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April 25, 2005

Via Electronic and US Mail

Public Utility Commission of Oregon
Attn: Filing Center
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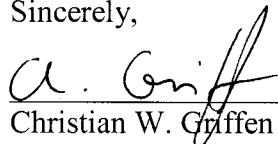
Re: In the Matter of PACIFIC POWER & LIGHT Application for Deferral of Costs
Associated with Hydro Generation
Docket No. UM 1193

Dear Filing Center:

Enclosed please find an original and two copies of the Answer in Opposition to Motion to Consolidate on behalf of the Industrial Customers of Northwest Utilities in the above-captioned proceeding.

Please return one file-stamped copy of the document in the self-addressed, stamped envelope provided. Thank you for your assistance.

Sincerely,

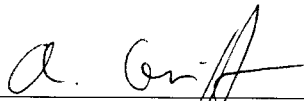

Christian W. Griffen

Enclosures
cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Answer in Opposition to Motion to Consolidate on behalf of the Industrial Customers of Northwest Utilities upon the parties on the service list, shown below, by causing the same to be mailed, postage-prepaid, through the U.S. Mail.

Dated at Portland, Oregon, this 25th day of April, 2005.


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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1193

In the Matter of)	
)	
PACIFICORP)	THE INDUSTRIAL CUSTOMERS OF
)	NORTHWEST UTILITIES' ANSWER
Application for Deferral of Costs Associated)	IN OPPOSITION TO MOTION TO
with Hydro Generation.)	CONSOLIDATE
)	
_____)	

Pursuant to OAR § 860-013-0025, the Industrial Customers of Northwest Utilities (“ICNU”) submits this answer opposing PacifiCorp’s (or the “Company”) Motion to Consolidate (“Motion”) the Oregon Public Utility Commission (“OPUC” or the “Commission”) Docket Nos. UM 1193 and UE 173. PacifiCorp’s Motion should be denied because: 1) the Power Cost Adjustment Mechanism (“PCAM”) proceeding and hydro cost deferred accounting (“Hydro Deferral”) proceeding address fundamentally different issues; 2) the two proceedings were filed at different times and address different time periods; 3) applying the PCAM retroactively violates the rule against retroactive ratemaking; 4) PacifiCorp has not provided the parties with a sufficient opportunity to review and file comments on its PCAM filing; and 5) consolidation will only confuse the issues in each proceeding.

I. BACKGROUND

On November 11, 2004, PacifiCorp filed a general rate case, Docket No. UE 170, with new tariffs and testimony requesting a rate increase of approximately \$102

million, including an approximately 21.6% base rate increase for industrial customers. PacifiCorp's general rate case included a request to change its rate of return, impose significant increases in the Company's overall power costs, and for an entirely new hydro normalization model, and a requested rate of return. Re PacifiCorp, Docket No. UE 170, PPL/100, Furman/9-10; PPL/600, Widmer/1-3 (Nov. 11, 2004). In addition, PacifiCorp proposed to annually increase its net power costs and shift the risk of power cost variation to ratepayers. Re PacifiCorp, Docket No. UE 170, PPL/700, Omohundro/9-13 (Nov. 11, 2004). Although power costs and hydro issues are important issues in PacifiCorp's general rate case filing, PacifiCorp elected not to file its PCAM as part of its direct testimony.

On February 1, 2005, PacifiCorp filed an application to defer costs related to alleged declining hydro generation, Docket No. UM 1193. PacifiCorp proposed to commence deferrals as of February 1, 2005, and estimated that the total amounts sought would be approximately \$58 million. However, based on past experience, it is entirely unclear what the total deferral amount would be or what costs PacifiCorp will actually seek to include the deferred account. In addition, it is unclear whether PacifiCorp's application seeks to defer only alleged hydro shortfalls, or also seeks to defer cost changes related to replacement fuel and other power costs. PacifiCorp did not include a PCAM in its deferral application and did not explain why issues related to hydro conditions and power cost fluctuations should not be addressed in its ongoing general rate case.

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On April 15, 2005, PacifiCorp filed a notice of application of a request for an order approving a PCAM, Docket No. UE 173. PacifiCorp failed to properly serve all parties, as ICNU's attorneys and consultant did not receive the application, testimony and supporting exhibits until April 21, 2005. The PCAM is a prospective request to change its rates in order to charge to ratepayers a larger portion of the variations in the Company's net power costs. PacifiCorp's PCAM application does not appear to explain why the Company failed to file the request as part of its ongoing general rate filing.

On April 20, 2005, PacifiCorp filed its Motion requesting that the Commission consolidate Docket Nos. UM 1193 and UE 173. ICNU submits this Answer early and on an expedited basis because, although ICNU has not had an opportunity to fully review the recently filed PCAM proposal, PacifiCorp is likely to request that the Administrative Law Judge ("ALJ") rule on its Motion at the April 26, 2005 Prehearing Conference in the Hydro Deferral proceeding.

II. ARGUMENT

The Commission should deny PacifiCorp's request to consolidate the Hydro Deferral and PCAM proceedings because they address significantly different issues and consolidation will insert undue confusion into both proceedings. The Commission should recognize that the Company's Motion appears to be merely an attempt by PacifiCorp to make its PCAM application apply retroactively, in violation of the rule against retroactive ratemaking. In addition, it is inappropriate to consider the Motion at the upcoming Prehearing Conference in the Hydro Deferral proceeding

because PacifiCorp has not provided the parties with a fair opportunity to review the PCAM filing.

1. The Hydro Deferral and the PCAM Address Different Issues that Should Not Be Consolidated

Contrary to the Company's assertions in its Motion, the Hydro Deferral and the PCAM proceedings address fundamentally different issues and should not be consolidated. The Hydro Deferral proceeding is a request by PacifiCorp for permission to defer hydro costs. The relevant question at this stage of the Hydro Deferral proceeding is whether the Commission should grant PacifiCorp's request to defer its hydro costs. *See Re PGE*, Docket No. UM 1071, Order No. 04-108 (Mar. 2, 2004). Issues regarding the potential amortization or recovery of PacifiCorp's deferred costs should be delayed until after the Commission first resolves the question of whether PacifiCorp is even permitted to defer its hydro costs. It would be a considerable wasted effort to prematurely address issues related to the recovery of costs that should not be eligible for deferral.

The PCAM proceeding is a request by PacifiCorp to change future rates in order to charge customers for variations in overall net power costs that the Company currently absorbs. The PCAM mechanism is forward looking and would result in significant changes in how the Company's future Oregon rates are set. If accepted by the Commission, the PCAM will not only change how the Company's power costs are established, but it will also fundamentally rebalance the interests of shareholders and customers by shifting the risk of power cost variations to ratepayers. It is inappropriate to

insert issues regarding whether PacifiCorp should be permitted to defer past hydro costs into a proceeding that will be focused on future power costs. The PCAM also differs from the Hydro Deferral in that it appears to apply to the Company's overall power costs, while PacifiCorp alleges that the Hydro Deferral only applies to hydro costs.

2. Applying the PCAM to the Hydro Deferral Would Violate the Rule Against Retroactive Ratemaking

A PCAM that includes past power costs violates the rule against retroactive ratemaking. It appears that PacifiCorp intends to use the PCAM to allow the Company to recover deferred power costs in a manner that is inconsistent with the deferred accounting statute, ORS § 757.259. ORS § 757.259 is an exception to the rule against retroactive ratemaking that should be construed narrowly. Re PGE, OPUC Docket No. UE 115, Order No. 01-988 at 8 (Nov. 20, 2001). Any deferred accounting outside of the narrow confines of the deferred accounting statute constitutes impermissible retroactive ratemaking. *See* Or. Op. Att'y Gen. No. OP-6076 at 18 (Mar. 18, 1987). The statute provides specific guidelines regarding how a utility can defer and amortize costs, none of which include the inclusion of past costs in future rates through a PCAM. ORS § 757.259. If approved, the PCAM should apply prospectively, and the Commission should not allow PacifiCorp to tie its application retroactively back to the date of the Hydro Deferral.

3. The PCAM and Hydro Deferral Proceedings Should Be Postponed Until the End of PacifiCorp's Current General Rate Case

The primary similarity between the PCAM and Hydro Deferral proceedings is that both should be postponed until the completion of PacifiCorp's current

general rate case. It is inappropriate for the Company to request to defer its current hydro costs at the same time as the costs associated with hydro resources are being established in the general rate case. In the general rate case, the Company models normalized power costs by including both good and bad hydro years. PacifiCorp's approach, if permitted, could allow double recovery from ratepayers as power costs already include the costs associated with low hydro years. If the Company defers its hydro costs in poor water years, but does not defer its hydro costs in good water years, then PacifiCorp undermines the purpose of including poor water conditions in the normalization of power costs, and could result in ratepayers paying the same costs twice. If PacifiCorp believes that its rates do not adequately compensate it for its hydro costs and the foreseeable risks that actual hydro conditions will vary from normalized levels, then the Company should have raised those concerns in its direct testimony in the general rate case.

It would also have been more appropriate for the Company to have filed its PCAM request either after, or as part of, the general rate case, instead of as a separate proceeding during the rate case. The PCAM request addresses power costs, earnings, and risk issues, all of which are being reviewed in the Company's general rate case. It is inappropriate for the Commission to consider fundamentally altering these issues through the PCAM while its simultaneously reviewing similar issues in the general rate case.

4. The Proceedings Should Not Be Consolidated Because They Address Different Time Periods and Were Not Concurrently Filed

The timing of the PCAM and Hydro Deferral do not suggest that consolidation is appropriate. The Company filed its PCAM more than two months after

its Hydro Deferral request, and only a little more than a week prior to the Prehearing Conference in the Hydro Deferral proceeding. In addition, PacifiCorp only provided ICNU with a complete copy of the PCAM filing three business days before the Hydro Deferral Prehearing Conference that the Company now wants to use to establish a procedural schedule for both proceedings. In contrast, the parties have had nearly two months to review the Hydro Deferral application prior to the UM 1193 Prehearing Conference. Staff and customers should have at least a similar amount of time to review the PCAM before the filing is addressed in a Prehearing Conference. Under these circumstances, it would be inappropriate to consolidate the proceedings because the parties have not had an opportunity to fully review PacifiCorp's PCAM filing. In addition, the Hydro Deferral and PCAM should cover different time periods, because the PCAM would change rates after Commission approval, while the Hydro Deferral would defer hydro costs for the twelve-month period starting February 1, 2005.

III. CONCLUSION

The Commission should deny PacifiCorp's Motion and not consolidate the PCAM and Hydro Deferral proceedings, because they address different issues that should be reviewed in separate proceedings. In addition, PacifiCorp's request to consolidate the proceedings should be denied because the Company should not be permitted to recover deferred past costs in a PCAM or any other mechanism in a manner that is inconsistent with ORS § 757.259. Finally, would be inappropriate for the Commission to consolidate the PCAM and Hydro Deferral proceedings at the April 26, 2005 Prehearing Conference because PacifiCorp did not timely file a complete PCAM proposal.

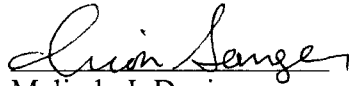
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WHEREFORE, ICNU respectfully requests that the Commission deny PacifiCorp's Motion to Consolidate Docket Nos. UM 1193 and UE 173.

Dated this 25th day of April, 2005.

Respectfully submitted,

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