

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 199

In The Matter:

PACIFICORP, dba PACIFIC POWER 2009
Transition Adjustment Mechanism Schedule
200, Cost-Based Supply Service

JOINT TESTIMONY IN SUPPORT OF STIPULATION

OF

KELCEY BROWN,

JOELLE STEWARD,

GREG DUVALL,

BOB JENKS,

RANDALL J. FALKENBERG

AND

KEVIN C. HIGGINS

September 4, 2008

I. INTRODUCTION

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Q. Please state your names, titles, and the Party you represent in this matter.

A. My name is Kelcey Brown. I provide this testimony on behalf of Public Utility Commission of Oregon (“Commission”) Staff. I am a Senior Economist in the Electric and Natural Gas Division of the Utility Program of the Commission. Please see Exhibit Staff/101, Brown/1 filed on June 23, 2008, for an exhibit describing my education and relevant experience.

My name is Joelle Steward. I provide this testimony on behalf of PacifiCorp (or the “Company”). I am the Oregon Regulatory Manager for PacifiCorp. Please see PPL/500, Steward/1, filed in conjunction with this joint testimony on September 4, 2008, for testimony describing my education and relevant experience.

My name is Greg Duvall. I provide this testimony on behalf of PacifiCorp. I am the Director, Long Range Planning and Net Power Costs for PacifiCorp. Please see PPL/100, Duvall/1, filed on April 1, 2008, for testimony describing my education and relevant experience.

My name is Bob Jenks. I provide this testimony on behalf of the Citizens’ Utility Board (“CUB”). I am Executive Director of CUB. Please see Exhibit CUB/101, Jenks/1, filed in conjunction with this joint testimony, for my education and relevant experience.

My name is Randall J. Falkenberg. I provide this testimony on behalf of the Industrial Customers of Northwest Utilities (“ICNU”). I am President of RFI

1 Consulting, Inc. Please see Exhibit ICNU/101 filed June 23, 2008, for an exhibit
2 of my education and relevant experience.

3 My name is Kevin C. Higgins. I provide this testimony on behalf of
4 Sempra Energy Solutions LLC (“Sempra”). I am Principal in the firm of Energy
5 Strategies, LLC. Please see SES/100, Higgins/1–2 filed on June 23, 2008 for
6 testimony describing my education and relevant experience.

7 **Q. What is the purpose of this Joint Testimony?**

8 A. This Joint Testimony describes and supports the stipulation dated September 4,
9 2008, between Staff, CUB, ICNU, Sempra, and PacifiCorp (referred to hereinafter
10 jointly as the “Parties” and individually as a “Party”).

11 **Q. Does the Stipulation resolve all contested issues in this proceeding?**

12 A. No, however it does resolve most issues and establishes procedures to resolve the
13 remaining issues. The purpose of this proceeding was to set rates in the
14 Company’s Schedule 200: PacifiCorp’s 2009 Transition Adjustment Mechanism
15 (“TAM”), to be effective January 1, 2009. The purpose of the TAM filing is to
16 update net power costs (“NPC”) for 2009 and to set transition adjustments for
17 Oregon customers who choose direct access in the November 2008 open
18 enrollment window. The Company filed its Renewable Adjustment Clause
19 (“RAC”) filing concurrently with the TAM filing. The Stipulation resolves
20 certain currently contested issues in this proceeding and certain issues in the
21 Company’s RAC proceeding, Docket UE 200.

22 **Q. What issues are not resolved by this Stipulation?**

1 A. Certain issues in this proceeding related to the Rolling Hills and Glenrock wind
2 resources will be heard and decided in UE 200. The outcome of those matters
3 may affect the final Schedule 200 rates.

4 Further, there will be subsequent updates of the GRID NPC studies filed
5 by the Company in this case. It is possible that the updates could give rise to new
6 issues, although that has not typically occurred in these proceedings. Parties
7 agree that all rights available to the Parties related to subsequent updates are
8 maintained by the Stipulation.

9 Further, UM 1355 will provide a forum to address certain issues that were
10 contested in this proceeding related to modeling of forced outage rates for hydro
11 and thermal generators.

12 Finally, some of the issues in this proceeding will be addressed in
13 workshops that will occur in the next several months. The outcome of those
14 issues may be decided in those workshops, or in a subsequent proceeding if the
15 workshops are not successful in reaching a consensus on the remaining matters.

16 **Q. Have all Parties to the proceeding signed on to the Stipulation?**

17 A. Yes.

18 II. STIPULATION

19 **Stipulated 2009 NPC Increase**

20 **Q. What was the Company's proposed increase to NPC prior to this settlement?**

21 A. The Company's April 1, 2008 TAM filing reflected an increase of approximately
22 \$41.2 million over the \$247.4 million NPC included in Oregon rates for 2008. On
23 July 25, 2008, the Company filed an update and corrections to the April 1, 2008

1 filing that resulted in an additional increase of \$15.7 million. The total increase
2 resulting from the April filing and the July update would have been approximately
3 \$56.9 million. This would have resulted in an overall increase to Oregon rates of
4 approximately 6 percent.

5 **Q. What did the Parties agree with respect to the Company's proposed TAM**
6 **NPC increase?**

7 A. The Parties agreed to reduce PacifiCorp's proposed increase in NPC in the July
8 2008 filing to \$34,216,174 on an Oregon-allocated basis. The Parties also agree
9 to further reduce the rate increase by \$10,216,174 to reflect sales growth. The
10 overall rate increase prior to the updates on November 7 and 14, 2008, described
11 below, is expected to be approximately 2.4 percent.

12 **Q. Will the stipulated increase be subject to the updates to NPC scheduled in**
13 **this proceeding for November 7, 2008 and November 14, 2008?**

14 A. Yes. The stipulated increase will be updated for the NPC elements described in
15 this Stipulation on November 7, 2008 and November 14, 2008, with a contract
16 lock-down date of November 1, 2008 (collectively the "November Updates.")
17 The amount of the November Updates may be positive or negative, depending on
18 whether the November Updates result in an increase or decrease to NPC. The
19 Parties agree that there is no cap on the November Updates.

20 **Q. What is the scope of the November 7, 2008 update?**

21 A. The Company will update its NPC on November 7, 2008, for only: (1) the
22 September 30, 2008 forward price curve for electricity and natural gas; and
23 (2) contracts executed on or before November 1, 2008. These contracts include:

1 (a) wholesale electric sales and purchase contracts that are for long term firm
2 sales and purchases, short term firm sales and purchases, or exchanges and
3 storage with and without energy or capacity prices; and (b) natural gas sales and
4 purchases contracts. These transactions may have fixed prices or prices linked to
5 market indexes. They may require physical deliveries or be settled financially
6 (e.g., swaps).

7 **Q. What is the scope of the November 14, 2008 update?**

8 A. The Company will update its NPC on November 14, 2008 using the November 4,
9 2008 forward price curve for electricity and natural gas prices. The Company will
10 reshape hydro energy in the GRID model resulting from the use of the new
11 forward price curve. The Company has agreed to provide workpapers and other
12 documentation supporting this update as outlined in the Stipulation.

13 **Q. Have the Parties waived any rights they may have to challenge the November**
14 **Updates?**

15 A. No. The Stipulation provides that the Parties retain all procedural and substantive
16 rights to challenge the November Updates, including but not limited to the rights
17 to request that the Commission delay the direct access window or to request that
18 the Commission defer the costs and benefits of the update for later ratemaking
19 treatment. No party waives any argument to oppose the request to delay the direct
20 access window or defer the costs and benefits on their merits.

21 **Q. Will the NPC increase resulting from the November Updates be adjusted to**
22 **reflect forecast sales growth?**

1 A. Yes. For purposes of designing rates, the final increase to NPC will be decreased
2 by \$10,216,174 to account for increased revenues due to forecast sales growth
3 from 2007 to 2009.

4 **Q. How will the final NPC increase and the adjustment for increased revenues**
5 **be spread to rate schedules?**

6 A. The final NPC increase and the adjustment for increased revenues will be spread
7 to rate schedules through changes to Schedule 200 rates. The adjustments to
8 Schedule 200 rates (TAM Adjustment Rates) will be calculated based on a
9 forecast 2009 rate design test year. The process by which the final NPC increase
10 and the adjustment for increased revenues will be spread across each rate schedule
11 is shown in Exhibit B to the Stipulation.

12 **Q. How will PacifiCorp implement the rates resulting from the Stipulation?**

13 A. Upon approval of this Stipulation and after the Company files its November
14 Updates, PacifiCorp will file revised Schedule 200 rates and revised transition
15 adjustment Schedules 294 and 295 as a compliance filing in Docket UE 199,
16 effective January 1, 2009, reflecting rates designed as agreed in this Stipulation.

17 **Resolution of Other Issues**

18 **Q. Does the Stipulation include agreements regarding issues other than the**
19 **Company's 2009 NPC increase?**

20 A. Yes. The Parties also came to an agreement on certain wind resource issues in the
21 TAM proceeding and the RAC proceeding, issues related to deferral applications
22 for certain resources, the calculation of the transmission adjustment, hydro forced
23 outage rates, and preparations for and filing of future stand-alone TAM filings.

1 **Q. What did the Parties agree with respect to wind resource issues in this**
2 **proceeding and in UE 200?**

3 A. First, the Parties agree to litigate the adjustments associated with the Rolling Hills
4 and Glenrock resources in the RAC proceeding. Staff has proposed adjustments
5 to the capacity factors of Rolling Hills and Glenrock. These issues, which were
6 raised in testimony in UE 199, will now be incorporated into UE 200. Although
7 PacifiCorp objects to such an adjustment, the Parties understand that the
8 Commission may order in the RAC proceeding that the capacity factors or
9 generation profiles be changed through an NPC adjustment in this proceeding in
10 the November Updates. The Parties agree that the Glenrock and Rolling Hills
11 capacity factors or generation profiles or both that are subject to the November
12 Updates are those ordered by the Commission. The Parties agree they will not
13 further advocate for updates to the 2009 TAM for capacity factors or generation
14 profiles of other wind resources.

15 Second, the Parties agree that the Seven Mile Hill II and Glenrock III wind
16 resources will remain in the NPC dispatch stack for purposes of calculating the
17 November 2008 TAM updates. With respect to the Company's treatment of these
18 resources in the RAC, the Company will exclude the non-NPC related costs of the
19 resources from the RAC for 2009. The Parties agree that PacifiCorp may request
20 and no Party will oppose deferred accounting for each resource. PacifiCorp will
21 file deferral applications such that these deferrals would be effective January 1,
22 2009 or when the resource is on line, whichever comes later. These deferrals
23 would consist of: (1) the revenue requirement associated with the non-NPC

1 related costs of the resource; and (2) the decrease to NPC that is associated with
2 the resource as reflected in the November Updates. The decrease to NPC would
3 be reflected in the deferral so that the Company could later seek to recover the
4 associated NPC decrease included in the 2009 TAM should the Commission later
5 disallow costs of the resource in a prudence determination. The Parties have
6 retained their right to make arguments or assert rights available to them during the
7 amortization phase of such deferred accounting.

8 **Q. What did the Parties agree with respect to the Chehalis and Lake Side power
9 plants?**

10 A. The Company agrees that it will not file for deferred accounting for 2009 for the
11 fixed costs of either the Chehalis or the Lake Side power plants. In addition, the
12 Parties agree that the Company will not include the Chehalis power plant in the
13 Company's November Updates.

14 **Q. What modifications to the Transition Adjustment for direct access are
15 reflected in the Stipulation?**

16 A. The Parties agree to modify the calculation of the Transition Adjustment for direct
17 access in two ways: (1) the Company will relax the market cap limitations in the
18 GRID model by 15 MW at Mid-Columbia and 10 MW at COB to determine the
19 value of the freed up power; and (2) any remaining monthly thermal generation
20 that is backed down for assumed direct access load will be priced at the simple
21 monthly average of the COB price, the Mid-Columbia price, and the avoided cost
22 of thermal generation as determined by GRID. The monthly COB and Mid-

1 Columbia prices will be applied to the heavy load hours or light load hours
2 separately. The existing balancing account mechanisms will remain in effect.

3 **Q. Did the Parties come to an agreement on rates for hydro forced outage rates?**

4 A. No, but the Parties agreed that any Party may raise the issue of forced outage rates
5 for hydroelectric generating units in Docket UM 1355. If the Commission has not
6 resolved this issue prior to the Company's filing of its next general rate case, the
7 Company will raise the issue in the rate case.

8 **Q. Did the Parties resolve certain issues that will arise in future stand-alone
9 TAM filings?**

10 A. Except as discussed below, the Parties have not established any precedent
11 regarding any specific matters, adjustments, practices or procedures applicable to
12 future general rate case ("GRC") or TAM proceedings. Except for those issues
13 specifically identified in the Stipulation, all issues litigated in this proceeding are
14 resolved without prejudice.

15 **Q. Did the Parties agree on how the Company will treat revenues resulting from
16 load growth or loss in future TAM filings?**

17 A. Yes. The Parties agree that future stand-alone TAM filings should include
18 consideration of increased/decreased revenues due to load growth/loss. The
19 Parties will negotiate the mechanics of the treatment of such revenues in the TAM
20 workshops described below.

21 **Q. Did the Parties come to agreement regarding the timing of access to the
22 Company's GRID model?**

1 A. Yes. The Company will provide access to the GRID model to Parties when it
2 makes its initial TAM filing or general rate case filing, provided that the Party has
3 entered into a confidentiality agreement with the Company applicable to the
4 GRID model or is subject to a Protective Order applicable to the relevant TAM
5 proceeding or rate case.

6 **Q. Did the Parties also address the Company's provision of TAM workpapers?**

7 A. Yes. The Company commits to providing workpapers for its original TAM filing
8 and TAM updates. These workpapers will include all input files the Company
9 relied upon in preparing the final GRID run used in the filing. The Parties will
10 endeavor to define this concept with more specificity in the TAM workshops
11 described below. The Company agrees to provide Staff and intervenors that have
12 executed a relevant confidentiality agreement with the Company or are subject to
13 a relevant Commission Protective Order with the following data that the
14 Company has used in proceedings in other states: a forty-year hydro data set
15 applicable to the test year in the TAM or GRC proceeding and the data necessary
16 to calculate forced outages using a weekday/weekend split for the test year in the
17 TAM or GRC proceeding. The Company's agreement to provide this data does
18 not imply its agreement to adjustments proposed by Staff or intervenors relying
19 upon this data. Nor does the fact that the Company may file its cases using
20 different methods imply that the Parties agree to use of such methods, or that the
21 Commission has adopted any particular method.

22 **Q. Do the Parties have plans to continue working together to resolve other issues**
23 **related to TAM proceedings?**

1 A. Yes. PacifiCorp will convene a series of workshops prior to filing its next general
2 rate case in Oregon for the purpose of seeking consensus on the specific elements
3 of any future TAM proceeding including, but not limited to, cost elements to be
4 included in the initial filing and each update, filing requirements for the content
5 and timing of workpapers, and the mechanism for considering revenues resulting
6 from load growth or loss in the TAM filing. The Company will convene these
7 workshops in time for the Company to consider incorporating recommendations
8 into its next general rate case filing, expected to be in early 2009. PacifiCorp
9 agrees that if the Parties cannot reach consensus on the elements of TAM updates,
10 revenue growth adjustments, and filing requirements in the workshops, the
11 Company will initiate a proceeding before the Commission to resolve these issues
12 by January 15, 2009. This timing is intended to provide the Commission the
13 ability to resolve the proceeding prior to June 1, 2009, or in time to be
14 implemented in the Company's first update for the 2010 TAM.

15 **Q. If the Commission rejects any material part of the Stipulation, are the**
16 **Parties entitled to reconsider their participation in the Stipulation?**

17 A. Yes. The Stipulation provides that if the Commission rejects all or any material
18 portion of the Stipulation or imposes additional material conditions in approving
19 this Stipulation, any Party disadvantaged by such action shall have the rights
20 provided in OAR 860-014-0085 and shall be entitled to seek reconsideration or
21 appeal of the Commission's Order.

22 **Reasonableness of the Stipulation**

23 **Q. Have the Parties evaluated the overall fairness of the Stipulation?**

1 A. Yes. Each Party has reviewed the calculation of the 2009 NPC increase and the
2 rates resulting from this increase. The Parties agree that the rates resulting from
3 the Stipulation are sufficient, fair, just, and reasonable based on their respective
4 case positions, the positions of other Parties, and the discovery produced in this
5 proceeding by the Company. The Parties also agree that the results of the other
6 issues resolved in the Stipulation are fair and reasonable and should be adopted.

7 **Q. What do the Parties recommend regarding the Stipulation?**

8 A. The Parties recommend that the Commission adopt the Stipulation as the basis for
9 resolving issues in this proceeding and include the terms and conditions of the
10 Stipulation in its order in this case.

11 **Q. Does this conclude your Joint Testimony?**

12 A. Yes.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 199

In the Matter of

PACIFICORP, dba PACIFIC POWER

2009 Transition Adjustment Mechanism
Schedule 200, Cost-Based Supply Service

Qualifications of Witness Joelle Steward

September 2008

Q. Please state your name, business address and present position with PacifiCorp, dba Pacific Power & Light Company.

A. My name is Joelle Steward. My business address is 825 NE Multnomah St., Suite 2000, Portland, OR 97232. I am employed by PacifiCorp as Regulatory Manager for Oregon.

Q. Briefly describe your education and business experience.

A. I have a Bachelor's degree in political science from the University of Oregon and a Masters degree in public affairs, with a concentration in energy policy, from the Humphrey Institute at the University of Minnesota. I have attended several utility-related seminars and training opportunities including the Center for Public Utilities Rate Design Workshop in 2000 and the National Association of Regulatory Utility Commissioner's Annual Regulatory Studies Program in 2001.

Between 1999 and March 2007, I was employed as a Regulatory Analyst with the Washington Utilities and Transportation Commission (WUTC). Specifically, my work at the WUTC covered demand-side management, low income issues, service quality, reliability, resource planning, cost of service, rate spread, rate design and other analyses of general rate case and tariff filings involving electric and natural utilities regulated by the WUTC.

In March 2007, I became employed by PacifiCorp in my present position.

Q. Have you appeared as a witness in previous regulatory proceedings?

A. Yes. I appeared as a witness in several proceedings in Washington and in UM 1330 in Oregon.

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PACIFICORP, dba PACIFIC POWER

2009 Transition Adjustment Mechanism
Schedule 200, Cost-Based Supply Service

Qualifications of Witness Bob Jenks

September 2008

WITNESS QUALIFICATION STATEMENT

NAME: Bob Jenks

EMPLOYER: Citizens' Utility Board of Oregon

TITLE: Executive Director

ADDRESS: 610 SW Broadway, Suite 308
Portland, OR 97205

EDUCATION: Bachelor of Science, Economics
Willamette University, Salem, OR

EXPERIENCE: Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UG 152, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, and UM 1209. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

MEMBERSHIP: National Association of State Utility Consumer Advocates
Board of Directors, Environment Oregon Research and Policy Center
Telecommunications Policy Committee, Consumer Federation of America
Electricity Policy Committee, Consumer Federation of America