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July 12, 2005

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**VIA ELECTRONIC FILING**

PUC Filing Center  
Public Utility Commission of Oregon  
PO Box 2148  
Salem, OR 97308-2148

**Re: Joint Testimony in Support of Third Partial Stipulation  
Docket UE 170**

Enclosed for filing please find an original and five (5) copies of Joint Testimony in Support of Third Partial Stipulation in the above-referenced docket. A copy of this filing was served on all parties to this proceeding as indicated on the attached service list.

Very truly yours,

A handwritten signature in black ink, appearing to be "KAM", written over the typed name "Katherine A. McDowell".

Katherine A. McDowell

KAM:knp

Enclosure

cc: Service List

Docket UE 170  
Staff-PacifiCorp  
Witnesses: Bill Wordley, Mark Widmer

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

STAFF-PACIFICORP

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Joint Testimony  
In Support of Third Partial Stipulation

July 2005

1 Q. PLEASE STATE YOUR NAMES AND POSITIONS.

2 A. My name is Bill Wordley. I am employed by the Public Utility Commission of Oregon  
3 (“OPUC”) as a Senior Economist in the Economic Research & Financial Analysis  
4 Division of the Utility Program of the Public Utility Commission of Oregon and testify  
5 here on behalf of the Staff of the Oregon Public Utility Commission (“Staff”). My  
6 qualifications are attached to my previously filed testimony in this case at Staff/801,  
7 Wordley/1.

8 My name is Mark Widmer. I am employed by PacifiCorp (“PacifiCorp” or the  
9 “Company”) as a Director in the Regulation Department and testify here on behalf of  
10 PacifiCorp. My qualifications are described in my previously filed testimony to this case,  
11 PPL/600, Widmer/1.

12 We refer to ourselves in this testimony as the “Third Stipulation Parties.”

13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14 A. This testimony describes and supports the Third Partial Stipulation dated June 29, 2005  
15 between Staff and PacifiCorp (the “Third Partial Stipulation”). The Third Partial  
16 Stipulation is identified as Third Stipulation Exhibit 101.

17 Q. HOW DID THE THIRD STIPULATION PARTIES ARRIVE AT THE THIRD  
18 PARTIAL STIPULATION?

19 A. Administrative Law Judge Kirkpatrick’s Prehearing Conference Memorandum scheduled  
20 settlement conferences in this Docket commencing on April 5, 2005. The conferences  
21 resulted in the First Partial Stipulation, dated May 4, 2005. On June 14, 2005, the parties  
22 reconvened the settlement conferences first convened on April 5, 2005. The conferences  
23 were open to all parties. These conferences resulted in the Third Partial Stipulation, as  
24 well as the Second Partial Stipulation, both of which are dated June 29, 2005.

1 Q. HAVE OTHER PARTIES BEEN INVITED TO JOIN IN THE THIRD PARTIAL  
2 STIPULATION?

3 A. Yes. The Third Partial Stipulation has been circulated to the other parties to this Docket  
4 and they have been invited to join. Other parties may join by signing and filing a copy of  
5 the Third Partial Stipulation.

6 Q. WHAT ARE THE ESTIMATED REVENUE REQUIREMENT IMPACTS OF THE  
7 ADJUSTMENTS CONTAINED IN THE THIRD PARTIAL STIPULATION?

8 A. The net effect of this Third Partial Stipulation is a \$2.49 million increase in the  
9 Company's filed revenue requirement, and, if a RVM is adopted like that proposed by the  
10 Company, a decrease from PacifiCorp's original proposed revenue requirement for RVM  
11 on January 1, 2006.

12 **RVM Power Costs**

13 Q. PLEASE DESCRIBE THE ADJUSTMENTS RELATING TO RVM POWER COSTS.

14 A. The Third Stipulation Parties agree that if a RVM is implemented, like that proposed by  
15 the Company, to set the Company's Transition Adjustment, RVM power costs should be  
16 set at \$800.5 million, prior to the inclusion of RVM updates for this docket. This would  
17 result in an approximately \$4.3 million increase in the Company's revenue requirement  
18 established for the general rate case portion of this case, effective January 1, 2006. The  
19 Third Stipulation Parties agree that the \$4.3 million figure is an estimate; the actual  
20 change will be determined by the November 15, 2005 final GRID power cost model run.  
21 The final GRID run will include all the adjustments proposed by the Company in  
22 PPL/604-606 and PPL/607-608 except the Deferred Maintenance, Thermal Ramping,  
23 Station Service, and Planned Outages adjustments.

1    **Fuel Handling Charge**

2    Q.     PLEASE DESCRIBE THE ADJUSTMENTS RELATING TO THE FUEL HANDLING  
3           CHARGE.

4    A.     The Third Stipulation Parties agree that the Company's revenue requirement should be  
5           corrected to include a fuel handling charge. This would result in a \$2.49 million increase  
6           in the Company's filed revenue requirement.

7    **Other Agreements**

8    Q.     PLEASE DESCRIBE THE OTHER ITEMS AGREED TO IN THE THIRD PARTIAL  
9           STIPULATION.

10   A.     As part of the settlement of the RVM Power Costs issue, Staff also agrees to the  
11           following items:

12       Waiver of New Resource Rule: Staff agrees to support PacifiCorp's June 6, 2005  
13       application for a waiver of the New Resource Rule as it relates to the West Valley Lease,  
14       the Gadsby CTs, and Current Creek projects.

15       Plant Forced Outages: Staff agrees to accept the level of plant forced outages included in  
16       PacifiCorp's case.

17       Alleged Date "Mismatch": Staff agrees not to raise any issues regarding an alleged  
18       "mismatch" between a September 12, 2005 base rate change effective date and the  
19       calendar year 2006 test period.

20       Allocation of QF Contracts: Staff agrees to support the allocation treatment under the  
21       Revised PacifiCorp Inter-Jurisdictional Cost Allocation Protocol (or the "Revised  
22       Protocol") of the Company's contracts with Qualifying Facilities ("QFs") added to the  
23       Company's power costs in this case.

**Other Terms of Third Partial Stipulation**

Q. DO THE THIRD STIPULATION PARTIES AGREE TO SUPPORT THIS THIRD PARTIAL STIPULATION THROUGHOUT THIS ENTIRE PROCEEDING?

A. Yes. The Third Stipulation Parties agree that this Third Partial Stipulation removes RVM issues from the issues reserved by Staff for continuing litigation in this case contained in paragraph 6 of the first Partial Stipulation. In this regard, the Third Stipulation Parties agree to support the Third Partial Stipulation throughout this case and any appeal, provide witnesses to sponsor the Third Partial Stipulation at the hearing, and recommend that the Commission issue an order adopting the settlements contained in the Third Partial Stipulation.

Q. DO THE TERMS OF THE THIRD PARTIAL STIPULATION APPLY TO OTHER CASES?

A. No, the Third Partial Stipulation represents a compromise in the positions of the Third Stipulation Parties made for this case only. By entering into the Third Partial Stipulation, neither of the Third Stipulation Parties may be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed in arriving at the terms of the Third Partial Stipulation, other than those specifically identified in the body of the Third Partial Stipulation. Neither of the Third Stipulation Parties has agreed that any provision of the Third Partial Stipulation is appropriate for resolving issues in any other proceeding, except as specified in the Third Partial Stipulation.

Q. IF THE COMMISSION REJECTS ANY PART OF THE THIRD PARTIAL STIPULATION, ARE THE THIRD STIPULATION PARTIES ENTITLED TO RECONSIDER THEIR PARTICIPATION IN THE THIRD PARTIAL STIPULATION?

1 A. Yes. The Third Partial Stipulation provides that if the Commission rejects all or any  
2 material portions of the Third Partial Stipulation, any party that is disadvantaged by such  
3 action shall have the rights provided by OAR 860-014-0085 and shall be entitled to seek  
4 reconsideration or appeal of the Commission's Order.

5 **Reasonableness of Third Partial Stipulation**

6 Q. HAVE THE THIRD STIPULATION PARTIES EVALUATED THE OVERALL  
7 FAIRNESS OF THE THIRD PARTIAL STIPULATION?

8 A. Yes. Each of the Third Stipulation Parties has reviewed the revenue requirement  
9 adjustments contained in the Third Partial Stipulation, as well as the revenue requirement  
10 levels resulting from their application. The Third Stipulation Parties agree that the results  
11 of the Third Partial Stipulation are fair and reasonable in the context of this case and  
12 should be adopted.

13 Q. WHAT DO THE THIRD STIPULATION PARTIES RECOMMEND?

14 A. The Third Stipulation Parties recommend that the Commission adopt the Third Partial  
15 Stipulation and include the listed adjustments and terms and conditions in its order in this  
16 case.

17 Q. DOES THIS CONCLUDE YOUR TESTIMONY IN SUPPORT OF THE THIRD  
18 PARTIAL STIPULATION?

19 A. Yes.

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

STAFF-PACIFICORP

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Exhibit Accompanying Joint Testimony  
In Support of Third Partial Stipulation

Third Partial Stipulation

July 2005



BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UE 170

In the Matter of PACIFIC POWER &  
LIGHT (d/b/a PacifiCorp) Request for a  
General Rate Increase in the Company's  
Oregon Annual Revenues

**THIRD PARTIAL STIPULATION**

This Third Partial Stipulation is the third stipulation entered into for the purpose of resolving specified adjustments to PacifiCorp's requested revenue requirement in this docket. It represents a settlement of the issues listed in Paragraph 5 of the Stipulation. Issues pertaining to the RVM power costs and a fuel handling charge were excluded from the first Partial Stipulation in this case; this Third Partial Stipulation now resolves these issues between PacifiCorp and Staff of the Public Utility Commission ("Staff"). It also reflects Staff's agreement to support PacifiCorp's position in this case on the following issues: waiver of the New Resource Rule; the Company's forced outage rate; use of 2006 test year; and application of the Revised Protocol to the Company's QF contracts signed after execution of the Revised Protocol.

**PARTIES**

1. The initial parties to this Third Partial Stipulation are PacifiCorp (or the "Company") and Staff (together "the Parties"). This Third Partial Stipulation will be made available to the other parties to this docket, who may participate by signing and filing a copy of this Third Partial Stipulation.

**BACKGROUND**

2. On November 12, 2004, PacifiCorp filed revised tariff schedules to effect a \$102 million increase in its base prices to Oregon electric customers. PacifiCorp based its filing on a 2006 calendar year test period. On May 4, 2005, PacifiCorp and several of the parties

entered into the first Partial Stipulation. The first Partial Stipulation reduced PacifiCorp's requested revenue requirement to approximately \$71 million.

3. On June 14, 2005, the parties reconvened the settlement conferences first convened on April 5, 2005. The settlement conferences were open to all parties.

4. As a result of the settlement conferences, PacifiCorp, Staff, the Industrial Customers of Northwest Utilities, CUB and Fred Meyer entered into a Second Partial Stipulation, which addressed employee benefits and reduced PacifiCorp's requested revenue requirement by approximately \$2.44 million. The Parties have also reached agreement on the matters set forth below. The net effect of this Third Partial Stipulation, is a \$2.49 million increase in the Company's filed revenue requirement, and, if RVM is adopted, a decrease from PacifiCorp's original proposed revenue requirement for RVM on January 1, 2006. The Parties submit this Third Partial Stipulation to the Commission and request that the Commission approve the settlement as presented.

### **AGREEMENT**

5. The Parties agree that the following adjustments, and the revenue requirement levels resulting from their application, are fair and reasonable:

a. RVM Power Costs: The Parties agree that if RVM is implemented to set the Company's Transition Adjustment, RVM power costs should be set at \$800.5 million, prior to the inclusion of RVM updates for this docket. This would result in an approximately \$4.3 million increase in the Company's revenue requirement established for the general rate case portion of this case, effective January 1, 2006. \$4.3 million is an estimate; the actual change will be determined by the November 15, 2005 final GRID power cost model run. The final GRID

run will include all the adjustments proposed by the Company in PPL/604-606 and PPL/607-608 except the Deferred Maintenance, Thermal Ramping, Station Service, and Planned Outages adjustments. As part of the settlement of this issue, Staff also agrees to the following additional items:

- i. Staff will support PacifiCorp's June 6, 2005 application for a waiver of the New Resource Rule as it relates to the West Valley Lease, the Gadsby CTs, and Currant Creek projects.
- ii. Staff will accept the level of plant forced outages included in the Company's case.
- iii. Staff agrees not to raise any issues regarding an alleged "mismatch" between a September 12, 2005 base rate change effective date and the calendar year 2006 test period.
- iv. Staff will support the allocation treatment under the Revised PacifiCorp Inter-Jurisdictional Cost Allocation Protocol (or the "Revised Protocol") of the Company's contracts with Qualifying Facilities ("QFs") added to the Company's power costs in this case.

b. Fuel Handling Charge: The Parties agree that the Company's revenue requirement should be corrected to include a fuel handling charge. This results in a \$2.49 million increase in the Company's filed revenue requirement.

6. The Parties agree on the following in terms of settled and non-settled issues:

a. The Parties to this Partial Stipulation agree that it resolves all issues related to the adjustments, and the revenue requirement levels resulting from their application, listed in Paragraph 5.

b. The Parties agree that this Third Partial Stipulation removes RVM issues from the issues reserved by Staff for continuing litigation in this case contained in paragraph 6 of the first Partial Stipulation. Staff, however, reserves the right to comment on the positions of other parties on this issue.

7. The Parties agree that this Third Partial Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements and documents disclosed in the negotiation of this Third Partial Stipulation shall not be admissible as evidence in this or any other proceeding.

8. This Third Partial Stipulation will be offered into the record of this proceeding as evidence pursuant to OAR 860-14-0085. The Parties agree to support this Third Partial Stipulation throughout this proceeding and any appeal, provide witnesses to sponsor this Third Partial Stipulation at the hearing and recommend that the Commission issue an order adopting the settlements contained herein.

9. The Parties agree that they will continue to support the Commission's adoption of the terms of this Third Partial Stipulation. If this Third Partial Stipulation is challenged by any other party to this proceeding, the Parties agree to cooperate in cross-examination and put on such a case as they deem appropriate to respond fully to the issues presented, which may include raising issues that are incorporated in the settlements embodied in this Third Partial Stipulation.


10. The Parties have negotiated this Third Partial Stipulation as an integrated document. If the Commission rejects all or any material portion of this Third Partial Stipulation or imposes additional material conditions in approving this Third Partial Stipulation, any party disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek reconsideration or appeal of the Commission's Order.

11. By entering into this Third Partial Stipulation, no party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other party in arriving at the terms of this Third Partial Stipulation, other than those specifically identified in the body of this Third Partial Stipulation. No party shall be deemed to have agreed that any provision of this Third Partial Stipulation is appropriate for resolving issues in any other proceeding, except as previously identified in Paragraph 5 of the Third Partial Stipulation.

12. This Third Partial Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

This Third Partial Stipulation is entered into by each party on the date entered below such party's signature.

PACIFICORP

By:  \_\_\_\_\_

Date: \_\_\_\_\_

STAFF

By: \_\_\_\_\_

Date: \_\_\_\_\_

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This Third Partial Stipulation is entered into by each party on the date entered below such party's signature.

PACIFICORP

STAFF

By: \_\_\_\_\_

By: 

Date: \_\_\_\_\_

Date: 6/29/05

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**CERTIFICATE OF SERVICE**

I hereby certify that I served a true and correct copy of the foregoing document in Docket UE 170 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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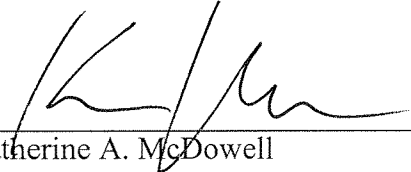
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DATED: July 12, 2005

  
Katherine A. McDowell

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