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March 12, 2014

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Public Utility Commission of Oregon
3930 Fairview Industrial Drive SE
Salem, Oregon 97302-1166

Attn: Filing Center

Re: UM 1633—PacifiCorp's Rebuttal Testimony

PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) submits for filing its rebuttal testimony in the above-referenced proceeding.

Informal questions concerning this filing may be directed to Gary Tawwater, Manager, Regulatory Affairs, at (503) 813-6805.

Sincerely,

R. Bryce Dalley
Vice President, Regulation

Enclosures

cc: Service List—UM 1633

Docket No. UM 1633
Exhibit PAC/100
Witness: Douglas K. Stuver

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

PACIFICORP

Rebuttal Testimony of Douglas K. Stuver

March 2014

1 **Q. Please state your name, business address, and present position with**
2 **PacifiCorp d/b/a Pacific Power (PacifiCorp or Company).**

3 A. My name is Douglas K. Stuver and my business address is 825 NE Multnomah
4 St., Suite 1900, Portland, Oregon, 97232. My present position is Senior Vice
5 President and Chief Financial Officer.

6 **Q. What are your responsibilities as Senior Vice President and Chief Financial**
7 **Officer?**

8 A. My primary responsibilities include the accounting, treasury, tax, financial
9 planning and analysis, external financial reporting, and internal audit functions for
10 PacifiCorp.

11 **Q. Have you previously testified in this proceeding?**

12 A. Yes. I am one of witnesses on behalf of the Joint Utilities in this proceeding. My
13 credentials were provided in the Joint Utilities' direct testimony.¹

14 **SUMMARY OF TESTIMONY**

15 **Q. What is the purpose of your rebuttal testimony?**

16 A. My testimony responds to the reply testimony of the Public Utility Commission of
17 Oregon (Commission) Staff, the Citizens' Utility Board of Oregon (CUB), and
18 the Industrial Customers of Northwest Utilities and Northwest Industrial Gas
19 Users (ICNU/NWIGU) in this docket. This testimony supplements the joint
20 rebuttal testimony filed by the investor-owned utilities. I address only factual
21 issues specifically related to PacifiCorp.

¹ Joint Testimony/101, Stuver/1.

1 **Q. CUB states that PacifiCorp’s actual pension expense was negative from 1998**
2 **through 2005.² Is CUB’s assertion correct?**

3 A. No, CUB is incorrect. For 1998 through 2005, PacifiCorp’s actual FAS 87
4 expense totaled \$137 million, excluding special charges.³ PacifiCorp had only
5 two years with negative FAS 87 expense during that period: \$11.6 million of
6 negative FAS 87 expense for the fiscal year ended March 31, 2001, and
7 \$11.0 million for the fiscal year ended March 31, 2002.⁴

8 **Q. CUB also states that customers should have received the negative FAS 87**
9 **expense during that period. Did PacifiCorp give customers the benefit of**
10 **negative FAS 87 expense during that time?**

11 A. Yes. CUB incorrectly assumes that PacifiCorp did not reflect negative FAS 87
12 expense in rates.⁵ PacifiCorp’s practice has been to reflect in rates the FAS 87
13 expense determined by its actuaries for the applicable test periods, including any
14 negative FAS 87 expense. For example, in PacifiCorp’s general rate case filed in
15 docket UE 116, PacifiCorp’s test period revenue requirement was reduced by a
16 negative pension expense of \$11.3 million. This amount was not challenged in
17 the settlement in UE 116. This coincides with negative FAS 87 expense of
18 \$11.0 million for the year ended March 31, 2002.⁶

² CUB/100, Jenks-McGovern/10. In CUB’s reply testimony, references made to 2005 represent PacifiCorp’s fiscal year ended March 31, 2006. All references to 2005 in this testimony also address that fiscal year.

³ See attached Exhibit PAC/101.

⁴ *Id.*

⁵ CUB/100, Jenks-McGovern/14, 16.

⁶ *In the Matter of PacifiCorp PacifiCorp’s Proposal to Restructure and Reprice its Services in Accordance with the Provisions of SB 1149*, Order No. 01-787 (Sept. 7, 2001).

1 **Q. Was negative FAS 87 expense a significant contributor towards the creation**
2 **of and growth in the prepaid pension asset balance?**

3 A. No. Because only \$22.6 million of negative FAS 87 expense has occurred since
4 1998, it was not a significant contributor towards the growth in PacifiCorp's
5 prepaid pension asset balance. Furthermore, customers benefited from these
6 negative FAS 87 expense amounts as described above.

7 **Q. CUB states that PacifiCorp carried an average accrued pension liability of**
8 **\$63 million per year from 1998 through 2005 that was not used to reduce rate**
9 **base.⁷ Is CUB's statement a fair description of PacifiCorp's average accrued**
10 **position?**

11 A. No. Although CUB is correct that PacifiCorp carried an average accrued liability
12 of \$63 million per year for that period, CUB fails to tell the entire story. From
13 2006 through 2012, PacifiCorp had an average prepaid pension asset of
14 \$141 million that also was not included in rate base. Furthermore, over the period
15 from 1998 through 2012, PacifiCorp had an average prepaid pension *asset* of
16 \$32 million.

17 PacifiCorp used FAS 87 for accounting purposes after its adoption in
18 1987, but did not use FAS 87 for ratemaking purposes until 1998. In that 10-year
19 period, FAS 87 expense exceeded contributions, leading to the accumulation of
20 \$87 million of FAS 87 expense in excess of contributions as a regulatory asset on
21 a total-company basis. In 2001, the Commission did not allow recovery of this
22 amount, citing Staff's testimony describing it as a non-recurring cost resulting
23 from the transition from recovery of pension expense in rates on a cash

⁷ CUB/100, Jenks-McGovern/10, lines 9-10.

1 contribution basis to FAS-87-based recovery in 1998.⁸ PacifiCorp's average
2 accrued liability from 1998 to 2005 reflected this \$87 million of FAS 87 expense,
3 and its current prepaid pension asset continues to be reduced by this amount, even
4 though the \$87 million was never recovered from Oregon customers.

5 **Q. Does this conclude your rebuttal testimony?**

6 A. Yes.

⁸ Order No. 01-787 at 42.

Docket No. UM 1633
Exhibit PAC/101
Witness: Douglas K. Stuver

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

PACIFICORP

Exhibit Accompanying Rebuttal Testimony of Douglas K. Stuver

March 2014

PacifiCorp
Exhibit PAC/101
(Dollars in millions)

	1998	03/31/00	03/31/01	03/31/02	03/31/03	03/31/04	03/31/05	03/31/06	Total
FAS 87 (expense) benefit and special charges ¹	\$ (133.6)	\$ (20.4)	\$ (63.2)	\$ 11.0	\$ 1.9	\$ (18.9)	\$ (35.8)	\$ (60.6)	\$ (319.5)
Remove special charges	110.9	(4.1)	74.8	-	(4.1)	-	-	5.5	183.0
FAS 87 (expense) benefit, excluding special charges	\$ (22.7)	\$ (24.5)	\$ 11.6	\$ 11.0	\$ (2.2)	\$ (18.9)	\$ (35.8)	\$ (55.1)	\$ (136.5)

¹Per Staff Exhibit 102, page 10.

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document, in Docket UM 1633, on the date indicated below by email and/or US Mail, addressed to said parties at his or her last-known address(es) indicated below.

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