

Davison Van Cleve PC

Attorneys at Law

TEL (503) 241-7242 • FAX (503) 241-8160 • mail@dvclaw.com
Suite 400
333 S.W. Taylor
Portland, OR 97204

August 8, 2007

Via Electronic and US Mail

Public Utility Commission
Attn: Filing Center
550 Capitol St. NE #215
P.O. Box 2148
Salem OR 97308-2148

Re: In the Matter of PACIFIC POWER & LIGHT 2008 Transition Adjustment
Mechanism
Docket No. UE 191

Dear Filing Center:

Enclosed please find the Motion to Supplement the Record and the original and five (5) copies of the Supplemental Direct Testimony of Randall Falkenberg on behalf of the Industrial Customers of Northwest Utilities in the above-referenced docket. Exhibit ICNU/117 is confidential subject to the general protective order and is provided in separate, sealed envelopes.

Thank you for your assistance.

Sincerely,

/s/ Christian Griffen
Christian W. Griffen

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Motion to Supplement the Record and Supplemental Testimony of the Industrial Customers of Northwest Utilities upon the parties, on the service list, by causing the same to be deposited in the U.S. Mail, postage-prepaid, and via hand-delivery to PacifiCorp.

Dated at Portland, Oregon, this 8th day of August, 2007.

/s/ Christian Griffen
Christian W. Griffen

CITIZENS' UTILITY BOARD OF OREGON LOWREY R BROWN JASON EISDORFER ROBERT JENKS 610 SW BROADWAY, SUITE 308 PORTLAND OR 97205 lowrey@oregoncub.org jason@oregoncub.org bob@oregoncub.org	PACIFICORP NATALIE HOCKEN OREGON DOCKETS DATA REQUEST RESPONSE CENTER 825 NE MULTNOMAH ST STE 2000 PORTLAND OR 97232 natalie.hocken@pacificorp.com oregondockets@pacificorp.com datarequest@pacificorp.com
MCDOWELL & RACKNER PC KATHERINE A MCDOWELL 520 SW SIXTH AVE - SUITE 830 PORTLAND OR 97204 katherine@mcd-law.com	DEPARTMENT OF JUSTICE JASON W JONES 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us
OREGON PUBLIC UTILITY COMMISSION MAURY GALBRAITH PO BOX 2148 SALEM OR 97308-2148 maury.galbraith@state.or.us	

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 191

In the Matter of)	
)	
PACIFICORP)	ICNU’S MOTION TO SUPPLEMENT THE RECORD
)	
2008 Transition Adjustment Mechanism.)	EXPEDITED CONSIDERATION REQUESTED
)	
_____)	

I. INTRODUCTION

Pursuant to OAR § 860-013-0031, the Industrial Customers of Northwest Utilities (“ICNU”) submits to the Oregon Public Utility Commission (“Commission” or the “OPUC”) this Motion to Supplement the Record (“Motion”) with the supplemental testimony of Randall Falkenberg (“Supplemental Testimony”). ICNU does not believe it is required to file this Motion because Mr. Falkenberg’s Supplemental Testimony primarily corrects errors and makes necessary errata changes to his original direct testimony. Nevertheless, ICNU is filing this Motion because ICNU has been notified that PacifiCorp may object to the filing of Mr. Falkenberg’s Supplemental Testimony. Admission of Mr. Falkenberg’s Supplemental Testimony is in the public interest because it will provide a more accurate record for the Commission’s decision in this case.

II. BACKGROUND

PacifiCorp filed its rebuttal testimony in this proceeding on July 25, 2007. In its rebuttal testimony, PacifiCorp responded to the revenue requirement adjustments proposed by ICNU, Staff and the Citizens’ Utility Board. PacifiCorp’s rebuttal testimony

contests many of the revenue requirement adjustments proposed by the other parties, but also accepted some of ICNU's and Staff's revenue requirement adjustments.

PacifiCorp's rebuttal testimony and updated GRID filing made more than twenty-five separate changes to its overall net power cost amount.

With its rebuttal testimony, PacifiCorp also updated its power cost model (GRID) with new inputs. Included in the new GRID inputs were new contracts, new coal prices, a changed forward price curve, and the ICNU and Staff revenue requirement adjustments PacifiCorp accepted. The new GRID update changes the value of ICNU's remaining contested revenue requirement adjustments because, in the GRID model, all inputs are inter-related. For example, when the forward price curve changes, the value of all other adjustments change.

III. ARGUMENT

Mr. Falkenberg's Supplemental Testimony should be admitted into the record because it contains necessary corrections to his direct testimony and additional information helpful to the Commission's resolution of this proceeding. The updated information and corrections to the errors in Mr. Falkenberg's testimony are necessary to ensure that there is an accurate valuation of Mr. Falkenberg's proposed revenue requirement adjustments.

1. Mr. Falkenberg's Supplemental Testimony Contains Corrections to the Revenue Requirement Adjustments in His Direct Testimony

Mr. Falkenberg's Supplemental Testimony revised his Table 1 in his direct testimony. Table 1 provides the total Company and Oregon allocated value of each

of Mr. Falkenberg's revenue requirement adjustments. The values in Mr. Falkenberg's Table 1 in his direct testimony are no longer accurate because of the changes PacifiCorp made in its rebuttal testimony and the updated GRID filing. Without the corrections to Mr. Falkenberg's testimony, the Commission will not have any accurate valuation of his adjustments upon which to make its decisions in this proceeding.

In his Supplemental Testimony, Mr. Falkenberg recalculated his revenue requirement adjustments in Table 1 based on the changes made in PacifiCorp's rebuttal testimony and updated GRID filing. Mr. Falkenberg's recalculation does not rebut or responding to the merits of PacifiCorp's rebuttal testimony or GRID update, but is merely providing accurate calculations of the revenue requirement adjustments contained in his direct testimony. Without these changes, Mr. Falkenberg would be unable to swear to the accuracy of his direct testimony, as required by OAR § 860-014-0060(4)(a).

ICNU could have made these corrections to Mr. Falkenberg's direct testimony on the witness stand prior to cross examination. Instead, ICNU has elected to file Supplemental Testimony before the hearing to expedite the hearing and to provide all the parties an opportunity to review the filing.

ICNU informed PacifiCorp, on August 6, 2007, that ICNU would file updated results for Mr. Falkenberg's testimony. PacifiCorp requested that ICNU provide sufficient information to understand the changes in his results. Mr. Falkenberg submitted his GRID calculations to PacifiCorp, and cooperated with PacifiCorp's representatives to ensure they were able to replicate his results. ICNU is also providing copies of all of Mr.

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Falkenberg's work papers to all parties simultaneously with the filing of this motion and the Supplemental Testimony.

Mr. Falkenberg also updated the values for ICNU's revenue requirement adjustments which PacifiCorp accepted in, or that were eliminated by, PacifiCorp's filings of, its rebuttal testimony and GRID update. PacifiCorp accepted some of ICNU's and Staff's proposals, or made alternative proposals, which have eliminated ICNU's revenue requirement proposals related to the "Extrinsic Value Call Options," the "Excess Reserve Allocation," the "CT Reserve Capability," the "W-E Reserve Transfer," and the "Uneconomic CT Operation." The revised Table 1 in Mr. Falkenberg's Supplemental Testimony shows that there is no longer any revenue requirement adjustment related to these adjustments because their values were incorporated into PacifiCorp's GRID update or Mr. Falkenberg has adopted the Company's proposed alternative.

Mr. Falkenberg's Supplemental Testimony also provides an updated calculation for ICNU's "Planned Outages" adjustment. In rebuttal testimony, PacifiCorp accepted this adjustment for all generator units except Carrant Creek. The adjustment shown on the updated Table 1 in Mr. Falkenberg's Supplemental Testimony is the amount due to the remaining differences between ICNU's and PacifiCorp's positions. The revenue requirement adjustment shown on the original Table 1 in Mr. Falkenberg's direct testimony is no longer accurate and should be corrected.

Finally, Mr. Falkenberg updates the value of his proposed adjustment related to "Net Power Costs In Rates." Mr. Falkenberg originally calculated the value of his "Net Power Costs In Rates" adjustment and supported that calculation with Exhibit

ICNU/103, which was filed with his direct testimony. In discovery, PacifiCorp provided its own calculation of the “Net Power Costs In Rates” adjustment. This data response is attached as Exhibit ICNU/116 to Mr. Falkenberg’s Supplemental Testimony. In addition, the Company changed its requested increase in its rebuttal filing, necessitating a change to the original Exhibit ICNU/103. Mr. Falkenberg corrected his original exhibit to reflect the information provided by the Company in discovery and PacifiCorp’s revised revenue requirement increase. With Mr. Falkenberg’s Supplemental Testimony, ICNU is submitting Exhibit ICNU/115, which corrects and replaces Exhibit ICNU/103.

2. Mr. Falkenberg’s Corrected Outage Rate Adjustment Should Be Included in the Record

Mr. Falkenberg’s Supplemental Testimony also includes a corrected calculation of ICNU’s “Outage” rate adjustment. In Mr. Falkenberg’s original direct testimony, the “Outages” adjustment was computed based on an annual average outage rate adjustment. However, the Company uses monthly outage rates in GRID and Mr. Falkenberg’s proposed calculation of the “Outage” adjustment in his direct testimony is inaccurate. Mr. Falkenberg corrected this error by adjusting the monthly outage rates during the specific months when each outage occurred. In this way, the adjustment is now consistent with the Company’s outage rate methodology as applied in GRID. This correction is not responding or rebutting any issue in PacifiCorp’s rebuttal testimony or GRID update, but is merely correcting an inaccuracy in Mr. Falkenberg’s original direct testimony.

3. The Record Should Include the Specific Value of Each Contested Outage

Mr. Falkenberg's Supplemental Testimony also includes additional detail concerning the "Outage" adjustment. Mr. Falkenberg's original direct testimony identified each of the specific unplanned outages that he recommended be removed from PacifiCorp's rolling four-year outage rate. Mr. Falkenberg provided a total value for his "Outage" adjustment, but did not identify the specific value for each outage Mr. Falkenberg proposed to remove. Mr. Falkenberg's Supplemental Testimony sponsors Confidential ICNU Exhibit/117 that provides a breakdown of the cost of each outage for which Mr. Falkenberg recommends a disallowance. This information may be useful to the Commission in its evaluation of this issue and is necessary if the Commission decides to remove some, but not all, of the outages contested by Mr. Falkenberg.

IV. CONCLUSION

The Commission should admit the Supplemental Testimony of Randall Falkenberg because it is necessary to provide a fair, complete and accurate record in this proceeding. When PacifiCorp filed its rebuttal testimony and GRID update, the Company took the opportunity to make significant corrections and updates. ICNU's testimony should be updated to reflect PacifiCorp's actual proposal in this proceeding, not the original case that the Company no longer supports. In addition, the Supplemental Testimony should be admitted because Mr. Falkenberg should be able to correct errors in his original testimony and provide the Commission with a complete listing of the generator outages that he proposes to remove from rates.

Dated this 8th day of August, 2007.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Irion Sanger

Melinda J. Davison

Irion Sanger

Davison Van Cleve, P.C.

333 S.W. Taylor, Suite 400

Portland, Oregon 97204

(503) 241-7242 phone

(503) 241-8160 facsimile

mail@dvclaw.com

Of Attorneys for the Industrial Customers
of Northwest Utilities