Oregon
John A. Kitzhaber. MD. Governor

Public Utility Commission
550 Capitol St NE, Suite 215
Mailing Address: PO Box 2148
Salem, OR 97308-2148
Consumer Services
1-800-522-2404
Local: (503) 378-6600
Administrative Services
(503) 373-7394

August 16, 2011

Via Electronic Filing and U.S. Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

RE: Docket No. UE 227 – In the Matter of PACIFICORP, dba PACIFIC POWER 2012 Transition Adjustment Mechanism.

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff's Rebuttal Testimony (Redacted).

/s/ Kay Barnes
Kay Barnes
Regulatory Operations Division
Filing on Behalf of Public Utility Commission Staff
(503) 378-5763
Email: kay.barnes@state.or.us

c: UE 227 Service List (parties)

PUBLIC UTILITY COMMISSION
OF OREGON

UE 227

STAFF REBUTTAL TESTIMONY OF

ED DURRENBERGER
BRIAN BAHR

In the Matter of
PACIFICORP, dba PACIFIC POWER
2012 Transition Adjustment Mechanism.

August 16, 2011

CASE: UE 227
WITNESS: Ed Durrenberger

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 300

Rebuttal Testimony

<u>REDACTED</u>
August 16, 2011

CERTAIN INFORMATION CONTAINED IN STAFF EXHIBIT 300 OF UE 227 IS CONFIDENTIAL AND SUBJECT TO PROTECTIVE ORDER NO. 11-258. YOU MUST HAVE SIGNED APPENDIX B OF THE PROTECTIVE ORDER IN DOCKET UE 227 TO RECEIVE THE CONFIDENTIAL VERSION OF THIS EXHIBIT.

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Ed Durrenberger. I am a Senior Utility Analyst in the Electric & Natural Gas Division of the Public Utility Commission of Oregon. My business address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THESE PROCEEDINGS?

A. Yes. I sponsored Staff/100-102 in Docket No. UE 227, the PacifiCorp 2012 TAM.

Introduction and Summary

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is to respond to PacifiCorp's (Company) rebuttal testimony and to the Citizens' Utility Board (CUB) and the Industrial Customers of Northwest Utilities (ICNU) direct testimony in this proceeding.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. First, I rebut PacifiCorp's testimony regarding Staff's proposed adjustment to forecasted load. Second, I rebut PacifiCorp's testimony regarding the market caps in the GRID model. Third, I respond to testimony by the PacifiCorp, CUB, and ICNU on the disputed hedging transactions included in the Company's initial filings. Fourth, I respond to testimony from ICNU regarding the forward price curves.

Forecasted Loads for 2012

Q. DID STAFF PROPOSE AN ADJUSTMENT TO PACIFICORP'S LOAD FORECAST IN ITS DIRECT TESTIMONY IN THIS CASE?

A. Yes. Staff recommends that the forecast of retail load contained in the filing be reduced to a value more in line with what actual load growth and with the projection contained in PacifiCorp's 2011 Integrated Resource Plan (IRP).

Q. WHAT LOAD ADJUSTMENT DO YOU PROPOSE?

A. In Staff's opening testimony this adjustment was not quantified because I was unable to determine a reasonable starting point for the forecast of 2011 retail sales. Since that time PacifiCorp submitted rebuttal testimony that contained more up-to-date load information. The testimony provided updated forecasts of both 2011 and 2012 loads. I proposed to that the Commission use PacifiCorp's updated forecast for 2012 loads for determining the net variable power costs in this case.

Q. DOES PACIFICORP PROPOSE USING THE UPDATED FORECAST OF 2012 LOADS IN ITS REBUTTAL TESTIMONY?

A. No. Mr. Duvall testifies, at PPL/105 Duvall/14, that PacifiCorp's most recent load forecast projects 2012 loads to be 3% lower than the forecast in the company's initial filing. However, the testimony goes on to state that PacifiCorp does not include the newer load forecast in its rebuttal case because load forecast updates are not allowed by the TAM guidelines.

Q. DO YOU RECOMMEND USING THE COMPANY'S UPDATED LOAD FORECAST FOR THE 2012 TAM?

A. Yes. I find that the latest Company load forecast uses load growth figures that are reasonable and are consistent with regional growth projections from the Bureau of Labor Statistic's "Consumer Price Index". The appropriate level of total company retail sales to use in determining the 2012 net variable power costs is 55,482 GWh. I propose using this level of retails loads in the GRID model to come up with the TAM power costs.

Q. WHAT IS THE IMPACT OF YOUR PROPOSED LOAD ADJUSTMENT IN TERMS OF THE NET VARIABLE POWER COST?

A PacifiCorp has performed a GRID run using the updated load forecast. The Company states that the results are a reduction to net power costs of approximately $4.6 million on an Oregon allocated basis.

Q. DOES THIS MEAN YOU ARE SUPPORTING A CHANGE IN THE TAM GUIDELINES THAT WOULD REQUIRE PACIFICORP TO UPDATE LOADS IN ALL FUTURE TAM PROCEEDINGS?

A. No. Staff is merely adjusting the load forecast proposed in the Company's initial filing. Proposing that the filed load forecast be adjusted is different than the Company updating a load forecast that was initially found to be reasonable by the intervening parties.

Market Caps in GRID Model

Q. DID STAFF PROPOSE AN ADJUSTMENT TO PACIFICORP'S MODELING OF WHOLESALE MARKET CAPS IN ITS INITIAL TESTIMONY IN THIS CASE?

A. Yes. Staff does not support PacifiCorp revising the market cap modeling to include all hours rather than just off peak hours as modeled in previous TAM filings.

Q. DID PACIFICORP ADEQUATELY ADDRESS YOU CONCERNS IN ITS REBUTTAL TESTIMONY?

A. No. The PacifiCorp rebuttal includes work papers that showing the difference in system balancing sales using the old market cap method and the new. The results, which were GRID summary sheets, indicate that the old market cap methodology models less opportunity sales than would occur with the new method. However, when comparing the GRID summary sheets from previous TAM filings where presumably to old market cap methodology was used, with these new work papers, the previous model runs consistently contained greater system balancing sales and Coal plant output than both the 2012 TAM Grid run and the 2012 TAM Grid run using the market cap methodology. I am left to believe that the new, all hours market cap methodology results in less modeled system balancing sales than would have previously occurred under the old method and that the 2012 GRID run called "Market capacity methodology" produced an anomalous result that bears little resemblance to what was modeled in the past. I am not persuaded that PacifiCorp's change to implementing market caps on all hours should be allowed as part of the 2012 TAM filing.

Hedging Costs

Q. DID STAFF PROPOSE A HEDGING ADJUSTMENT IN ITS INITIAL TESTIMONY?

A. No. However, both CUB and ICNU proposed hedging adjustments in their initial testimony. The size of these adjustments ranges from approximately $65 million to approximately $120 million on a total system basis.

Q. ARE THE HEDGING ADJUSTMENTS PROPOSED BY CUB AND ICNU THE SAME?

A. Yes, the adjustments are essentially the same. However, each party has a slightly different rationale for the adjustment and a slightly different calculation of the proposed remedy.

Q. PLEASE DESCRIBE THE CONTEXT OF THESE ADJUSTMENTS.

A. The hedging adjustments propose to disallow certain amounts of the above market costs associated with the hedging of natural gas supplies that are to be used during the 2012 test period. The hedges that are proposed to be disallowed were made in 2007 and 2008 and represent contracts for natural gas supplies with prices agreed to at that time. Spot market prices for natural gas in 2007 and 2008 were generally higher than they are now. Forward market prices at that time were also higher than they are now. As a result, the gas contracts entered into in 2007 and 2008 are priced higher than the current market price of natural gas.

Q. IS THE ABOVE MARKET COST OF THESE GAS HEDGES THE REASON FOR THE PROPOSED DISALLOWANCE, OR IS THERE ANOTHER REASON?

A. No, the above-market cost is not the reason for the proposed adjustments. Both CUB and ICNU are proposing to disallow the above market cost of the gas hedges because PacifiCorp entered into the hedges too far in advance of the 2012 test year.

Q. HOW FAR IN ADVANCE OF THE 2012 TEST YEAR WERE THE HEDGES ENTERED IN TO?

A. Some of the hedges proposed for disallowance were made in the last few months of 2007 and the others were made in 2008.

Q. IS THERE A STATUTE OR COMMISSION RULE THAT PROHIBITS HEDGING THIS FAR IN ADVANCE OF DELIVERY?

A. No, hedging is something that the utility does to mitigate price volatility. In the case of an electric utility, the Commission does not generally dictate specific hedging strategies or practices. However, for the utility to be able to include hedging expenses in rates its decisions and actions must be found to be prudent.

Q. ARE CUB AND ICNU ARGUING THAT PACIFICORP'S GAS PURCHASES IN 2007 AND 2008 WERE IMPRUDENT?

A. Yes. CUB's reply testimony states that the Company was imprudent when it entered into natural gas hedging contracts 36 months or more before the gas was to be used. According to CUB, the gas market, that far in advance of a delivery date, does not have a sufficient amount of trading to provide reasonable price discovery. Without adequate price discovery, trading this far in advance increases the risk that the hedged price of gas will be different than the market price of gas at the time of delivery. ICNU argues in its reply testimony that the Company was imprudent because it did not follow its own hedging procedure in effect at that time. ICNU states that PacifiCorp routinely violated its own normal hedging procedure and therefore the Company's actions were imprudent.

Q. DID PACIFICORP ENTER INTO GAS HEDGES MORE THAT 36 MONTHS BEFORE THE DELIVERY DATE?

A. Yes, the Company hedged approximately [redacted] of the 2012 requirements for its gas burning generation fleet in 2007 and an additional [redacted] of the 2012 requirements in 2008.

Q. IS THERE EVIDENCE THAT THE GAS MARKET WAS ILLIQUID OR THAT THE PRICE OF GAS WAS UNREASONABLE AT THE TIME PACIFICORP ENTERED INTO THESE TRANSACTIONS?

A. No. CUB makes these assertions but provides no evidence to support this conclusion. During 2007 and 2008 the trend was for natural gas prices to gradually increase each year through 2012 and beyond. The PacifiCorp IRP anticipated increasing natural gas prices into the future. Forward market gas price projections at the time were trending higher. The west coast was looking to import terminals for liquefied natural gas as a reasonable remedy for what appeared to be a gradually increasing shortfall in U.S. and Canadian gas supplies. The economic recession that began in mid-2008 and the changes in the domestic gas supply brought on by the advent of new gas production techniques were not reasonably known or measureable at the time PacifiCorp entered into the hedging transactions. With hindsight it is clear that the economic recession and the dramatic increase in domestic shale gas production combined to reduce the market price of natural gas. With what we know now it is easy to see that the forward prices in 2007 and 2008 were high relative to the current gas market, but in the context of what was known at the time, these prices were a reasonable forecast of future prices of natural gas.

Q. DOES PACIFICORP PROVIDE ANY EVIDENCE THAT THE NATURAL GAS MARKET WAS LIQUID THAT FAR IN ADVANCE OF DELIVERY?

A. Yes. The fact that PacifiCorp was able to enter in to hedges in late 2007 and 2008 with [redacted] counterparties for natural gas to be supplied in 2012 is an indication that the market was not completely illiquid at that time.

Q. PLEASE RESPOND TO ICNU'S ASSERTION THAT THE 2007 AND 2008 HEDGES WERE EXECUTED OUTSIDE OF PACIFICORP'S NORMAL HEDGING PROCEDURES.

A. PacifiCorp's policy during this timeframe required an executive to sign off on all trades executed more than [redacted] in advance of when the delivery date. A significant number of the gas hedges entered into during this timeframe required an executive to sign-off on the hedging. In and of itself, the fact that the hedging required executive approval does not make the actions imprudent. In fact, an argument could be made that the added level of hedging oversight that was required may have made the process more programmatic and robust than it would have been otherwise.

Q. WHAT DO YOU THINK OF CUB'S ASSERTION THAT BECAUSE PACIFICORP DOES NOT HAVE A POWER COST ADJUSTMENT MECHANISM HEDGING SHIFTS SHAREHOLDER RISKS TO CUSTOMERS?

A. CUB does not clearly demonstrate its assertion that hedging shifts risk from shareholders to customers. PacifiCorp does not have a power cost adjustment mechanism in Oregon. Therefore, shareholders bear all power cost risks after rates are set. However, customers bear all power cost risks up to the date on which rates are set. Customers are exposed to this snapshot result of all risk and risk-mitigating events that have occurred up to the rate setting date, regardless of whether the utility has hedged gas and/or electric or not. In the case of no hedging, customers are exposed to forecasts (on the rate setting date) for gas and electric prices in the test year. Hedging modifies this exposure through the mark-to-market results (valued on the day rates are set) of hedges entered into for the test year. With or without hedging, customers bear all power cost risks up to the rate setting date.

Power cost mechanisms are a form of risk-sharing. Shareholders and customers share the risk of power costs exceeding the level included in base rates. Risk-sharing might lead a utility to be less careful in its hedging than would be the case if shareholders bore the entire risk of power cost excursions. It is unclear whether the benefits of risk sharing offset the costs of this potential moral hazard. However, it is unlikely that the lack of a power cost adjustment mechanism in Oregon is causing PacifiCorp to take less care, or to take on more risk, in its management of power costs. It is possible that power cost adjustment mechanisms in PacifiCorp's other state jurisdictions have affected the incentives for careful hedging.

Q. WHAT DOES STAFF CONCLUDE ABOUT THE PRUDENCE OF PACIFICORP'S GAS HEDGES ENTERED INTO DURING 2007 AND 2008?

A. Staff concludes that in the context of what was known at the time, specifically that natural gas prices were increasing every year and that domestic supplies of gas were forecast to be in decline, that it was prudent from PacifiCorp to enter into contracts to lock down long term supply at the then current market price of gas.

Q. DOES THAT MEAN THAT LARGE DISCREPANCIES BETWEEN THE HEDGE PRICE AND MARKET PRICES ARE AN UNAVOIDABLE OUTCOME OF HEDGING?

A. To paraphrase ICNU, it is highly unlikely you will be able to beat the market through hedging. That doesn't mean customers and the Company should abandon a hedging program that executed transactions on a programmatic basis with the expected outcome of minimizing price volatility and commodity price risk. The circumstances of the hedges entered in to in 2007 and 2008 for

2012 delivery highlight the uncertainty of the market. PacifiCorp's rebuttal testimony intends to portray a prudent risk management strategy that was executed according to a programmatic plan that went awry through no fault of the Company or those who were charged to execute the hedging plan. Both CUB and ICNU discussed the amounts of gas hedged at such an early date. And the evidence does tend to support a procurement strategy that, although within its guidelines generally, doesn't execute regular trades on a programmatic basis but tends to a more sporadic purchasing approach. Staff believes that it is inappropriate for the Commission to get in to the business of requiring a particular specific hedging program or strategy. Rather it is the responsibility of the utilities to prudently manage their business and the hedging program is but one way that commodity risk can be managed. For that reason I do not support CUB's request that hedging costs for gas purchases made more than 36 months prior to the use date be declared imprudent and that those gas costs be priced at the market rate. For the same reason, that the Commission should not be telling PacifiCorp how to hedge power costs, I think ICNU's hedging adjustment should be rejected. The hedges appeared to be executed in accordance with a comprehensive risk management policy. A policy that the Company contends, in rebuttal, has provided significant benefits in both price volatility control and in cost savings over time. I do find that PacifiCorp's hedging has cost ratepayers a significant amount in the 2012 power costs. Indications are that regular programmatic purchases do occur but perhaps not in regular amounts on a regular schedule as I would have expected. I believe that PacifiCorp should enter into a series of workshops with interested customer groups where the hedging process is reviewed in detail and where Staff and customer groups have the opportunity to provide input into the how the process is implemented.

<u>Forward Market Price Curves</u>

Q. DOES ICNU PROPOSE A FORWARD PRICE CURVE ADJUSTMENT IN PACIFICORP'S 2012 TAM?

A. Yes. ICNU proposed an adjustment to require PacifiCorp to use commercially available forward market index to price market power purchases for the TAM.

Q. HOW DOES PACIFICORP CURRENTLY PRICE FORWARD POWER COSTS?

A. The Company uses a forward price curve its trading floor generated based on trading data as well as commercially available forward price curves.

Q. HAS THERE BEEN A PROBLEM WITH THE FORWARD PRICE USED BY THE COMPANY FOR ITS TAM?

A. No. Staff has found the Company generated forward price curve to be reasonable and comparable to the forward price projections from outside, independently available price curves used by Staff.

Q. DO YOU SEE AN ADVANTAGE TO ICNU'S REQUEST THAT THE FORWARD PRICE BE BASED ON A COMMERCIALLY AVAILABLE FORWARD PRICE CURVE?

A. No, Staff does not require that the forward curve used to price market energy be a commercially available price curve so long as PacifiCorp's in house curve represents the forward prices adequately.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

CASE: UE 227
WITNESS: Brian Bahr

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 400

Rebuttal Testimony

August 16, 2011

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Brian Bahr. I am a Utility Analyst for the Corporate Analysis and Water Regulation Section of the Public Utility Commission of Oregon (OPUC). My business address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

Q. ARE YOU THE SAME BRIAN BAHR WHO PREVIOUSLY FILED REPLY TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to PacifiCorp's rebuttal testimony concerning affiliate mine line item costs as stated in Exhibit PPL (TAM)/105, Duvall/32, and to address the July update to fuel costs found in Exhibit PPL (TAM)/106, Duvall/1 and Exhibit PPL (TAM)/107, Duvall/1.

Q. DOES PACIFICORP'S REBUTTAL TESTIMONY ACCURATELY REFLECT THE ADJUSTMENTS YOU PROPOSED IN YOUR REPLY TESTIMONY?

A. No. My reply testimony recommended a downward adjustment to Oregon allocated Net Power Costs (NPC) of $441,597 to reflect the removal of 50 percent of incentives, 50 percent of employee meals and gifts, and 100 percent of donations associated with the affiliated mines (Bridger Coal Company, Deer Creek, and the coal preparation plant). In its rebuttal testimony, PacifiCorp stated that Staff's adjustment was $1.8 million to system NPC to disallow certain costs associated with Bridger Coal Company and Deer

Creek Mine. PacifiCorp failed to mention the Oregon allocation amount of the NPC adjustment and that the adjustment also included the coal preparation plant. Though these omissions are not grave, I do not believe PacifiCorp accurately reflected Staff's proposed adjustments in its rebuttal testimony.

Q. PLEASE RESTATE YOUR PROPOSED ADJUSTMENT TO PACIFICORP'S OREGON ALLOCATED COAL FUEL BURN EXPENSE USING BOTH THE ORIGINAL FILING AND THE JULY-UPDATED NUMBERS.

A. Staff Adjustment – Oregon Allocated

	Exhibit PPL(TAM)/101; Duvall/1	**Staff**	**Adjustment**
Fuel Consumed – Coal (Original Filing)	$187,287,505	$186,845,908	$441,597
Fuel Consumed – Coal (July Update)	$187,791,330	$187,349,733	$441,597

Q. IN ITS REBUTTAL TESTIMONY, PACIFICORP STATES THAT "STAFF HAS NOT PRESENTED ANY JUSTIFICATION OR BASIS FOR THE COMMISSION TO FIND THE IDENTIFIED COSTS TO BE IMPRUDENT." IS THIS STATEMENT CORRECT?

A. No. My testimony included footnotes for each of the three proposed cost reductions for incentives, employee meals and gifts, and donations. These footnotes specifically reference previous instances in which the Commission has supported Staff's line of reasoning in disallowing aforementioned expenses.

Q. PLEASE RESTATE THE COMMISSION STATEMENTS FOUND IN THE FOOTNOTES OF YOUR REPLY TESTIMONY THAT SUPPORT YOUR ADJUSTMENTS.

A. Concerning my proposed removal of 50 percent of meals and entertainment expenses, I referenced the decision rendered by the Commission in UE 197, in which the Commission adopted Staff's principal that costs for meals and entertainment are discretionary and should be shared equally by ratepayers and shareholders. This decision can be found in Order 09-020 on pages 20-21. Following are two excerpts from the order describing, respectively, Staff's position and the Commission's agreement with Staff.

> "Staff proposes that 50 percent of the meal and entertainment expenses, office refreshments and catering, gifts of flowers, and awards be disallowed. In Staff's view, these expenses should be shared equally between ratepayers and shareholders. This approach somewhat mirrors the policy associated with bonuses and the handling of meal and entertainment expenses for income tax purposes."

> "We agree with Staff that the costs for food and gifts are discretionary and should be shared equally by ratepayers and shareholders."

Concerning my proposal to remove 50 percent of bonuses, I referenced Commission Order 10-022 at pages 10-11, which resolved UE 210 and states in part,

> "We find that the Joint Parties have also adequately supported their position with respect to bonus and incentive payments. Pacific Power explained the purpose behind its bonus and incentive programs in detail, and the evidence shows that the stipulated adjustments to these programs generally reflect Staff's proposal (and ICNU's original similar proposal) that 100 percent of officer bonuses and 50 percent of annual incentive plan bonuses be removed from rates. This sharing arrangement has traditionally been supported by the Commission, and we see no reason to deviate from that tradition here."

And concerning my proposed removal of 100 percent of donations, I referenced Commission Order 87-406, which states at pages 40-41,

> "Since community affairs expenditures are discretionary, the funds could be retained by the business's owners. . . Owners of unregulated businesses, rather than their customers, make community affairs contributions."

Also see Commission Order 91-186 at page 16 and Commission Order 09-020 at pages 20-21.

I believe these Commission Orders provide an adequate basis for my proposed adjustments and leave no doubt as to their consistency with Commission policy.

Q. IN ITS REBUTTAL TESTIMONY, PACIFICORP STATES THAT STAFF'S PROPOSAL IS UNDERMINED BY STAFF'S CONCESSION THAT AFFILIATE COAL COSTS ARE LOWER THAN MARKET COSTS. IS THIS CORRECT?

A. No. I made the proposed adjustments independently of the lower of cost or market analysis for affiliate mines. The adjustments were proposed by me in order to remain consistent with Commission precedent that discretionary expenses not directly relating to the operation of the business should not be passed on to the rate payer in full.

Q. WAS THERE A DIFFERENCE BETWEEN THE OREGON-ALLOCATED FUEL BURN COST SHOWN ON EXHIBIT PPL (TAM)/106, DUVALL/1 AND EXHIBIT PPL (TAM)/107, DUVALL/1?

A. Yes. In the former instance the increase from the March filing to the July update in fuel consumed – coal (including Cholla) is $2,044,556, and in the latter instance the updated increase in coal contracts is $4,767,613. This increase was due primarily to changes in coal contracts, transportation costs, and volume changes.

Q. PLEASE EXPLAIN THE $2,723,057 DIFFERENCE NOTED IN THE PREVIOUS QUESTION.

A. According to PacifiCorp's response to Staff Data Request No. 41, the $4,767,613 amount is the one-off impact of the updated coal costs, holding other components of the NPC at the level of the original filing. The $2,044,556 amount is the overall change in fuel costs, including changes in generation due to other updates that lead to re-dispatch of resources.

Q. DID YOU PERFORM LOWER OF COST OR MARKET (LCM) ANALYSES FOR PACIFICORP'S THREE AFFILIATE MINES USING THE AMOUNTS INCLUDED IN THE JULY UPDATE?

A. Yes. Using the coal cost amounts provided by the Company for July 2011, I performed LCM analyses for BCC, which supplies coal to the Jim Bridger plant; Deer Creek, which supplies coal to the Carbon, Hunter, and Huntington plants; and Trapper, which supplies coal to the Craig plant. In all three analyses, the affiliate coal costs were lower than the calculated market costs. As a result, I do not have LCM adjustments for the fuel burn expenses of the three affiliate mines.

Q. PLEASE RESTATE YOUR RECOMMENDATION CONCERNING AFFILIATE MINE COSTS.

A. I recommend that the Commission accept my original proposal of a reduction in Oregon allocated coal fuel burn expense in the amount of $441,597.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

CERTIFICATE OF SERVICE

UE 227

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 16th day of August, 2011 at Salem, Oregon.

Kay Barnes

Kay Barnes
Public Utility Commission
Regulatory Operations
550 Capitol St NE Ste 215
Salem, Oregon 97301-2551
Telephone: (503) 378-5763

UE 227

SERVICE LIST (PARTIES)

CITIZENS' UTILITY BOARD OF OREGON GORDON FEIGHNER **(C) (HC)** ENERGY ANALYST	 610 SW BROADWAY, STE 400 PORTLAND OR 97205 gordon@oregoncub.org
ROBERT JENKS **(C) (HC)** EXECUTIVE DIRECTOR	610 SW BROADWAY, STE 400 PORTLAND OR 97205 bob@oregoncub.org
G. CATRIONA MCCRACKEN **(C) (HC)** LEGAL COUNSEL/STAFF ATTY	610 SW BROADWAY, STE 400 PORTLAND OR 97205 catriona@oregoncub.org
DAVISON VAN CLEVE IRION A SANGER **(C) (HC)** ASSOCIATE ATTORNEY	 333 SW TAYLOR - STE 400 PORTLAND OR 97204 mail@dvclaw.com
ENERGY STRATEGIES LLC KEVIN HIGGINS PRINCIPLE	 214 STATE ST - STE 200 SALT LAKE UT 84111-2322 khiggins@energystrat.com
INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES MICHAEL EARLY EXECUTIVE DIRECTOR	 1300 SW 5TH AVE, STE 1750 PORTLAND OR 97204-2446 mearly@icnu.org
MCDOWELL RACKNER & GIBSON PC AMIE JAMIESON ATTORNEY	 419 SW 11TH AVE., STE 400 PORTLAND OR 97205 amie@mcd-law.com
KATHERINE A MCDOWELL ATTORNEY	419 SW 11TH AVE., SUITE 400 PORTLAND OR 97205 katherine@mcd-law.com
NOBLE AMERICAS ENERGY SOLUTIONS, LLC GREG BASS	 401 WEST A ST., STE. 500 SAN DIEGO CA 92101 gbass@noblesolutions.com
OREGON PUBLIC UTILITY COMMISSION ED DURRENBERGER **(C)**	 PO BOX 2148 SALEM OR 97308-2148 ed.durrenberger@state.or.us

PACIFICORP, DBA PACIFIC POWER	
OREGON DOCKETS	825 NE MULTNOMAH ST, STE 2000 PORTLAND OR 97232 oregondockets@pacificorp.com
PUBLIC UTILITY COMMISSION	
MAURY GALBRAITH **(C)**	PO BOX 2148 SALEM OR 97308 maury.galbraith@state.or.us
PUC STAFF--DEPARTMENT OF JUSTICE	
JASON W JONES **(C)**	BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us
REGULATORY & COGENERATION SERVICES INC	
DONALD W SCHOENBECK **(C) (HC)**	900 WASHINGTON ST STE 780 VANCOUVER WA 98660-3455 dws@r-c-s-inc.com
RICHARDSON & O'LEARY	
GREGORY M. ADAMS	PO BOX 7218 BOISE ID 83702 greg@richardsonandoleary.com