

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 216

In the Matter of)	
)	
PACIFICORP, dba PACIFIC POWER)	THE INDUSTRIAL CUSTOMERS OF
)	NORTHWEST UTILITIES' REPLY TO
2011 Transition Adjustment Mechanism)	PACIFICORP MOTION FOR
<u>Schedule 201 Cost-Based Supply Service</u>)	DIRECTION ON IMPLEMENTATION
)	OF UM 1355 ORDER

I. INTRODUCTION

The Industrial Customers of Northwest Utilities ("ICNU") submits this reply responding to PacifiCorp's (or the "Company") Motion for Direction on Implementation of Docket No. UM 1355 order ("Motion"). PacifiCorp has requested that the Commission either: 1) direct PacifiCorp to implement the final UM 1355 order in the 2012 transition adjustment mechanism ("TAM") and not make the power cost reductions in this year's TAM; or 2) allow the Company to incorporate the final UM 1355 order in an update on December 1, 2010 (nearly four weeks after the November 8, 2010 update in which the Company should incorporate the final order).

ICNU strenuously opposes PacifiCorp's attempt to delay implementation of the order until the 2012 TAM. ICNU, however, does not oppose providing PacifiCorp a limited amount of additional time to implement the Commission's final collar adopted in UM 1355, but requests that Staff and intervenors be provided sufficient time to review the Company's implementation method. Two weeks should be sufficient additional time for PacifiCorp to implement the Commission's final collar. In addition, PacifiCorp should not need any additional time to implement the Commission's final decisions regarding capacity derations and heat rates,

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and PacifiCorp should include the capacity deration and heat rate adjustments in the indicative and final updates.

II. ARGUMENT

1. PacifiCorp Should Incorporate the Final Order in UM 1355 in this Year's TAM

The parties in this proceeding entered into a stipulation on July 7, 2010 that resolved certain issues in this proceeding ("Stipulation"). PacifiCorp argues that the Stipulation required the Commission to issue its final order by October 15, 2010, or the Company would not need to implement the Commission's final order in UM 1355 in this year's TAM. Motion at 2-3, 5-6. The Stipulation does not set a specific date, but states that PacifiCorp must implement the final UM 1355 order if it is "timely." Stipulation at ¶ 11. The parties agreed that the schedule in UM 1355 would result in a timely order, but did not address whether an order later than October 15, 2010 would be untimely. The only firm date in the Stipulation was that the order needed to come out before the indicative price update in early November.

The Commission issued the order on October 22, 2010, which is "timely." Given that the Commission only modified its original proposed collar and adopted the deration/heat rate adjustments proposed by ICNU, the order should be considered timely. ICNU notes that the final order in UM 1355 was issued over two months before the TAM rates will be in effect and well before the November 8, 2010 update, which should provide PacifiCorp with sufficient time to implement the final UM 1355 order. If the Commission allows for their delay in implementing this order, it will only allow PacifiCorp to unfairly benefit at a time when industrial customers' rates are expected to increase by over 8% due to the TAM case.

2. ICNU Does Not Oppose PacifiCorp Being Provided Additional Time Only to Implement the Final Commission-Adopted Collar

PacifiCorp has requested that it be allowed until December 1, 2010 to incorporate the final UM 1355 order. This would be three and half weeks after the November 8, 2010 indicative price update that should include the results of the final UM 1355 order. ICNU does not object to the Commission providing additional time to incorporate the Commission's adopted collar mechanism, but PacifiCorp has not demonstrated a need for three and half weeks to incorporate the collar nor has the Company explained why it needs any additional time to incorporate the capacity deration and heat rate adjustments.

The Commission's final order in UM 1355 adopted a modified version of its own proposed collar. PacifiCorp should have been aware that the Commission could adopt the final collar, as each of the specific elements were recommended or supported by at least one party in the case. For example, the Commission modified its collar to cap outages at 28 days, which was a provision of the collars originally recommended by both ICNU and PacifiCorp, and a change to the Commission's collar recommended by ICNU. PacifiCorp was well aware that the Commission's final collar could cap outages at 28 days, as the Company recommended in its last round of briefing that the Commission not cap outages at 28 days.

PacifiCorp has not adequately explained why it needs an additional three and half weeks to implement the Commission's final collar. Although PacifiCorp argues that it needs additional time because the Commission order was issued on October 22, 2010, instead of October 15, 2010, this only justifies a one-week extension. PacifiCorp does not identify any other causes that would warrant such a significant extension of time. ICNU would not oppose a

limited extension for PacifiCorp to implement the Commission's collar, but opposes a three and a half week extension.

The Commission also adopted ICNU's recommendations regarding the capacity deration and heat rate issues. These issues were briefed over a year ago, and PacifiCorp has had more than sufficient time to implement these adjustments. Any extension of time should not apply to the capacity deration and heat rate components of the final UM 1355 order.

3. Any Extension of Time Should Not Prejudice Intervenor or Staff

PacifiCorp's proposed December 1, 2010 filing will present practical difficulties in reviewing the Company's filings. The Commission is likely to review the Company's TAM updates at the December 28, 2010 open meeting, which would provide less than four weeks (further reduced by the holidays) to review the update. This may be an insufficient amount of time to review PacifiCorp's implementation proposal, and even a two week extension of time will limit Staff and intervenors' opportunity to conduct discovery and review the Company's filing. PacifiCorp's Motion is silent on the important issue of how its request would harm Staff and intervenors' ability to review and challenge the updates.

If the Commission grants PacifiCorp any extension of time to implement the collar, then ICNU recommends that the Commission modify the recently adopted TAM guidelines revisions regarding the review of PacifiCorp's final updates. Under the recently adopted TAM guidelines, PacifiCorp has agreed not to challenge the limited deferral of any cost included in the TAM update if the issue is raised 10 days before the Commission public meeting considering the update. The Commission should condition any extension of time on PacifiCorp's agreement that it will not object to any party requesting to defer any costs or

benefits associated with implementation of the UM 1355 order at or before the Commission public meeting. In addition, the Commission should allow the parties to conduct full and comprehensive reviews of PacifiCorp's implementation of the UM 1355 order in next year's TAM, since the TAM update schedule does not currently include an opportunity to submit responsive testimony.

III. CONCLUSION

ICNU does not object to providing PacifiCorp with a limited amount of additional time to incorporate the final results of the Commission's final collar mechanism. PacifiCorp has not provided any explanation regarding why the Company needs three and half weeks to incorporate the final Commission order or why it needs any time to make the necessary adjustments for the capacity deration and heat rate. Any order granting PacifiCorp additional time should not prejudice Staff and intervenors' ability to challenge PacifiCorp's proposed method of implementing the UM 1355 order.

Dated this 4th day of November, 2010.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Irion A. Sanger

Melinda J. Davison

Irion A. Sanger

333 S.W. Taylor, Suite 400

Portland, Oregon 97204

(503) 241-7242 phone

(503) 241-8160 facsimile

mjd@dvclaw.com

ias@dvclaw.com

Of Attorneys for Industrial Customers
of Northwest Utilities