 the calculation of net power costs, as discussed in detail by Mr. Duvall:

- 1 • Include of all power purchase agreements with qualified facilities located in  
2 PACW.
- 3 • Remove all revenues from the imputed sale from PACW to PACE from the  
4 calculation of net power costs.
- 5 • Include the full capacity of the Company's point-to-point transmission  
6 contract with Idaho Power Company.

7 The Company also proposes the following modifications associated with  
8 the development of WCA allocation factors, as discussed in detail by Mr.  
9 McDougal:

- 10 • Better aligning the inter-jurisdictional allocation factors with the class cost of  
11 service study by modifying the demand/energy weightings used in developing  
12 the Control Area Generation West (CAGW) and Jim Bridger Generation  
13 (JBG) allocation factors from 75 percent demand/25 percent energy to 38  
14 percent demand/62 percent energy, consistent with the demand/energy  
15 weightings used in the Company's cost of service study.
- 16 • Use of the highest 100 winter hours and highest 100 summer hours (200  
17 coincident peaks) in developing the west control area demand component of  
18 the CAGW factor. This is also consistent with the Company's cost of service  
19 study.

20 **Q. Given the challenges presented by the WCA, why did the Company not**  
21 **propose an alternative allocation methodology in this case?**

22 A. As discussed in the WCA Report, during the collaborative process the parties  
23 were unable to agree on an alternative allocation methodology. Although the

1 Company has experienced challenges with the WCA, the Company proposes its  
2 use in the current case with the modifications described above. As discussed in  
3 the WCA Report, representatives from the Company's other five state  
4 jurisdictions are beginning to develop and analyze alternatives to the 2010  
5 Protocol, which expires in 2016. Given this timing, the Company proposes use of  
6 the WCA with modifications, but respectfully requests that the Commission direct  
7 Staff to actively participate in these discussions to reach an acceptable long-term  
8 solution for all six states.

9 **Q. Does this conclude your direct testimony?**

10 A. Yes.