



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

June 29, 2005

Public Utility Commission of Oregon
Attn: Filing Center
550 Capitol St NE #215
PO Box 2148
Salem OR 97308-2148

Re: UE 170 – Staff Exhibit 1400 – Surrebuttal Testimony – Stefan Brown
Staff Exhibit 1401 – Witness Qualification Statement/Ex. Sheet - Stefan Brown
Staff Exhibit 1402 – Exhibit in Support of Surrebuttal Testimony

Dear Filing Center;

Enclosed for filing are copies of the exhibits and a **certificate of service** and **service list** for each exhibit originally filed on June 27, 2005. (The certificates of service and service lists were accidentally omitted when originally filed.)

The PUC Filing Center tracking numbers are: Staff Ex. 1400 - #786; Staff Ex. 1401 - #794 and Staff Ex. 1402 - #788.

Thank you for your assistance. Sorry for any inconvenience.

Sincerely,

Neoma Lane
Legal Secretary
Regulated Utility & Business Section

Enclosures
NAL:nal/GENN1171

CASE: UE 170
WITNESS: Stefan Brown

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 1400

Surrebuttal Testimony

June 27, 2005

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Dr. Stefan M. Brown. My business address is 550 Capitol Street NE
4 Suite 215, Salem, Oregon 97301-2551. I am a Senior Economist in the Economic
5 Research & Financial Analysis Division of the Utility Program of the OPUC.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
7 **EXPERIENCE.**

8 A. My Witness Qualification Statement is found in Exhibit Staff/1401.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my testimony is to recommend to the Oregon Public Utility
11 Commission (Commission) how PacifiCorp's Grid West ongoing costs should
12 be treated.

13 **Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?**

14 A. Yes, Exhibit 1401 and Exhibit 1402.

15 **Q. HAS PACIFICORP INCLUDED ANY ONGOING COSTS TO DEVELOP**
16 **GRID WEST IN ITS TEST YEAR REVENUE REQUIREMENT?**

17 A. Yes. On a total Company basis, PacifiCorp has included \$3.057 million in Grid
18 West costs in its test year revenue requirement.

19 **Q. HOW DOES PACIFICORP PROPOSE TREATING ITS GRID WEST COSTS?**

20 A. The Company proposes treating them as ongoing costs and has included them
21 as such in its test year expenses.

22 **Q. DO YOU AGREE WITH THAT ASSESSMENT?**

1 A. Yes. As shown in Exhibit 1402 (Company's response to Staff data request
2 315), the Company states that it expects the level of costs as shown in Staff
3 Data Request 255 to continue after Grid West becomes operational. The Grid
4 West proposal includes a staged implementation that will require ongoing
5 development effort by the Company and other parties in the region.

6 **Q. HAS STAFF PREVIOUSLY REACHED AN AGREEMENT REGARDING**
7 **TREATMENT OF GRID WEST DEVELOPMENT COSTS?**

8 A. Yes. In joint testimony filed June 7, 2005, in this docket, the Company, Staff,
9 the Citizens Utility Board and Kroger supported the Stipulation. That
10 Stipulation did not include an adjustment to Non-Labor Administrative and
11 General Costs for Grid West.

12 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE TREATMENT OF**
13 **THE GRID WEST DEVELOPMENT COSTS IN THE CASE?**

14 A. Staff finds the level of Grid West ongoing costs reasonable and recommends
15 that the Grid West costs be included in the Company's test year revenue
16 requirement.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes.

WITNESS QUALIFICATION STATEMENT

NAME: Stefan M. Brown

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Economist, Economic Research & Financial Analysis Division

ADDRESS: 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2115.

EDUCATION: Ph.D. Purdue University, West Lafayette, Indiana
Major: Ag. Economics; 1995

M.S. University of Wyoming, Laramie, Wyoming
Major: Economics; 1991

B.S. Oregon State University, Corvallis, Oregon
Majors: Ag./Resource Economics, Animal Science; 1983

EXPERIENCE: Starting in November 1999, I have been employed by the Public Utility Commission of Oregon. Current responsibilities include leading research and providing technical support on a wide range of policy issues for electric, gas and telephone utilities.

From March 1996 to November 1999 I worked as a consultant in the energy field working for electric research organizations, electric power exchanges, electric utilities and petroleum producers. Duties included leading research projects on various policy issues involving energy markets and electricity restructuring. I also worked as a consultant in the energy field from January 1986 to August 1989

OTHER EXPERIENCE: From August 1991 through March 1995, I was a graduate research and teaching assistant at Purdue University.

From August 1989 through May 1991 I was a graduate research and teaching assistant at the University of Wyoming.

From August 1990 through May 1991 I was an instructor at the University of Wyoming teaching introductory microeconomics.

CASE: UE 170
WITNESS: Stefan Brown

**PUBLIC UTILITY COMMISSION
OF
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STAFF EXHIBIT 1401

Witness Qualifications Statement

June 27, 2005

CASE: UE 170
WITNESS: Stefan Brown

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 1402

**Exhibit in Support of
Surrebuttal Testimony**

June 27, 2005

OPUC Data Request 315

Per PacifiCorp's response to Staff Data Request No. 255, does PacifiCorp expect that consulting, airfare, lodging, other employee expenses, legal and secondary salary expenses will stay at the same levels after the formation of Grid West? Please explain.

Response to OPUC Data Request 315

Yes, the Company expects the level of costs as shown on Staff Data Request No. 255 to continue after Grid West becomes operational. The current Grid West Regional Proposal is a staged implementation with initial operations expected to begin in 2007. However, additional work will be required by the Company to monitor and provide input on these future phases of the Grid West operations. These PacifiCorp activities will include working with Grid West, our commissions and the region as a whole on the expected "day two" market changes, assessing its expected impacts to PacifiCorp's customers and shareholders, and evaluating these impacts in comparison to the original expectations in the regional proposal. Therefore, it is expected that ongoing costs will be incurred by the Company after Grid West becomes operational at approximately the same levels as projected in the Oregon test year results.

Also, when assessing the prudence of these costs it is helpful to recall that the Company has been working on these transmission system challenges for over ten years beginning with the 1992 Power Act, the INDIGO proposal, the FERC Orders 888 and 889, and now the current initiative to develop a regional transmission entity. The Grid West Regional Proposal is a proposed consensus solution and is still under development. Currently, some of the region's stakeholders and delegation have concerns this proposal may not support the final Grid West design. The Company is optimistic that the region can resolve pending and future issues and reach the goal of Grid West offering initial services by the year 2007. There remains a risk, however, that the final market design will not achieve the necessary regional consensus or will be unacceptable to PacifiCorp. This would result in the Company exploring other solutions to the transmission problems in the region. Under either scenario, it is reasonable to assume that the Company would incur similar costs as reflected in the Oregon test year for several years into the future.

CERTIFICATE OF SERVICE

UE 170

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to all parties or attorneys of parties.

Dated at Salem, Oregon, this 27th day of June, 2005.

s/David B. Hatton

David B. Hatton
Assistant Attorney General
Of Attorneys for Public Utility Commission's Staff
1162 Court Street NE
Salem, Oregon 97301-4096
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