PACIFIC POWER
A DIVISION OF PACIFICORP

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November 26, 2013

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Public Utility Commission of Oregon
3930 Fairview Industrial Dr. S.E.
Salem, OR 97302-1166

Attention: Filing Center

RE: UE 263—Responses to Bench Request Nos. 1-2

On behalf of the Stipulating Parties, pursuant to ALJ Rowe's Ruling of November 18, 2013, enclosed for filing in this docket are the original and one copy of the Responses to Bench Request Nos. 1-2.

As indicated on the attached certificate of service, a copy of this filing is being served on all parties on the service list.

Sincerely,

William R. Griffith /amw

William R. Griffith
Vice President, Regulation

Enclosures

cc: Service List—UE 263

CERTIFICATE OF SERVICE

I certify that I served a true and correct copy of the Responses to Bench Request Nos. 1-2 on the parties listed below via electronic mail in compliance with OAR 860-001-0180.

UE 263

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Dated this 26th day of November.

Kaley McNay

Kaley McNay
Coordinator, Regulatory Operations

Bench Request 1

Testimony at PAC/100, Reiten/4 explains that the primary driver of Pacific Power's requested price increase is the revised depreciation rates in docket UM 1647. The testimony further states that the revenue requirement impact associated with the implementation of the revised depreciation rates is reflected in the testimony and exhibits of Mr. Tawwater. In turn, Mr. Tawwater states that the proposed rates in UM 1647 increase Oregon's allocated share of depreciation and amortization expense by $27.2 million

Please point to the specific pre-filed testimony and/or exhibits that would allow the Commission to understand the revenue requirement impact of the revised depreciation rates on both the revenue requirement increase as originally filed and the stipulated revenue requirement increase. Evidence addressing the revenue requirement impact may well be found within the record, but is not explained or readily apparent. Alternatively, the parties are directed to provide supplemental testimony sufficient to allow the Commission to understand the rate impact of the revised depreciation rates.

Stipulating Parties' Response:[1] PacifiCorp incorporated its initially proposed depreciation rates from docket UM 1647 in its general rate case filing in docket UE 263 as part of Adjustment 6.1, Depreciation / Amortization Expense – Adjustment to Test Period. As explained in the testimony of Gary Tawwater at PAC/1000, Tawwater/22-23, the total company impact to depreciation expense of including revised depreciation rates was $116.0 million, or $27.2 million on an Oregon-allocated basis.

On July 9, 2013, parties to docket UM 1647 filed a stipulation resolving all issues related to the Company's request to implement revised depreciation rates. In paragraph 10 of the stipulation, the parties agreed that PacifiCorp would reflect the adjustment in depreciation rates in PacifiCorp's proposed revenue requirement in docket UE 263. In September 2013, the Commission approved the stipulation in docket UM 1647 and adopted PacifiCorp's new depreciation rates. *In the Matter of PacifiCorp, dba Pacific Power, Application for Authority to Implement Revised Depreciation Rates*, Docket UM 1647, Order No. 13-347 (Sept. 25, 2013). The change in depreciation expense resulting from the stipulation had an Oregon revenue requirement impact of $1.655 million. *Id.* at 3, n.4.

The stipulation in docket UE 263 incorporated the results of the UM 1647 stipulation in the $23.7 million revenue requirement increase agreed to in paragraph 10. As detailed on Pages 1 and 3 of Exhibit A to the stipulation, the use of the stipulated depreciation rates had the impact of reducing Oregon-allocated depreciation by approximately $1.6 million, resulting in a revised depreciation expense increase of $25.6 million in docket UE 263.

The stipulated depreciation expense increase exceeds the total stipulated revenue requirement increase of $23.7 million in docket UE 263. Therefore, all else equal, without the $25.6 million stipulated

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[1] ICNU does not oppose the responses to the bench requests but is not joining in them. While ICNU supports the stipulation in docket UE 263, ICNU did not testify regarding the technical background and details underlying the depreciation stipulation in docket UM 1647 or the revenue requirement impact of that stipulation in docket UE 263.

depreciation expense increase in the UE 263 stipulation,[2] the stipulation would produce a revenue requirement decrease of approximately $1.9 million. This is consistent with Mr. Reiten's testimony that PacifiCorp's revised depreciation rates were the primary driver of the rate increase in docket UE 263.

Bench Request 2

If it is not evident from the answer above, please provide a summary listing the major components of the parties' stipulated $23.7 million revenue requirement increase. Please see the chart in docket UE 217, Joint Testimony/100, Joint Parties/16, as an example that the Commission would find helpful in analyzing the stipulated amounts.

Stipulating Parties' Response: Unlike this case, the primary cost driver in docket UE 217 was new capital investment. The nature of the rate filing and the size of the increase in docket UE 217 made it possible for the parties to negotiate a settlement that incrementally built to the settlement amount by identifying specific categories of cost increases to then-current rates. In contrast, in this case the parties negotiated the stipulation by decrementing the Company's filed case for specific categories of costs. All parties agreed to: (1) a $23.7 million total increase and six categories of cost reductions from the Company's filed case necessary to produce this number; and (2) the $25.6 increase in depreciation expense carried over from docket UM 1647. Because the stipulated depreciation expense increase exceeds the total stipulated revenue requirement increase, the entire stipulated rate increase can be attributed to this cost component. There is no agreement among the parties regarding the specific cost decreases to current rates implied by the stipulation, except as can be indirectly derived from Exhibit A to the stipulation.

[2] As noted above, the stipulated $25.6 million depreciation expense increase is derived by reducing the $27.2 million depreciation expense increase in the Company's filing in docket UE 263 by $1.6 million, as inferred in the approved stipulation in docket UM 1647 and the pending stipulation in docket UE 263.