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July 30, 2008

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

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97301-2551

RE: Docket No. UM 1002
Wah Chang v. PacifiCorp

In response to ALJ Power's ruling of June 26, 2008, enclosed are PacifiCorp's responses to Data Requests, ALJ 2 – 4.

In response to ALJ Power's comment in the June 26 ruling that "a prehearing conference will be held to consider the need for, and the nature of, any further proceedings," PacifiCorp respectfully submits that no further proceedings are necessary. This case was originally filed in December 2000. After several rounds of written testimony, hearings, multiple rounds of legal briefing, and years of discovery, PacifiCorp believes that the issues in dispute have been fully and completely litigated. As a result, PacifiCorp respectfully requests that a decision be issued resolving the issues on the record before the Commission.

Thank you.

Very truly yours,

Natalie L. Hocken
Vice President and General Counsel
Pacific Power Legal

Enclosures

cc: ALJ Patrick Power
Service List

CERTIFICATE OF SERVICE

I hereby certify that on this 31st day of July, 2008, I caused to be served, via E-Mail and US Mail (to those parties who have not waived paper service), a true and correct copy of the foregoing document on the following named person(s) at his or her last-known address(es) indicated below.

SERVICE LIST

UM-1002

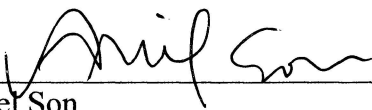
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Ariel Son
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ALJ Data Request 2

Did Pacific Power, in fact, serve Wah Chang in this manner?

Response to ALJ Data Request 2

It is not possible to allocate specific, individual, sales and purchases at COB to the Wah Chang agreement or to any other customer. The Company serves its portfolio of customers, including Wah Chang, from a portfolio of power resources. Specific resources are not assigned to specific customers. However, it is reasonable to value the Wah Chang agreement based on the COB index.

The Company served its customers, including Wah Chang, from a portfolio of thermal, hydro, and purchased power resources. The Company, then as now, operated a control area that includes retail loads within Oregon, Washington and California and includes generation in those states plus Montana and Wyoming. The aggregated resources in the control area are balanced to the aggregated loads within the control area continuously. This is accomplished with long-term forward purchases and sales (e.g., several months to several years ahead of delivery) in order to roughly balance, with short term purchases and sales (e.g., day-ahead) to more finely balance, and with intra-day (real-time) adjustments to generation and intra-day purchases and sales to precisely balance. The purchases and sales are made at the most economically advantageous locations within the limits of the Company's transmission rights.

During the period in question, the Company made purchases and sales primarily at the two major market hubs in the Pacific Northwest, the California-Oregon border (COB) and the Mid-Columbia. The day-ahead COB prices are published and can be used as an index for pricing transactions, as they were eight years ago.

It is a common industry practice to price transactions at an index. Both fixed-priced transactions and index-priced transactions are commonplace. Index-priced transactions normally use a published index at or near to the point of delivery of the transaction in order to minimize the "basis risk", which is the risk that the value of the energy at the index location would be different than the value of the energy at the point of delivery of the transaction.

While it is not possible to simulate or recreate how the Company served any individual customer such as Wah Chang during this time, it is reasonable to value the incremental retail sale to Wah Chang at an index located nearby, which is COB.

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ALJ Data Request 3

ALJ Data Request 3

If not, why is the DJ COB index rate a good measure of the cost to Pacific Power and its customers of serving Wah Chang?

Response to ALJ Data Request 3

See Response to ALJ Data Request 2.

ALJ Data Request 4

The original contract was approved pursuant to the statute [ORS 757.230], which provides that the Commission, in approving a tariff filing primarily related to price competition or a service alternative, at a minimum, shall consider:

(a) Whether the rate generates revenues at least sufficient to cover relevant short and long run costs of the utility during the term of the rates; and

(b) Whether the rate generates revenues sufficient to insure that just and reasonable rates are established for remaining customers of the utility.

Pacific Power is requested to address how the Commission should apply that statutory standard in the context of its review of Wah Chang's petition in December, 2000, i.e., whether granting the petition and returning Wah Chang to standard tariff rates would meet these statutory standards.

Response to ALJ Data Request 4

PacifiCorp does not believe that this statute is the proper statutory standard to be applied in reviewing whether Wah Chang's petition should be granted. ORS 757.230 is used in approving a special contract; however, it should not be the standard applied to determine whether a special contract, approved and adopted by the Commission as consistent with this statutory standard at the time the contract is entered into, is subsequently abrogated due to events not in existence at the time the contract was negotiated and executed. As the Commission has stated in its orders, "it is our general policy that only the most compelling circumstances justify retroactive modification of a Commission order adopting a fully negotiated settlement agreement. Such circumstances might include facts constituting mistake, fraud, impossibility, or some other extraordinary basis for modifying an executed agreement." Order No. 01-873 at 6 (citing Order No. 95-857). Both parties have fully briefed what they believe the applicable legal standards to be in this situation and those will not be repeated here.

It is worth noting however, that PacifiCorp does not believe that returning Wah Chang to standard tariff rates is consistent with Commission's statutory and policy decisions on special contracts. For the first three years of the MESA, Wah Chang paid \$5,285,232 less to PacifiCorp than it would have paid under Schedule 48T (standard industrial customer tariff). *See* Order No. 01-185 at p.2. If Wah Chang had been on the standard 48T tariff rather than the MESA during the last 2 years of the MESA, PacifiCorp would have received less revenue from Wah Chang to offset its own higher costs during the energy crisis and would have had to seek recovery of those costs from its other customers.

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ALJ Data Request 4

The Commission has stated: “One very important factor we consider when a special contract comes before us for review is the impact of the proposed contract on the utility’s other customers. Our obligations encompass all customers of the utility companies we regulate. We do not approve proposed special contracts unless it appears that a utility’s other customers will benefit. . . The obvious implication is that revenues that Wah Chang would save by being released from the MESA may need to be recovered from other PacifiCorp customers.” Order No. 01-085 at p.4.

As stated in the Commission’s Order No. 01-873 at p.5, “PacifiCorp points out that its cost of serving its customers will not change whether Wah Chang pays the prices established in the MESA or some other price. Therefore, if Wah Chang is allowed to pay rates less than those established in the MESA, PacifiCorp would need to recover the lost revenue from its other customers as long as market rates are higher than any new rates established in this proceeding.” As PacifiCorp stated in its post-hearing brief at page 20, granting Wah Chang’s requested relief would require an additional \$25.5 million to be recovered from PacifiCorp’s Oregon customers through the UM 995 deferral mechanism. *See also* Confidential Declaration of Mr. William R. Griffith at page 5, ¶ 21.