

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1050**

In the Matter of the Application of  
PACIFICORP for an Investigation of Inter-  
Jurisdictional Issues

**JOINT TESTIMONY  
IN SUPPORT OF  
STIPULATION**

**STAFF-PACIFICORP-CUB-ICNU**

**JOINT TESTIMONY IN SUPPORT OF STIPULATION**

**WITNESSES: GEORGE R. COMPTON, ANDREA L. KELLY,  
BOB JENKS, AND DONALD W. SCHOENBECK**

April 25, 2011

1 **Introduction**

2 **Q. Who is sponsoring this testimony?**

3 A. This testimony is jointly sponsored by Staff of the Public Utility Commission of Oregon  
4 (Staff), PacifiCorp (or the Company) the Citizens' Utility Board of Oregon (CUB), and  
5 the Industrial Customers of Northwest Utilities (ICNU) (collectively the Parties).

6 **Q. Please state your names.**

7 A. George R. Compton testifying on behalf of Staff; Andrea L. Kelly testifying on behalf of  
8 PacifiCorp; Bob Jenks testifying on behalf of CUB, and Donald W. Schoenbeck  
9 testifying on behalf of ICNU. The qualifications of the witnesses are set forth in Exhibit  
10 Staff/501; PPL/100, Kelly/1; CUB Exhibit 101; and Exhibit ICNU/101, respectively.

11 **Q. What is the purpose of your testimony?**

12 A. This testimony describes and supports the Stipulation filed on April 22, 2011 among  
13 PacifiCorp, Staff, CUB, and ICNU (the Stipulation).

14 **Q. Have all parties that filed testimony and participated in settlement conferences  
15 joined in the Stipulation?**

16 A. Yes. Northwest Energy Coalition and Portland General Electric Company are parties to  
17 this docket, but did not file testimony or participate in settlement discussions.

18 **Background**

19 **Q. What is the Revised Protocol?**

20 A. The Revised Protocol is the inter-jurisdictional cost allocation methodology that the  
21 Oregon Public Utility Commission (Commission) uses to allocate PacifiCorp's costs  
22 among its six jurisdictions. The Commission ratified the Revised Protocol on January 12,  
23 2005 by adopting a Stipulation among PacifiCorp, Staff, CUB, (collectively the Oregon  
24 Parties) and AARP (2004 Stipulation) in Order No. 05-021 in this docket. ICNU

1 opposed the 2004 Stipulation. Andrea L. Kelly's Direct Testimony provides a discussion  
2 of some of the history surrounding the Revised Protocol at PPL/100, Kelly/2-6.

3 **Q. Did the 2004 Stipulation include specific provisions that explicitly recognized the**  
4 **expectations of and trade-offs by parties in reaching agreement to support the**  
5 **Revised Protocol?**

6 A. Yes. The 2004 Stipulation contained the following sections:

7 4. Throughout this proceeding, Oregon Parties have made clear the  
8 importance of maintaining the Hydro-Electric Resources and Mid-Columbia  
9 Contracts for Northwest citizens. An allocation of these Resources to Oregon  
10 that is less than that contemplated by the Revised Protocol is not acceptable to  
11 Oregon Parties. In order to secure the allocation of the Mid-Columbia  
12 Contracts that is contemplated in the Revised Protocol, Oregon Parties have  
13 accepted the allocation of the costs of Existing QF Contracts that is  
14 contemplated in the Revised Protocol.

15 5. The parties to this Stipulation recognize that there is uncertainty regarding  
16 the future value of the Mid-Columbia Contracts and that it is possible that,  
17 during the remaining term of the Existing QF Contracts, the costs to Oregon  
18 customers associated with the contemplated allocation of Existing QF Contracts  
19 will exceed the benefits of the contemplated allocation of Mid-Columbia  
20 Contracts. However, the Oregon Parties are prepared to assume this risk  
21 because they expect that the contemplated allocation of Mid-Columbia  
22 Contracts will continue to provide long-term benefits to Oregon customers after  
23 the expiration of the Existing QF Contracts. Similarly, the parties to this  
24 Stipulation recognize that the addition of relicensing costs to the Company's  
25 ratebase may cause the Hydro-Electric Resources to be more costly than other  
26 market opportunities in the near term, but Oregon Parties are willing to accept  
27 responsibility for these higher near-term costs in the expectation that, as the  
28 relicensing costs are depreciated, Hydro-Electric Resources will yield long-term  
29 benefits to Oregon customers. For the foregoing reasons, it is critical to Oregon  
30 Parties that their entitlement to Hydro-Electric Resources and Mid-Columbia  
31 Contracts not be abridged at any time in the future.<sup>1</sup>

32 **Q. What did the Company request of the Commission in its Petition for Approval of**  
33 **Amendments to Revised Protocol Allocation Methodology (Petition) filed on**  
34 **September 15, 2010?**

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<sup>1</sup> *In the Matter of the Application of PacifiCorp for an Investigation of Inter-Jurisdictional Issues*, Docket UM 1050, Order No. 05-021, Stipulation at 2 (Jan. 12, 2005).

1 A. In the Petition, the Company requested that the Commission approve amendments to the  
2 Revised Protocol. The proposed amendments reflected an agreement in principle reached  
3 by the Multi-State Process (MSP) Standing Committee<sup>2</sup> known as the “2010 Protocol.”  
4 The Petition was accompanied by direct testimony of Andrea L. Kelly, Steven R.  
5 McDougal, and Gregory N. Duvall, and supporting exhibits. A copy of the 2010 Protocol  
6 is attached to the Petition as Exhibit PPL/101.

7 **Q. Did Staff and other parties conduct a thorough examination of the Company’s**  
8 **filing?**

9 A. Yes. The Staff, CUB, and ICNU conducted discovery on PacifiCorp’s filing and filed  
10 reply testimony on January 27, 2011.

11 **Q. How did the Parties arrive at the Stipulation?**

12 A. The parties to this docket convened a settlement conference on February 17, 2011. All  
13 parties were invited to participate. PacifiCorp, Staff, CUB, and ICNU participated in the  
14 settlement conference. The Parties met again on February 28, 2011 to discuss the status  
15 of this case and the procedural schedule. The Parties agreed to engage in further  
16 settlement discussions prior to their filing rebuttal testimony. To that end, PacifiCorp  
17 filed a Second Stipulated Motion to Modify Schedule on March 1, 2011. ALJ  
18 Kirkpatrick adopted the modified schedule on March 16, 2011. The Parties convened a  
19 second settlement conference on April 1, 2011, which resulted in a settlement resolving  
20 the issues in this case.

21 **2010 Protocol**

22 **Q. Did the Parties agree to adopt the 2010 Protocol proposed by the Company?**

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<sup>2</sup> The MSP Standing Committee was established by Section XIII.B of the Revised Protocol. The MSP Standing Committee monitors and discusses inter-jurisdictional allocation issues facing PacifiCorp and its customers and seeks resolution of these issues.

1 A. Yes, with the modifications described in the Stipulation.

2 **Q. In what proceedings and for how long will the 2010 Protocol be used?**

3 A. The Parties agree that the 2010 Protocol, as modified by the Parties, should be adopted  
4 for use in all PacifiCorp general rate case filings in Oregon that are filed on or before  
5 December 31, 2016. For all general rate case filings after December 31, 2016, PacifiCorp  
6 will utilize the Revised Protocol allocation methodology, absent formal action by the  
7 Commission to adopt an alternate allocation methodology for Oregon. The Parties retain  
8 the ability to request that the Commission adopt a different allocation methodology for  
9 any rate proceeding after December 31, 2016.

10 **Q. What modifications did the Parties make to the 2010 Protocol proposed by the**  
11 **Company?**

12 A. The Parties agreed to two modifications: to the calculation of the: 1) Hydro Embedded  
13 Cost Differential (ECD) Adjustment; and 2) Klamath Surcharge Adjustment in Section  
14 IV.A of the 2010 Protocol. Attachment 1 to the Stipulation includes redline changes to  
15 this section. A revised 2010 Protocol Appendix E will be provided showing the revised  
16 calculation of the Hydro ECD. The Hydro ECD will be calculated consistent with  
17 Appendix E in the Revised Protocol, with the “all other resource” line changed to pre-  
18 2005 resources.

19 **Q. Please explain the purpose of the changes to the Hydro ECD and Klamath**  
20 **Surcharge Adjustments.**

21 A. The changes to the Hydro ECD and Klamath Surcharge Adjustment provisions in the  
22 2010 Protocol were intended to reflect the Parties’ agreement that these adjustments will  
23 not be based on the six-year, fixed levelized approach as proposed in the Company’s

1 Petition. Instead, the adjustments will reflect test period cost elements for purposes of  
2 rate filings, and historic and pro forma cost elements for purposes of regulatory reporting.

3 **Q. How will the Hydro ECD and Klamath Surcharge adjustments be allocated to**  
4 **Oregon?**

5 A. Attachment 2 to the Stipulation shows how the Hydro ECD and Klamath Surcharge  
6 adjustments will be allocated to Oregon.

7 **Q. Will the Company continue to provide calculations of revenue requirement under**  
8 **the Revised Protocol even while the 2010 Protocol is in effect?**

9 A. Yes. The Stipulation provides that for the duration of the 2010 Protocol: a) the  
10 Company's general rate case filings filed with the Commission shall include calculations  
11 of the Company's Oregon revenue requirement under both the 2010 Protocol and the  
12 Revised Protocol; and b) the Company's annual results of operations with the  
13 Commission shall include calculations of the Company's Oregon allocated results of  
14 operations under both the 2010 Protocol and Revised Protocol. These submittals will  
15 include and adequately explain all adjustments, assumptions, work papers and  
16 spreadsheet models used by the Company in its calculations.

17 **Q. Does the Stipulation include a provision relating to the Company's presentation of**  
18 **other allocation methodologies?**

19 A. Yes. The Parties agree that a comparison to other allocation methodologies is not  
20 necessary, but reserve the right to request comparisons against the Modified Accord  
21 allocation methodology in the future. The Company agrees to maintain the capability to  
22 provide results under the Modified Accord methodology and the Parties agree to work in  
23 good faith to provide requested results in a reasonable timeframe. This agreement does

1 not affect a Party's discovery rights. The Parties agree that it is not necessary for the  
2 Company to maintain models related to the Hybrid allocation methodology.

3 **Q. Have the Parties agreed to a mechanism that is intended to mitigate risks associated**  
4 **with the potential rate impacts on Oregon customers resulting from implementation**  
5 **of the 2010 Protocol?**

6 A. Yes. The Parties agree that for all Company general rate case filings filed prior to  
7 December 31, 2016, the increase in the Oregon total revenue requirement (as finally  
8 determined by the Commission in each proceeding) as a result of the implementation of  
9 the 2010 Protocol shall be capped at 0.30 percent of the Company's Oregon revenue  
10 requirement calculated under the Revised Protocol, as modified in Attachment 2 to the  
11 Stipulation.

12 **Q. How will the change in Oregon's revenue requirement attributable to the cap be**  
13 **applied across the customer classes?**

14 A. Because the differences between Revised Protocol and the 2010 Protocol are related to  
15 the allocation of generation costs, in all cost of service studies performed by the parties,  
16 any change in Oregon's revenue requirement attributable to the cap will be applied to  
17 each customer class based on each class' relative share of marginal generation costs after  
18 it has been reconciled to the embedded revenue requirement.

19 **Q. Have the Parties come to an agreement regarding the treatment of the \$2.3 million**  
20 **difference between Oregon's revenue requirement under the 2010 Protocol and the**  
21 **Revised Protocol for calendar year 2011?**

22 A. Yes. The Parties agree that PacifiCorp will file an application to defer a \$2.3 million  
23 credit to Oregon customers related to this difference. The deferral application will be  
24 made concurrent with the filing of the Stipulation, and interest will accrue, consistent

1 with Commission policy, at the Company's weighted average cost of capital until  
2 amortization of the balance is authorized by the Commission. The Parties agree that the  
3 credit should be allocated to all rate schedules based on each schedule's proportion of  
4 present generation revenues under Schedules 200 and 201, and amortization of the credit  
5 should begin no later than January 1, 2012. The allocation across rate schedules should  
6 be the same shape as the revenue allocation in the Company's Transition Adjustment  
7 Mechanism proceeding.

8 **Q. The Stipulation states that the 2010 Protocol will be used until December 31, 2016.**

9 **How will the Parties determine what allocation methodology to use after that date?**

10 A. In anticipation of the expiration of the use of the 2010 Protocol after December 31, 2016,  
11 the Parties agree to engage in discussions starting in 2013 with other interested persons  
12 and, as appropriate, in conjunction with the MSP Standing Committee and applicable  
13 workgroups regarding appropriate allocation options for 2017 and beyond. As part of  
14 these discussions the Company, in consultation with the other stakeholders, will perform  
15 cost causation studies related to classification and allocation of costs, including  
16 appropriate demand/energy weighting for generation costs, and a comprehensive  
17 evaluation of the costs and benefits of structural separation and other allocation options  
18 such as the Rolled-In allocation methodology. The Parties also agree to undertake  
19 preparatory discussions beginning in 2012.

20 **Q. Is the allocation of Class 1 DSM Programs addressed in the Stipulation?**

21 A. No. The Parties agree that the emerging issues related to the allocation of Class 1 DSM  
22 programs are not yet ripe for Commission action.

23 **Q. How do the Parties plan to address the allocation of Class 1 DSM Programs in the**  
24 **future?**



1 A. The Parties agree that additional analysis and discussion of these issues should be  
2 undertaken in the MSP Standing Committee workgroup, and the Parties will endeavor to  
3 participate in the workgroup efforts to the extent possible. The Parties shall encourage  
4 the workgroup to develop a proposed resolution on these issues by the next MSP  
5 Commissioners' Forum. The Parties understand that the Company may make a  
6 subsequent filing with the Commission to address this discrete issue. All Parties may  
7 take any position they deem appropriate in response to this filing, if it occurs.

8 **Q. Would the revenue requirement impact of changes adopted by the Commission in**  
9 **the future related to Class 1 DSM Programs be subject to the 0.30 percent cap**  
10 **discussed above?**

11 A. No. The Parties agree that the revenue requirement impact of such changes, if any, will  
12 not be limited by the rate protection mechanisms contained in Paragraph 13 of the  
13 Stipulation.

14 **Q. Does the Stipulation address how CUB and ICNU will fund participation in the**  
15 **ongoing MSP Standing Committee workgroup efforts and analysis of alternative**  
16 **allocation methodologies under Paragraph 15 of the Stipulation?**

17 A. Yes. To allow for full participation by CUB and ICNU in these efforts, the Parties  
18 support an additional Intervenor Funding Agreement (IFA). This additional IFA does not  
19 impact the current IFA approved in Order No. 07-564. Upon approval of this Stipulation,  
20 Parties agree to work cooperatively to develop an additional IFA. CUB and ICNU agree  
21 to bear the burden of supporting the requested level of increased funding, and all  
22 requested budgets and recovery would remain subject to Commission approval.

23 **Q. Does the Stipulation explain how the Parties will address additional funding for**  
24 **CUB and ICNU should the Commission reject the request for an additional IFA?**

1 A. Yes. While the Parties believe that the Commission is unlikely to reject the request for  
2 an additional IFA, the Stipulation provides that if this event occurs, the Parties will meet  
3 to discuss alternatives for funding for CUB's and ICNU's participating in the MSP  
4 Standing Committee workgroup efforts and the comprehensive multi-state effort outlined  
5 in Paragraph 15.

6 **Q. Will Parties be bound if unforeseen or changed circumstances cause the Party to**  
7 **conclude that the 2010 Protocol no longer produces just and reasonable results?**

8 A. No. As provided for in Section XIII C of the 2010 Protocol, a party's initial support of  
9 the 2010 Protocol will not bind that party in the event that unforeseen or changed  
10 circumstances cause that party to conclude that the 2010 Protocol no longer produces just  
11 and reasonable results. Should the benefits or detriments to Oregon customers of the  
12 contemplated allocations in the 2010 Protocol, or any amended version of the 2010  
13 Protocol recommended by the MSP Standing Committee, no longer produce results that  
14 are just, reasonable and in the public interest, any party to the Stipulation may propose  
15 amendments to the 2010 Protocol or propose to the Commission that the Commission  
16 depart from its terms, so as to produce results that are just, reasonable and in the public  
17 interest.

18 **Q. Please explain the Parties' agreement should any Party propose a material change**  
19 **to the allocation methodology for Hydro-Electric Resources and Mid-Columbia**  
20 **Contracts.**

21 A. Notwithstanding the status of the 2010 Protocol as an inter-jurisdictional cost allocation  
22 method, if PacifiCorp, Staff, or CUB proposes a material change to the allocation  
23 methodology for Hydro-Electric Resources and Mid-Columbia Contracts, the proposed  
24 change will be consistent with the trade-off contained in the Revised Protocol between

1 near-term negative impacts of Existing QF Contracts and long-term positive impacts of  
2 Mid-Columbia Contracts and the potential near-term costs and long-term benefits of  
3 Hydro-Electric Resources as described in Sections 4 and 5 of the 2004 Stipulation  
4 excerpted above.

5 **Q. Does the Stipulation include a provision related specifically to PacifiCorp proposing**  
6 **a material change to the 2010 Protocol provisions relating to Hydro-Electric**  
7 **Resources?**

8 A. Yes. The Parties agree that unless otherwise recommended by the MSP Standing  
9 Committee, as long as CUB, ICNU, and Staff continue to support the use of the 2010  
10 Protocol or the Revised Protocol for purposes of establishing PacifiCorp's Oregon  
11 revenue requirement, PacifiCorp will not propose or advocate any material change in the  
12 Protocol provisions relating to Hydro-Electric Resources. This provision does not,  
13 however, prevent PacifiCorp from complying with any Commission order.

14 **Q. Does this provision require Staff, CUB, or ICNU to support the recommendations of**  
15 **the MSP Standing Committee?**

16 A. No. The Stipulation provides that Staff, CUB, and ICNU reserve all rights to object to  
17 recommendations of the MSP Standing Committee.

18 **Conclusion**

19 **Q. What action do you recommend the Commission take with respect to the**  
20 **Stipulation?**

21 A. For the reasons discussed above, we recommend that the Commission find that the  
22 Stipulation is in the public interest and would produce rates that are fair, just,  
23 reasonable, and sufficient. Accordingly, we recommend that the Commission adopt the  
24 Stipulation and include the terms and conditions in its order in this case.

1 Q. Does this conclude your testimony?

2 A. Yes.

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April 25, 2011

## VIA ELECTRONIC FILING AND FIRST CLASS MAIL

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Salem, OR 97308-2148

**Re: Docket No. UM 1050**

Enclosed for filing in the above docket are an original and five copies of the Joint Testimony in Support of Stipulation, which was filed Friday, April 22, 2010. Also attached is an original and one copy of PacifiCorp's Motion to Admit Stipulation and Joint Testimony and Exhibits.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Amie', with a long horizontal flourish extending to the right.

Amie Jamieson

Enclosure  
cc: Service List

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of the foregoing document in  
3 Docket UM 1050 on the following named person(s) on the date indicated below by email  
4 addressed to said person(s) at his or her last-known address(es) indicated below.

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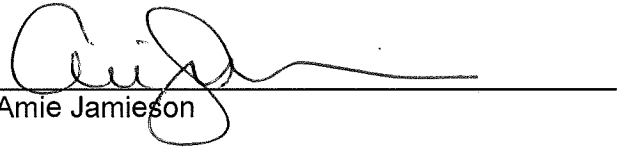
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7  
8 DATED: April 25, 2011

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11 Amie Jamieson

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