

August 22, 2012

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

Public Utility Commission of Oregon
550 Capitol Street NE, Suite 215
Salem, OR 97310-2551

Attn: Filing Center

Re: UE 245 – PacifiCorp’s Revised Cross-Exhibit PAC/404 – Replacement Pages

PacifiCorp d.b.a. Pacific Power hereby submits for filing an original and two copies of the non-confidential portion of its Revised Cross-Exhibit PAC/404. This version replaces the redacted pages filed on August 20, 2012. There are no changes to the confidential portion.

Please direct informal correspondence and questions regarding this filing to Bryce Dalley, Director, Regulatory Affairs & Revenue Requirement, at (503) 813-6389.

Sincerely,



William R. Griffith
Vice President, Regulation

Enclosures

cc: UE 245 Service List

CERTIFICATE OF SERVICE

I hereby certify that on this 22nd of August, 2012, I caused to be served, via E-mail and overnight delivery, 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

UE-245

OPUC Dockets (W)
Citizens' Utility Board of Oregon
610 Broadway, Suite 400
Portland, OR 97205
dockets@oregoncub.org

G. Catriona McCracken (C)(W)
Citizens' Utility Board of Oregon
610 Broadway, Suite 400
Portland, OR 97205
catriona@oregoncub.org

Melinda J Davison (C) (W)
Davison Van Cleve PC
333 SW Taylor – Ste 400
Portland, OR 97204
mail@dvclaw.com

Katherine A McDowell (W)
McDowell Rackner & Gibson PC
419 SW 11th Ave, Suite 400
Portland, OR 97205
Katherine@mcd-law.com

Sarah Wallace (C) (W)
Pacific Power
825 NE Multnomah St Ste 1800
Portland, OR 97232
Sarah.wallace@pacificcorp.com

Jason W Jones (C) (W)
Department of Justice
Business Activities Section
1162 Court St NE
Salem, OR 97301-4096
Jason.w.jones@state.or.us

Robert Jenks (C) (W)
Citizens' Utility Board of Oregon
610 Broadway, Suite 400
Portland, OR 97205
bob@oregoncub.org

Irion A Sanger (C) (W)
Davison Van Cleve
333 SW Taylor – Ste 400
Portland, OR 97204
ias@dvclaw.com

Kevin Higgins (C) (W)
Energy Strategies LLC
215 State St Ste 200
Salt Lake City, UT 84111-2322
Khiggins@energystrat.com

Greg Bass (W)
Noble Americas Energy Solutions LLC
401 West A St., Ste. 500
San Diego, CA 92101
gbass@noblesolutions.com

Oregon Dockets (W)
Pacific Power
825 NE Multnomah St, Ste 2000
Portland, OR 97232
oregondockets@pacificcorp.com

Donald W. Schoenbeck (C) (W)
Regulatory & Cogeneration Services Inc
900 Washington St Ste 780
Vancouver, WA 98660-3455
dws@r-c-s-inc.com

Gregory M. Adams (C) (W)
Richardson & O'Leary
PO Box 7218
Boise, ID 83702
greg@richardsonandoleary.com

Steve Schue (C) (W)
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148
Steve.schue@state.or.us



Carrie Meyer
Coordinator, Regulatory Operations

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 227

In the Matter of)
)
PACIFIC POWER & LIGHT)
(dba PACIFICORP))
)
2012 Transition Adjustment Mechanism)
Schedule 201, Cost-Based Supply Service)

**TESTIMONY OF
DONALD W. SCHOENBECK
ON BEHALF OF
THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES**

HIGHLY CONFIDENTIAL

**(Confidential Information is Shaded and Bracketed by C)
(Highly Confidential Information is Shaded and Bracketed by HC)**

June 24, 2011

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Donald W. Schoenbeck. I am a member of Regulatory & Cogeneration
3 Services, Inc. ("RCS"), a utility rate and economic consulting firm. My business address
4 is 900 Washington Street, Suite 780, Vancouver, WA 98660.

5 **Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.**

6 **A.** I've been involved in the electric and gas utility industries for almost 40 years. For the
7 majority of this time, I have provided consulting services for large industrial customers
8 addressing regulatory and contractual matters. I have appeared before the Oregon Public
9 Utility Commission (the "Commission" or "OPUC") on many occasions since 1984. A
10 further description of my educational background and work experience can be found in
11 Exhibit ICNU/101 in this proceeding.

12 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

13 **A.** I am testifying on behalf of the Industrial Customers of Northwest Utilities ("ICNU").
14 ICNU is a non-profit trade association whose members are large industrial customers
15 served by electric utilities throughout the Pacific Northwest, including PacifiCorp (or the
16 "Company").

17 **Q. WHAT TOPICS WILL YOUR TESTIMONY ADDRESS?**

18 **A.** I will discuss select issues related to PacifiCorp's proposal to increase the net power
19 costs ("NPC") allowed under the Transition Adjustment Mechanism ("TAM") by \$57.9
20 million or 17.8%. The average proposed rate increase is approximately 5.2% with a
21 proposed large industrial rate increases of 7.3%. Specifically, I will address the
22 Company's load forecast for 2012, the Company's financial hedging strategy and its
23 impact on the NPC for 2012, the forward price curves used as a starting point for deriving

Pages 3 – 4 are Confidential
and provided under separate cover

1 PacifiCorp (OR) 2010 10-K at 62 (found at
2 <http://www.faq.s.org/sec-filings/100301/PACIFICORP-OR-10-K/>).

3 **Q. HAVE YOU DONE ANY ANALYSIS COMPARING PACIFICORP'S INTERNAL**
4 **MONTHLY PRICE CURVES WITH FORWARD PRICES REPORTED FROM**
5 **INDEPENDENT OR THIRD PARTY SUPPLIERS?**

6 **A.** Yes. There are a host of third party providers willing to market or provide forward
7 prices. Our firm has access to forward prices from several sources offering a variety of
8 price points. Recognizing that the development of the NPC for PacifiCorp requires a
9 geographically diverse number of points, we analyzed and compared a sample of
10 PacifiCorp's forward price curves with ICE transactional prices. It has been my
11 experience that ICE prices are recognized as a reputable source of forward prices. For
12 example, a workshop was conducted in California several years ago to evaluate and
13 ascertain third party independent forward price providers that could be used by the
14 investor owned utilities in order to determine short run avoided payments to qualifying
15 facilities. The ICE transactional data was one of four providers chosen and agreed to by
16 all parties to form a pool of providers from which each utility would select three
17 providers. Each of the three investor owned utilities in California uses ICE data as one of
18 the three sources. The comparative analysis we performed was for five trading days in
19 each month of January, February and March of 2011 for many of PacifiCorp's forward

This section is now designated confidential.

20 price hubs. The analysis was done for [Begin HC] [REDACTED]
21 [REDACTED] [End HC] and both the on-peak and off-peak prices for [Begin HC]

22 [REDACTED] [End HC] ICE does not provide
23 forward price curves for the less liquid hubs of [Begin HC] COB, FC, Mead and Mona.

This section is now designated NON-confidential.

24 [End HC] This analysis is provided as Highly Confidential Exhibit ICNU/104. There

Pages 6 – 7 are Confidential
and provided under separate cover

1 in its filings) has provided a before the fact understanding of the ultimate rate increase
2 authorized by the Washington Commission in PSE proceedings.

3 **SALES ACTIVITY**

4 **Q. IN WHAT ELECTRICITY MARKETS DOES PACIFICORP SELL POWER?**

5 **A.** PacifiCorp transacts a substantial amount of sales at many trading points. These include
6 the Mid-C and PV major trading hubs, as well as FC, COB, Mead, Mona and the
7 California market ("CAISO").

8 **Q. HAS PACIFICORP MODELLED ALL THESE TRADING HUBS IN GRID?**

9 **A.** No. GRID does include Mid-C, PV, COB, Mead and Mona but it does not model any
10 transactions with the CAISO.

11 **Q. HOW DOES PACIFICORP MODEL TRADING TRANSACTIONS AT THE**
12 **HUBS IT HAS INCLUDED IN GRID?**

13 **A.** PacifiCorp converts the monthly electricity forward prices into three typical hourly price
14 curves (weekdays, Sundays/holidays and Saturday) at each trading hub. GRID then uses
15 these hourly prices to make balancing purchases or balancing sales depending upon the
16 incremental generating costs and available transmission capacity for each hour to
17 minimize overall system costs. GRID has been structured as an hourly dispatch model.
18 Accordingly, all the balancing transactions at these hubs—whether a purchase or a sale—
19 are akin to a real-time spot market purchase or sale.

20 **Q. IS THIS THE MANNER IN WHICH PACIFICORP ACTUALLY BUYS AND**
21 **SELLS POWER?**

22 **A.** No. In actuality, the vast majority of the Company's purchase and sales activity is done
23 in the day ahead ("DA") market and not the spot market modeled by GRID. Confidential
24 Exhibit ICNU/105, Schoenbeck/9 compares the spot market and forward markets