



October 7, 2005

VIA ELECTRONIC FILING

Oregon Public Utility Commission
550 Capitol Street NE, Ste 215
Salem, OR 97301-2551

Attn: Vikie Bailey-Goggins, Administrator
Regulatory and Technical Support

Re: PacifiCorp's Direct Testimony and Exhibit in Docket No. UE-170 – Transition
Adjustment Mechanism (TAM) adopted in Order No. 05-1050.

Enclosed for filing is an original and 7 copies of PacifiCorp's Direct Testimony and Exhibit regarding the Transition Adjustment Mechanism (TAM) adopted in Order No. 05-1050. Copies of this filing have also been served on the UE-170 Service List.

It is respectfully requested that all formal correspondence and Staff requests regarding this matter be addressed to:

By E-mail (preferred): datarequest@pacificorp.com.

By Fax: (503) 813-6060

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 800
Portland, OR 97232

Informal inquiries may be directed to Laura Beane, Regulatory Manager at (503) 813-5542.

Very truly yours,

D. Douglas Larson
Vice President, Regulation

Cc: UE-170 Service List
Enclosures

Case UE-170
Transition Adjustment
Mechanism (TAM)
PPL Exhibit 612
Witness: Mark T. Widmer

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

PACIFICORP

Direct Testimony of Mark T. Widmer

Net Power Cost (NPC) Update

October 2005

1 **Q.** Are you the same Mark T. Widmer that filed direct testimony in this case?

2 A. Yes.

3 **Q.** **What is the purpose of your supplemental testimony?**

4 A. Pursuant to the schedule in this case, my testimony presents the October 7, 2005
5 Net Power Cost (NPC) update, including a description of the individual
6 adjustments. The update results in a new system calendar year 2006 NPC of
7 \$802.8 million, an increase of \$2.3 million from the system NPC approved in the
8 Transition Adjustment Mechanism (TAM) section of the UE 170 final order. The
9 adjustments are summarized on PPL Exhibit 613.

10 **Q.** **Please describe the nature of the adjustments included in this update.**

11 A. The adjustments are designed to incorporate information or developments which
12 were not available or known at the time of the March 15, 2005 update, limited to
13 new contracts, new forward price curve data, and new fuel costs. The nature and
14 extent of the adjustments were summarized in the direct testimony of Christy
15 Omohundro, PPL Exhibit 700, pages 9-10. The adjustments were also the subject
16 of discussions at workshops in the UE 170 proceeding.

17 **Q.** **Please explain the “Grant Meaningful” adjustment.**

18 A. Subsequent to the Company’s March 15th update, Grant County implemented the
19 final version of Amendment #2 to the Product Sales Agreement. In the
20 amendment, multiple purchasers traded non-firm Additional Product for a firm
21 slice with auxiliary benefits. This amendment also terminated the Additional
22 Product Sales Agreement. In reaction to the implementation, PacifiCorp
23 exercised its option to participate in the Meaningful Priority of Priest Rapids

1 Project Power for the period November 2005 through December 2006. Based on
2 the auction price, the Company also updated the forecast revenue from the
3 Reasonable Portion Power Sales Contract. In total, the adjustment increases NPC
4 by \$0.2 million total Company.

5 **Q. Please explain the “Grant Displacement” adjustment.**

6 A. In August of 2005, Bonneville Power Administration (BPA) held workshops to
7 review their Financial Based and Safety Net Cost Recovery Adjustment Clause
8 (SNCRAC) for the future periods starting with FY06. The adjustment
9 incorporates BPA’s updated estimate of the SNCRAC that impacts the energy
10 price of the displacement portion of the Grant contract. The adjustment increases
11 NPC by \$2.5 million total Company.

12 **Q. Please explain the “Grant County Purchase” adjustment.**

13 A. The Grant County 10 aMW Purchase modeled in GRID is also impacted by the
14 revised BPA CRAC. The adjustment includes the new estimates from BPA and
15 decreases NPC by \$0.6 million total Company.

16 **Q. Please explain the “Exxon QF” adjustment.**

17 A. The Company entered a new Qualifying Facility purchase agreement with Exxon.
18 The adjustment increases NPC by \$7.2 million total Company.

19 **Q. Please explain the “STF Transaction” adjustment.**

20 A. The adjustment incorporates new Short Term Firm (STF) wholesale sales and
21 purchase power contracts executed by the Company. The adjustment decreases
22 NPC by \$29.7 million total Company.

1 **Q. Please explain the “Wolverine Creek” adjustment.**

2 A. The Company entered a new agreement to purchase wind generation from
3 Wolverine Creek, to meet system load requirements. The adjustment incorporates
4 the new contract and increases NPC by \$1.9 million total Company.

5 **Q. Please explain the “Tri-State” adjustment.**

6 A. Per contract terms, Tri-State exercised its option to reduce demand by 15MW in
7 July and August of 2006. When Tri-State reduces demand for two summer
8 months, two months of the winter season are increased by the like amount. The
9 Company will elect the two months of November and December, 2006. The
10 adjustment increases NPC by \$0.4 million total Company.

11 **Q. Please explain the “Coal Price” adjustment.**

12 A. The adjustment includes: 1) a new rail agreement with Union Pacific for
13 transportation of coal from Black Butte to Jim Bridger, 2) the impact of coal
14 supply agreements with Western Fuel’s Dry Fork mine for the supply of coal at
15 the Dave Johnston plant and with Trapper Mine for the supply of spot coal for the
16 Craig plant, 3) the settlement of the Naughton price re-opener, and 4) updated
17 actual coal costs incurred and contract price indices for coal and transportation
18 consistent with updates for market prices of gas and electricity. The plant
19 contracts impacted by updates to actual prices and indices are: the Black Butte
20 coal contract for Jim Bridger, the trucking contracts for Carbon and Hunter, the
21 P&M coal contract and the PRB coal pricing for Cholla, the ColoWyo Base coal
22 contract for Craig, the Black Hills coal contract and PRB coal pricing for Dave
23 Johnston, the Rail transportation contract for Dave Johnston and the Wyodak

1 Resources coal contract for Wyodak. In total, the adjustment increases NPC by
2 \$9.0 million total Company.

3 **Q. Please explain the “September FPC” adjustment.**

4 A. The Company’s March 15th update used the Company’s December 30, 2004
5 Official Forward Price Curve. The adjustment incorporates the Company’s
6 Official Forward Price Curve dated September 30, 2005. This impacts several
7 GRID model inputs including wholesale market prices for gas and electricity,
8 indexed wheeling losses, and contract prices tied to market prices. The specific
9 contracts impacted are: Tesorro QF, Kennecott QF, US MagCorp QF, Desert
10 Power QF, Sunnyside QF, Transalta, and Clark Storage & Integration. In total,
11 the update increases NPC by \$11.3 million total Company.

12 **Q. Does this conclude your supplemental testimony?**

13 A. Yes.

Case UE –170
Transition Adjustment
Mechanism (TAM)
PPL Exhibit 613
Witness: Mark T. Widmer

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

PACIFICORP

Exhibit Accompanying Direct Testimony of Mark T. Widmer

Oregon Net Power Cost Update 3

October 2005

Oregon Net Power Cost Update 3

Exhibit PPL/613
Widmer 2

Oregon NPC CY2006 Settlement			800,500,000	
Step	Name	\$		
1	Grant Meaningful	228,769		
2	Grant Displacement	2,485,847		
3	Grant County Purchase	(555,364)		
4	Exxon QF	7,225,578		
5	STF Transactions	(29,740,841)		
6	Wolverine Creek	1,906,412		
7	Tri State	410,877		
8	Coal Prices	9,011,805		
9	Market Prices	11,361,835		
			802,834,917	
			Oregon NPC CY2006 Update 3 (10.07.05)	

Description

New Contract
New BPA CRAC Adjustment
New BPA CRAC Adjustment
New QF Contract
New Transactions
New Wind Contract
Exercise Contracts Option
New Contracts, Cost Increases, and Update Indices
September 30, 2005 Official Price Forecast

I hereby certify that on Friday, October 7, 2005 I served the foregoing document in Docket UE-170 on the following named person(s)

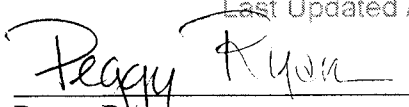
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Oregon Public Utility Commission

Last Updated August


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