

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 179

In the Matter of)	
)	
PACIFIC POWER & LIGHT)	PROPOSED BUDGET FOR
(dba PACIFICORP))	ISSUE FUND GRANT OF THE
)	INDUSTRIAL CUSTOMERS OF
Request for a General Rate Increase in the)	NORTHWEST UTILITIES
Company's Oregon Annual Revenues.)	
_____)	

Pursuant to Section 6.3 of the Intervenor Funding Agreement (“IFA”) approved by the Oregon Public Utility Commission (“Commission”) in Order No. 03-388 (July 2, 2003), the Industrial Customers of Northwest Utilities (“ICNU”) files this Proposed Budget in Docket No. UE 179 for an Issue Fund Grant in the amount of \$44,900. ICNU proposes that this grant be funded from the PacifiCorp Issue Fund Account, which ICNU estimates to contain approximately \$89,800. Even though ICNU is expecting to expense an amount far greater than this request, ICNU and the Citizens’ Utility Board (“CUB”) have agreed to split the remaining monies in PacifiCorp’s Issue Fund Account as well as jointly sponsor an expert witness. ICNU respectfully requests that the Commission act on this Proposed Budget within fourteen days of receipt, as provided by Section 6.4 of the IFA. The following information is provided in accordance with Section 6.3 of the IFA:

(1) Statement of the work to be performed by ICNU for which ICNU is seeking the Issue Fund Grant:

ICNU has retained Davison Van Cleve, P.C. to represent ICNU in UE 179. In UE 179, PacifiCorp filed a request for a \$ 111,976,802 general revenue requirement increase.

The IFA defines an Eligible Proceeding as “any Commission proceeding that directly affects one or more of the Participating Public Utilities” IFA, Section 1(c). UE 179 directly affects PacifiCorp, which falls under the definition of “Participating Public Utility” in Section 1(k) of the IFA. Therefore, UE 179 is an Eligible Proceeding and an Issue Fund Grant may be made for this proceeding under Section 6.1 of the IFA.

ICNU intends to attend all clarifying sessions, workshops, settlement conferences, oral presentations and hearings in UE 179. In addition, ICNU intends to sponsor expert witness testimony and prepare briefs as called for by the procedural schedule in this Docket.

(2) Description of the areas to be investigated by ICNU:

PacifiCorp’s application in UE 179 presents several areas that need to be investigated thoroughly. ICNU intends to investigate PacifiCorp’s proposed Return on Equity (“ROE”), administrative and general (“A&G”) costs, rate spread, rate design and rate mitigation, and power costs. In addition, there are several components of PacifiCorp’s proposal that are unique and that will add to the complexity of this proceeding. These include the comparison between two interjurisdictional allocation methodologies (the Revised Protocol and the Hybrid methodologies) and the implementation of Senate Bill 408.

(3) Description of the particular customer class or classes that will benefit from ICNU’s participation:

ICNU’s participation will directly benefit industrial customers who take service from PacifiCorp. ICNU’s investigation regarding many issues, including ROE, A&G costs, power costs, income taxes, and interjurisdictional allocation, should benefit all of PacifiCorp’s customers. In addition, ICNU has participated in previous PacifiCorp rate cases and proceedings, including UE 111, UE 147, UE 170, UM 1050, UM 1081, UM 1129, and UM 1209.

Thus, ICNU and its members possess significant interest and expertise with respect to issues regarding PacifiCorp's rates and services.

(4) Identification of the specific Fund account from which ICNU is seeking the Issue Fund Grant:

ICNU is seeking an Issue Fund Grant in the amount of \$44,900. ICNU proposes that the grant amount be allocated from the PacifiCorp Issue Fund Account established under IFA Section 4.2.3.

(5) Budget showing estimated attorney and consultant fees and expert witness fees:

Attached as Exhibit A are ICNU's estimated attorney and consultant fees in UE 179. The proposed budget amount of \$44,900 is much smaller than the amount shown on Exhibit A because ICNU only requests one half of the remaining amount in PacifiCorp's Issue Fund Grant Account. ICNU's first witness will address power costs, interjurisdictional allocation issues, PacifiCorp's proposed transition adjustment mechanism and resource valuation mechanism, and other revenue requirement issues such as wheeling expenses, transmission revenues, and weather normalization of sales and revenues. ICNU's second witness will address rate design, rate spread, rate mitigation, and A&G costs. In order to minimize costs, and in accordance with Section 6.6 of the IFA, ICNU and CUB are jointly sponsoring and sharing the costs associated with a third expert witness who will address ROE issues.

Basis for Request

ICNU respectfully requests that the Commission grant its request for this Issue Fund Grant in the amount of \$44,900 based on the following considerations:

1. In this docket, PacifiCorp proposes to raise its rates by 19.8% for industrial customers. As a result, UE 179 will have a significant and direct impact on

PacifiCorp's industrial customers. There are a multitude of unique issues to address, as listed below, that require intensive analysis, discussion, and resolution.

2. The Company proposes a significant increase in ROE, which requires parties to look at a multitude of underlying factors. In order to be cost-effective, ICNU and CUB are splitting the costs for the expert witness on ROE.

3. PacifiCorp's application requires parties to look at a vast range of issues and analyze many facets of PacifiCorp's proposed increase, including the Company's power costs, A&G costs, rate design, rate spread, rate mitigation, and other issues. The amount and allocation of these costs require extensive discovery and analysis.

4. The Company claims that the income tax adjustment in its last rate case, Docket No. UE 170, increased its operational risk and resulted in a downgrading of its credit rating, which increased its cost of capital. For this rate case, the Company has calculated its taxes included in rates on a stand-alone basis. PacifiCorp's approach is contrary to Senate Bill 408, and this issue needs to be thoroughly addressed in this rate case.

5. PacifiCorp has based the Oregon share of its Total Company revenue requirement in this case on the Revised Protocol methodology. Pursuant to the last rate case order, the Company also calculated the allocation under the Hybrid methodology as a point of comparison. PacifiCorp claims that using the Hybrid methodology would result in an increase to PacifiCorp's Oregon revenue requirement of \$46.4 million. PacifiCorp's assumptions and use of the Hybrid methodology need to be analyzed to ensure that the comparison is valid and accurate.

6. ICNU represents the interests of industrial customers and has significant experience participating in Commission proceedings involving rate cases. ICNU's participation

will benefit all PacifiCorp industrial customers. ICNU's sponsoring of witnesses on ROE, A&G and power costs will benefit all PacifiCorp ratepayers.

7. ICNU has been pre-certified under Section 5.1 of the IFA and OAR § 860-017-0050(3) as eligible to receive an Issue Fund Grant by Order No. 03-502, which was entered on August 21, 2003.

8. According to ICNU's calculations, there are only approximately \$89,800 available in PacifiCorp's Issue Fund Account. Even though ICNU's expected fees and expenses are much higher than that number, ICNU only requests a grant for half of the remaining amount.

Therefore, ICNU respectfully requests that the Commission issue an order granting an Issue Fund Grant in the amount of \$44,900. ICNU prepared the attached budget on the basis of the schedule adopted in the prehearing conference report issued in this Docket on March 17, 2006. In the event that this Docket involves a substantially different process, ICNU will prepare an amended budget.

Dated this 8th day of May, 2006.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Melinda J. Davison

Melinda J. Davison

Irion Sanger

333 S.W. Taylor, Suite 400

Portland, Oregon 97204

(503) 241-7242 phone

(503) 241-8160 facsimile

mail@dvclaw.com

Of Attorneys for Industrial Customers
of Northwest Utilities

Exhibit A

Proposed Budget of ICNU

Exhibit AICNU Proposed Budget for Issue Fund Grant

<u>Category</u>	<u>Personnel</u>	<u>Hours</u>	<u>Rate</u>	<u>Cost</u>
<i>Discovery</i>	Sr. Attorney	10	195.00	1,950.00
Draft data requests, respond to data requests, organize discovery, review discovery responses, discovery disputes, depositions	Assoc. Attorney	30	145.00	4,350.00
<i>Case Preparation</i>	Sr. Attorney	50	195.00	9,750.00
Review filings and testimony, legal research, develop case strategy, prepare testimony, communications with expert witnesses, prepare issue statements	Assoc. Attorney	60	145.00	8,700.00
<i>Procedural Matters</i>	Sr. Attorney	15	195.00	2,925.00
Draft and review pleadings, hearings regarding procedural issues	Assoc. Attorney	20	145.00	2,900.00
<i>Settlement</i>	Sr. Attorney	30	195.00	5,850.00
Prepare for and attend settlement meetings, draft settlement documents	Assoc. Attorney	10	145.00	1,450.00
<i>Communication</i>	Sr. Attorney	15	195.00	2,925.00
Meetings and communications with clients and third parties	Assoc. Attorney	25	145.00	3,625.00
<i>Hearings/Workshops</i>	Sr. Attorney	30	195.00	5,850.00
Preparation and attendance at hearings, workshops and other Commission sponsored meetings	Assoc. Attorney	40	145.00	5,800.00
<i>Briefing/Oral Argument</i>	Sr. Attorney	35	195.00	6,825.00
Prepare for and attend oral argument, draft briefs, legal research related to briefs	Assoc. Attorney	40	145.00	5,800.00
	Total Hours	410	Sub-Total	68,700.00

Expert Witness Fees

Witness 1 (Power Costs, MSP, resource valuation mechanism)	40,000.00
Witness 2 (A&G, rate spread, rate design)	50,000.00
Witness 3* (ROE)	13,750.00
Sub-Total	103,750.00

*This amount represents ICNU's portion of the fee for the shared witness on ROE.

Expenses

Travel Expenses (Mileage)	500.00
Consultant Travel Expenses	2,000.00
Printing and Reproduction	500.00
Telephone and Postage	250.00
Sub-Total	3,250.00

Grand Total 175,700.00

Due to the small amount of funds in PacifiCorp's Issue Fund Account, ICNU only requests a portion of the total budget as its issue fund grant in the amount of \$44,900.

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

May 8, 2006

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 179

Dear Filing Center:

Enclosed please find an original and two copies of the Proposed Budget for Issue Fund Grant on behalf of the Industrial Customers of Northwest Utilities in the above-referenced docket.

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

Sincerely,

/s/ Christian Griffen
Christian W. Griffen

Enclosures
cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Proposed Budget for Issue Fund Grant on behalf of the Industrial Customers of Northwest Utilities upon the parties, on the service list, by causing the same to be deposited in the U.S. Mail, postage-prepaid.

Dated at Portland, Oregon, this 8th day of May, 2006.

/s/ Christian Griffen
Christian W. Griffen

LAURA BEANE PACIFICORP 825 NE MULTNOMAH ST STE 800 PORTLAND OR 97232 laura.beane@pacificorp.com	KATHERINE A MCDOWELL STOEL RIVES LLP 900 SW FIFTH AVE STE 1600 PORTLAND OR 97204-1268 kamcdowell@stoel.com
LOWREY R BROWN CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY, SUITE 308 PORTLAND OR 97205 lowrey@oregoncub.org	JASON EISDORFER CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org
JASON W JONES DEPARTMENT OF JUSTICE REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us	MICHAEL T WEIRICH DEPARTMENT OF JUSTICE REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 michael.weirich@state.or.us
KURT J BOEHM MICHAEL L KURTZ BOEHM KURTZ & LOWRY 36 E SEVENTH ST - STE 1510 CINCINNATI OH 45202 kboehm@bklawfirm.com mkurtz@bklawfirm.com	JIM ABRAHAMSON COMMUNITY ACTION DIRECTORS OF OREGON PO BOX 7964 SALEM OR 97303-0208 jim@cado-oregon.org
KARL HANS TANNER OREGON ENERGY COORDINATORS ASSOCIATION 2448 W HARVARD BLVD ROSEBURG OR 97470 karl.tanner@ucancap.org	RATES & REGULATORY AFFAIRSRATES & REGULATORY AFFAIRS PORTLAND GENERAL ELECTRIC 121 SW SALMON ST 1WTC0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com
DOUGLAS C TINGEY PORTLAND GENERAL ELECTRIC 121 SW SALMON 1WTC13 PORTLAND OR 97204 doug.tingey@pgn.com	JIM DEASON ATTORNEY AT LAW 521 SW CLAY ST STE 107 PORTLAND OR 97201-5407 jimdeason@comcast.net

EDWARD A FINKLEA RICHARD LORENZ CABLE HUSTON BENEDICT HAAGENSEN & LLOYD 1001 SW 5TH - STE 2000 PORTLAND OR 97204 efinklea@chbh.com rlorenz@chbh.com	ANDREA FOGUE LEAGUE OF OREGON CITIES PO BOX 928 1201 COURT ST NE STE 200 SALEM OR 97308 afogue@orcities.org
BENJAMIN WALTERS PORTAND CITY OF - OFFICE OF CITY ATTORNEY 1221 SW 4TH AVE - RM 430 PORTLAND OR 97204 bwalters@ci.portland.or.us	RICHARD GRAY PORTLAND CITY OF - OFFICE OF TRANSPORTATION 1120 SW 5TH AVE RM 800 PORTLAND OR 97204 richard.gray@pdxtrans.org
DAVID TOOZE PORTLAND CITY OF ENERGY OFFICE 721 NW 9TH AVE -- SUITE 350 PORTLAND OR 97209-3447 dtooze@ci.portland.or.us	