

# 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

June 27, 2005

***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 Request for a  
General Rate Increase in the Company's Oregon Annual Revenues  
**Docket No. UE 170**

Dear Filing Center:

Enclosed please find the following items for filing in the above-referenced proceeding on behalf of the Klamath Off-Project Water Users:

- One original and five (5) copies of the Surrebuttal Testimony of Kathryn Iverson.

Thank you for your assistance.

Sincerely,

/s/ Sheila R. Ho  
Sheila R. Ho

Enclosures

cc: Service List

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Surrebuttal  
Testimony of Kathryn Iverson on behalf of the Klamath Off-Project Water Users upon the  
parties on the service list by causing the same to be mailed, postage-prepaid, through the U.S.  
Mail.

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

/s/ Sheila R. Ho  
Sheila R. Ho

RATES & REGULATORY AFFAIRS PORTLAND GENERAL ELECTRIC RATES & REGULATORY AFFAIRS 121 SW SALMON STREET, 1WTC0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com	JIM ABRAHAMSON COMMUNITY ACTION DIRECTORS OF OREGON 4035 12TH ST CUTOFF SE STE 110 SALEM OR 97302 jim@cado-oregon.org
EDWARD BARTELL KLAMATH OFF-PROJECT WATER USERS INC 30474 SPRAGUE RIVER ROAD SPRAGUE RIVER OR 97639	KURT J BOEHM BOEHM KURTZ & LOWRY 36 E SEVENTH ST - STE 1510 CINCINNATI OH 45202 kboehm@bkllawfirm.com
LISA BROWN WATERWATCH OF OREGON 213 SW ASH ST STE 208 PORTLAND OR 97204 lisa@waterwatch.org	LOWREY R BROWN CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY, SUITE 308 PORTLAND OR 97205 lowrey@oregoncub.org
PHIL CARVER OREGON DEPARTMENT OF ENERGY 625 MARION ST NE STE 1 SALEM OR 97301-3742 philip.h.carver@state.or.us	JOHN CORBETT YUOK TRIBE PO BOX 1027 KLAMATH CA 95548 jcorbett@yuroktribe.nsn.us
JOAN COTE OREGON ENERGY COORDINATORS ASSOCIATION 2585 STATE ST NE SALEM OR 97301 cotej@mwwcaa.org	JOHN DEVOE WATERWATCH OF OREGON 213 SW ASH STREET, SUITE 208 PORTLAND OR 97204 john@waterwatch.org
JASON EISDORFER CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org	EDWARD A FINKLEA CABLE HUSTON BENEDICT HAAGENSEN & LLOYD LLP 1001 SW 5TH, SUITE 2000 PORTLAND OR 97204 efinklea@chbh.com

<p>DAVID HATTON DEPARTMENT OF JUSTICE REGULATED UTILITY &amp; BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 david.hatton@state.or.us</p>	<p>JUDY JOHNSON PUBLIC UTILITY COMMISSION PO BOX 2148 SALEM OR 97308-2148 judy.johnson@state.or.us</p>
<p>JASON W JONES DEPARTMENT OF JUSTICE REGULATED UTILITY &amp; BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us</p>	<p>DAN KEPPEL KLAMATH WATER USERS ASSOCIATION 2455 PATTERSON STREET, SUITE 3 KLAMATH FALLS OR 97603</p>
<p>MICHAEL L KURTZ BOEHM, KURTZ &amp; LOWRY 36 E 7TH ST STE 1510 CINCINNATI OH 45202-4454 mkurtz@bklawfirm.com</p>	<p>JIM MCCARTHY OREGON NATURAL RESOURCES COUNCIL PO BOX 151 ASHLAND OR 97520 jm@onrc.org</p>
<p>KATHERINE A MCDOWELL STOEL RIVES LLP 900 SW FIFTH AVE STE 1600 PORTLAND OR 97204-1268 kamcdowell@stoel.com</p>	<p>BILL MCNAMEE PUBLIC UTILITY COMMISSION PO BOX 2148 SALEM OR 97308-2148 bill.mcnamee@state.or.us</p>
<p>DANIEL W MEEK DANIEL W MEEK ATTORNEY AT LAW 10949 SW 4TH AVE PORTLAND OR 97219 dan@meek.net</p>	<p>NANCY NEWELL 3917 NE SKIDMORE PORTLAND OR 97211 ogec2@hotmail.com</p>
<p>MICHAEL W ORCUTT HOOPA VALLEY TRIBE FISHERIES DEPT PO BOX 417 HOOPA CA 95546</p>	<p>STEPHEN R PALMER OFFICE OF THE REGIONAL SOLICITOR 2800 COTTAGE WAY, RM E-1712 SACRAMENTO CA 95825</p>
<p>STEVE PEDERY OREGON NATURAL RESOURCES COUNCIL  sp@onrc.org</p>	<p>MATTHEW W PERKINS DAVISON VAN CLEVE PC 333 SW TAYLOR, STE 400 PORTLAND OR 97204 mwp@dvclaw.com</p>
<p>JANET L PREWITT DEPARTMENT OF JUSTICE 1162 COURT ST NE SALEM OR 97301-4096 janet.prewitt@doj.state.or.us</p>	<p>THOMAS P SCHLOSSER MORISSET, SCHLOSSER, JOZWIAK &amp; MCGAW  t.schlosser@msaj.com</p>
<p>GLEN H SPAIN PACIFIC COAST FEDERATION OF FISHERMEN'S ASSOC PO BOX 11170 EUGENE OR 97440-3370 fish1ifr@aol.com</p>	<p>DOUGLAS C TINGEY PORTLAND GENERAL ELECTRIC 121 SW SALMON 1WTC13 PORTLAND OR 97204 doug.tingey@pgn.com</p>

ROBERT VALDEZ  
PO BOX 2148  
SALEM OR 97308-2148  
bob.valdez@state.or.us

PAUL M WRIGLEY  
PACIFIC POWER & LIGHT  
825 NE MULTNOMAH STE 800  
PORTLAND OR 97232  
paul.wrigley@pacificorp.com

**Before the  
Public Utility Commission  
of Oregon**

**In the Matter of the Request of**

**PACIFIC POWER & LIGHT (dba PacifiCorp)**

**Request for a General Rate Increase in the Company's  
Oregon Annual Revenues.**

)  
)  
)  
)  
)  
)

**UE 170**

Surrebuttal Testimony of

**Kathryn E. Iverson**

On Behalf of

**Klamath Off-Project Water Users**

June 27, 2005



**PACIFICORP**

**Before the  
Public Utility Commission  
of Oregon**

**UE 170**

**Direct Testimony of Kathryn E. Iverson**

1    **Q     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A     My name is Kathryn E. Iverson; 17244 W. Cordova Court, Surprise, Arizona 85387.

3    **Q     ARE YOU THE SAME KATHRYN E. IVERSON THAT PRESENTED DIRECT**  
4       **TESTIMONY IN THIS CASE?**

5    A     Yes, I am.

6    **Q     WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

7    A     My surrebuttal testimony addresses the comments of Mr. David Taylor on the updates  
8       to PacifiCorp's Marginal Cost Study, as well as the Direct Testimony of Donald W.  
9       Schoenbeck on behalf of the Klamath Water Users Association ("KWUA").

10   **Q     HOW HAS PACIFICORP UPDATED ITS MARGINAL COST STUDY FOR**  
11       **IRRIGATION CUSTOMERS?**

12   A     As explained by Mr. Taylor, PacifiCorp has updated its December 2006 Marginal Cost  
13       Study to include all Klamath River On-Project ("USBR") and Off-Project ("UKRB")  
14       irrigation customers as part of its Schedule 41, Agricultural Pumping Service.<sup>1/</sup>

---

<sup>1/</sup> See PPL/412, Taylor/10-11. Mr. Taylor mistakenly cites Data Request KWUA 1.14 Supplemental as a request from the Off-Project Water Users. Data Request KWUA 1.14 is from KWUA, whose members purchase power under Schedule 33 as On-Project customers.

Because PacifiCorp proposes to move all Klamath Basin irrigators to Schedule 41, PacifiCorp rolled Schedule 41 irrigation customers together with Klamath Basin irrigators in the Marginal Cost Study, as well as in the development of class revenue requirements and the proposed Schedule 41 rate design.

**Q DO YOU AGREE THAT ALL IRRIGATION CUSTOMERS SHOULD BE COMBINED FOR PURPOSES OF THE COST STUDY AND REVENUE REQUIREMENTS?**

A No. As Mr. Schoenbeck correctly pointed out in his Direct Testimony, PacifiCorp's own Marginal Cost Study shows that it costs less on average to serve Klamath Basin irrigation customers. This is shown in the following table:

	<u>Total Revenues at Full MC</u>	<u>MWH</u>	<u>¢ per kWh</u>	<u>Savings</u>
Schedule 41	\$13,063,000	119,204	11.0	
USBR/UKRB	\$8,403,000	90,609	9.3	
				16%

Source: PacifiCorp Response to KWUA 1st Set of Data Requests, Attachment KWUA 1.14 Supplemental

In its desire to roll all irrigators together into the same schedule, PacifiCorp has chosen to ignore the fundamental fact that it costs at least 16% less to serve the Klamath Basin irrigators as compared to the Schedule 41 irrigation loads.

**Q DOES PACIFICORP ALSO RECOGNIZE THIS LOWER COST TO SERVE THE KLAMATH BASIN CUSTOMERS?**

A Yes. Mr. Taylor agreed with Mr. Schoenbeck's observation that "the overall cost per kWh for the Klamath irrigators is lower than for other irrigators." PPL/412, Taylor/12.

1    **Q     DO THE RATES PROPOSED BY PACIFICORP FOR SCHEDULE 41 RECOGNIZE**  
2    **THAT KLAMATH BASIN IRRIGATORS ARE LESS COSTLY TO SERVE?**

3    A     No, they do not. Exhibit KOPWU/201 presents the billing determinants for Schedule  
4           41 and USBR/UKRB customers separately in order to assess the impact of the  
5           proposed rates. As shown on page 1, the total revenue requirement for existing  
6           Schedule 41 customers is projected to be \$11,020,893, or 9.324¢ per kWh. For the  
7           USBR/UKRB customers, the total revenue requirement is \$8,254,985, or 9.111¢ per  
8           kWh. Consequently, while the cost study shows that Klamath Basin irrigators cost  
9           16% less to serve on average than Schedule 41 customers, the rates as applied to  
10          the Klamath Basin irrigators would reflect only a 2.3% reduction in the cost of service  
11          as compared to existing Schedule 41 customers. For this reason, I concur with Mr.  
12          Schoenbeck that Klamath Basin irrigators should be maintained as a separate tariff,  
13          apart from Schedule 41, even if the Commission determines that the Klamath  
14          irrigation customers should no longer receive service at their current contract rates.

15   **Q     ARE THERE OTHER REASONS WHY KLAMATH BASIN IRRIGATORS SHOULD**  
16   **NOT BE ROLLED TOGETHER WITH SCHEDULE 41 CUSTOMERS?**

17   A     Yes. As I explained in my Direct Testimony, the Commission currently is considering  
18          PacifiCorp's request to terminate the current contract rates for Klamath Basin  
19          irrigation customers. It is my understanding that the Commission is addressing the  
20          appropriate rates for Klamath Basin irrigation customers separately from other issues  
21          in the general rate case. Nevertheless, even if the Commission decides that Klamath  
22          Basin irrigation customers should no longer be served at the contract rates,  
23          maintaining Klamath Basin irrigators as a separate class would facilitate the transition  
24          to any new rate that is established and would allow the Commission to establish any  
25          rate mitigation measures that may be appropriate or necessary for the Klamath Basin



1           irrigation customers. For example, Exhibit KOPWU/202 provides an analysis of the  
2           impact on USBR/UKRB customers being moved to proposed Schedule 41 rates.  
3           Based on data of 1,904 customers, this chart shows that 39% of these customers  
4           would pay rates averaging more than 9¢ per kWh under PacifiCorp's proposal.  
5           Furthermore, 12.5% of the Klamath Basin irrigation customers would pay rates  
6           greater than 15¢ per kWh on average under the proposed Schedule 41 tariff. By  
7           maintaining a separate schedule for Klamath Basin irrigation customers, the  
8           Commission could possibly include an upper boundary on rates paid by these  
9           irrigation customers, thereby moderating rate increases to those customers  
10          experiencing the greatest rate shock.

11                   In summary, KOPWU concurs with the testimony of KWUA that Klamath Basin  
12          irrigators should be maintained as a separate rate schedule for purposes of cost of  
13          service, rate design, and other rate-setting objectives.

14    **Q       DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY IN THIS CASE?**

15    **A       Yes.**

**PACIFIC POWER & LIGHT COMPANY**  
**State of Oregon**  
**Billing Determinants**  
**Forecast 12 Months Ended December 31, 2006**

KOPWU/201  
Iverson/1

	Forecast 1/06 - 12/06 Units	Proposed	
		Price	Dollars
Schedule No. 41 (excluding USBR/UKRB)			
Agricultural Pumping Service (Secondary)			
Transmission & Ancillary Services Charge			
per kWh	118,197,254 kWh	0.444 ¢	\$524,796
Distribution Charge			
Basic Charge			
Load Size ≤ 50 kW, or Single Phase Any Size	5,772	No Charge	
Three Phase Load Size 51 - 300 kW, per month	441 bill	\$310.00	\$136,710
Three Phase Load Size > 300 kW, per month	12 bill	\$1,230.00	\$14,760
Total Customers	6,225		
Total Bills	32,984		
Load Size Charge			
Single Phase Any Size, Three Phase ≤ 50 kW	67,373 kW	\$15.00	\$1,010,595
Three Phase 51-300 kW, per kW	35,525 kW	\$9.00	\$319,725
Three Phase > 300 kW, kW	5,174 kW	\$6.00	\$31,044
Single Phase, Minimum Charge	663 bill	\$51.00	\$33,813
Three Phase, Minimum Charge	1,287 bill	\$93.00	\$119,691
Distribution Energy Charge, per kWh	118,197,254 kWh	3.685 ¢	\$4,355,569
Reactive Power Charge, per kvar	21,581 kvar	65.00 ¢	\$14,028
Energy Charge (Sch 200)			
Winter, 1st 100 kWh/kW, per kWh	956,115 kWh	5.673 ¢	\$54,240
Winter, All additional kWh, per kWh	1,230,688 kWh	3.758 ¢	\$46,249
Summer, All kWh, per kWh	116,010,451 kWh	3.758 ¢	\$4,359,673
Total	118,197,254	9.324 ¢	\$11,020,893

**Schedule No. 41 - USBR/UKRB**  
**Agricultural Pumping Service (Secondary)**

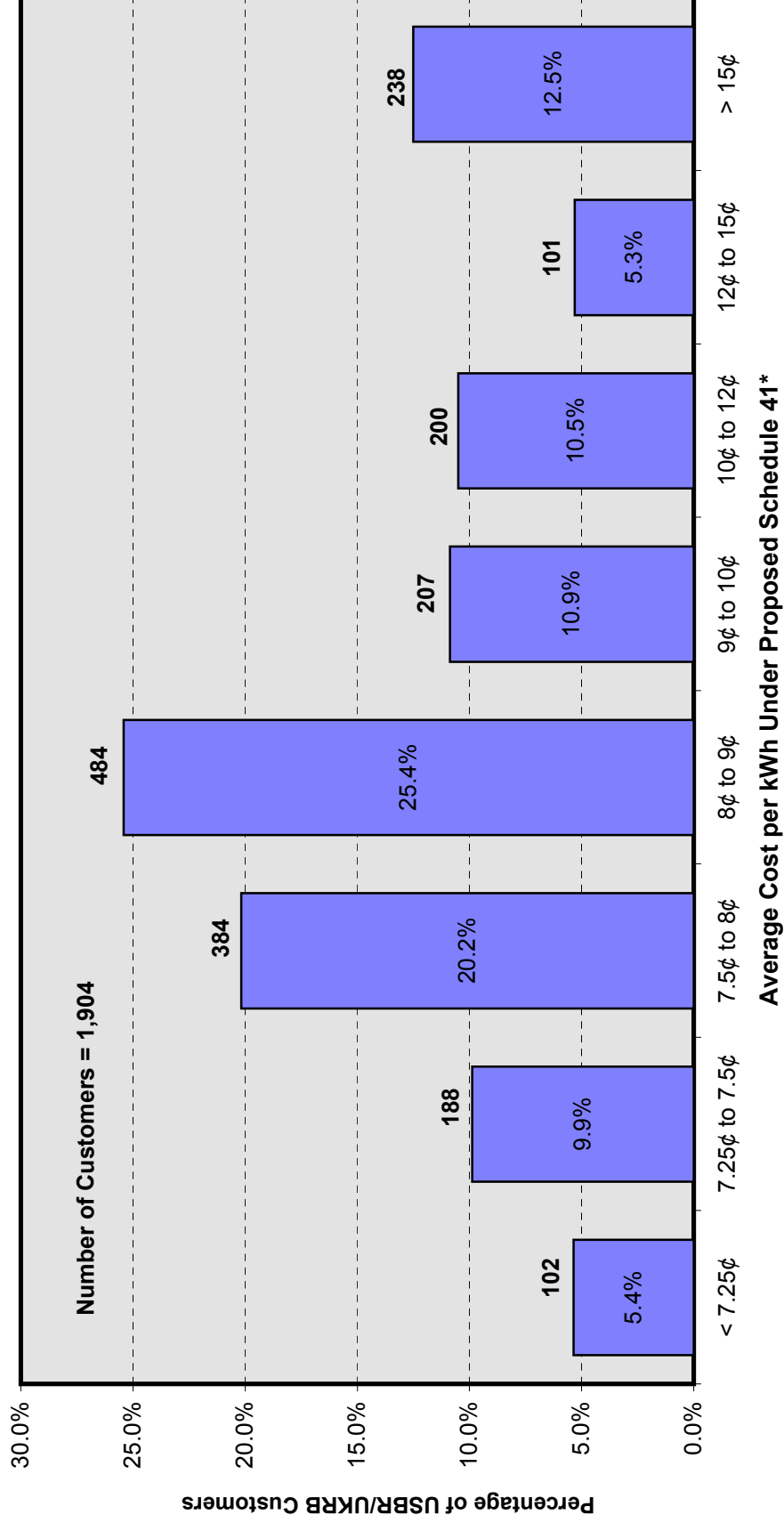
<b><u>Transmission &amp; Ancillary Services Charge</u></b>			
per kWh	90,609,429 kWh	0.444 ¢	\$402,306
<b><u>Distribution Charge</u></b>			
Basic Charge			
Load Size ≤ 50 kW, or Single Phase Any Size	1,702	No Charge	
Three Phase Load Size 51 - 300 kW, per month	401 bill	\$310.00	\$124,310
Three Phase Load Size > 300 kW, per month	7 bill	\$1,230.00	\$8,610
Total Customers	2,110		
Total Bills	9,351		
Load Size Charge			
Single Phase Any Size, Three Phase ≤ 50 kW	39,927 kW	\$15.00	\$598,905
Three Phase 51-300 kW, per kW	35,409 kW	\$9.00	\$318,681
Three Phase > 300 kW, kW	4,981 kW	\$6.00	\$29,886
Single Phase, Minimum Charge	51 bill	\$51.00	\$2,601
Three Phase, Minimum Charge	9 bill	\$93.00	\$837
Distribution Energy Charge, per kWh	90,609,429 kWh	3.685 ¢	\$3,338,957
Reactive Power Charge, per kvar	16,544 kvar	65.00 ¢	\$10,754
<b><u>Energy Charge (Sch 200)</u></b>			
Winter, 1st 100 kWh/kW, per kWh	732,953 kWh	5.673 ¢	\$41,580
Winter, All additional kWh, per kWh	943,439 kWh	3.758 ¢	\$35,454
Summer, All kWh, per kWh	88,933,037 kWh	3.758 ¢	\$3,342,104
<b>Total</b>	90,609,429	9.111 ¢	\$8,254,985

**PACIFIC POWER & LIGHT COMPANY**  
**State of Oregon**  
**Billing Determinants**  
**Forecast 12 Months Ended December 31, 2006**

KOPWU/201  
Iverson/2

	Forecast 1/06 - 12/06 Units	Proposed	
		Price	Dollars
Schedule No. 41 together with USBR/UKRB Agricultural Pumping Service (Secondary)			
<b>Transmission &amp; Ancillary Services Charge</b>			
per kWh	208,806,683 kWh	0.444 ¢	\$927,102
<b>Distribution Charge</b>			
Basic Charge			
Load Size ≤ 50 kW, or Single Phase Any Size	7,474	No Charge	
Three Phase Load Size 51 - 300 kW, per month	842 bill	\$310.00	\$261,020
Three Phase Load Size > 300 kW, per month	19 bill	\$1,230.00	\$23,370
Total Customers	8,335		
Total Bills	42,335		
Load Size Charge			
Single Phase Any Size, Three Phase ≤ 50 kW	107,300 kW	\$15.00	\$1,609,500
Three Phase 51-300 kW, per kW	70,934 kW	\$9.00	\$638,406
Three Phase > 300 kW, kW	10,155 kW	\$6.00	\$60,930
Single Phase, Minimum Charge	714 bill	\$51.00	\$36,414
Three Phase, Minimum Charge	1,296 bill	\$93.00	\$120,528
Distribution Energy Charge, per kWh	208,806,683 kWh	3.685 ¢	\$7,694,526
Reactive Power Charge, per kvar	38,125 kvar	65.00 ¢	\$24,781
<b>Energy Charge (Sch 200)</b>			
Winter, 1st 100 kWh/kW, per kWh	1,689,068 kWh	5.673 ¢	\$95,821
Winter, All additional kWh, per kWh	2,174,127 kWh	3.758 ¢	\$81,704
Summer, All kWh, per kWh	204,943,488 kWh	3.758 ¢	\$7,701,776
<b>Total</b>	208,806,683	9.231 ¢	\$19,275,878

# **Impact of PacifiCorp Proposed Schedule 41 On USBR and UKRB Customers**



\* Average cost based on customer information provided by PacifiCorp Response to KWUA Data Request 26. Customers with zero energy usage were eliminated from the sample. Remaining 1,904 customers were billed under proposed Schedule 41 and Schedule 200, including all applicable riders. Billing information based on usage April 1, 2003 through March 31, 2004.