

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UE 170

In the Matter of	)	
	)	ORDER
PACIFIC POWER & LIGHT	)	
	)	
Request for a General Rate Increase in the	)	
Company's Oregon Annual Revenues.	)	

**DISPOSITION: PROPOSED BUDGETS FOR ISSUE FUND  
GRANTS APPROVED**

On December 6, 2004, the Industrial Customers of Northwest Utilities (ICNU) filed a Notice of Intent to Request a PacifiCorp Issue Fund Grant in this docket. On November 26, 2004, the Citizens Utility Board of Oregon (CUB) also filed a Notice of Intent to Request a PacifiCorp Issue Fund Grant concurrent with its Notice of Intervention in this docket. On January 28, 2005, ICNU and CUB each filed a proposed budget to be funded by PacifiCorp's Issue Fund. ICNU's proposed budget is in the amount of \$147,980. CUB's proposed budget is in the amount of \$45,597. A copy of ICNU's proposed budget is attached as Appendix A. A copy of CUB's proposed budget is attached as Appendix B.

On January 28, 2005, the Klamath Water Users Association (KWUA) and the Klamath Off-Project Water Users, Inc. (KOPWU) also filed proposed budgets for PacifiCorp Issue Fund Grants in this docket. The Commission will issue a separate ruling regarding KWUA's and KOPWU's requests.

The Intervenor Funding Agreement (IFA), approved by the Commission in Order No. 03-388, provides that precertified intervenors must submit a proposed issue fund budget to the Commission that contains, at a minimum, the following information:

- 1) A statement of the work to be performed;
- 2) A description of the areas to be investigated;
- 3) A description of the particular customer class(es) that will benefit from the intervenor's participation;
- 4) Identification of the specific fund accounts from which the intervenor is seeking monies; and
- 5) A budget showing estimated attorney, consultant and expert witness fees, which may include the cost for appropriate support staff and operations support.

Once the proposed budget is received, we decide whether Issue Fund Grants are available for use. We make these determinations based on the following factors:

- 1) Breadth and complexity of the issues;
- 2) Significance of policy issues;
- 3) Procedural schedule;
- 4) Dollar magnitude of the issues at stake;
- 5) Participation of other parties that adequately represent the interests of customers;
- 6) Amount of funds being provided by the applicant intervenor;
- 7) Qualifications and experience before the Commission;
- 8) Level of available funds; and
- 9) Other Eligible Proceedings in which intervenors may seek additional Issue Fund Grants from the same Fund account(s).

We have the authority to accept, deny or partially deny the request, and may place reasonable conditions on the grant.

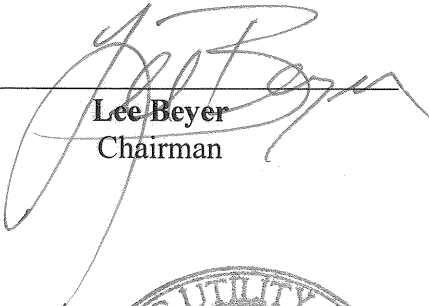
Both ICNU and CUB are precertified as eligible to receive an Issue Fund Grant. ICNU was precertified in Order No. 03-502 pursuant to Section 5.1 of the IFA and OAR 860-017-0050(3). CUB was automatically precertified for Issue Fund Grants under Section 5.2(a) of the IFA and OAR 860-012-0100(3)(a). ICNU and CUB served their proposed budgets on all parties to the docket. No party filed comments on either party's proposed budget. ICNU's and CUB's proposed budgets include the requisite information and reflect the current schedule adopted in this docket. In light of the issues being addressed, the complexity of the issues and the significant policy decisions to be made, ICNU's and CUB's proposed budgets should be approved.

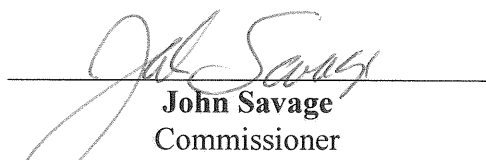
**ORDER**

IT IS ORDERED that:

- 1) The Industrial Customers of Northwest Utilities' proposed budget for an Issue Fund Grant in the amount of \$147,980.00 is approved.
- 2) The Citizen's Utility Board of Oregon's proposed budget for an Issue Fund Grant in the amount of \$45,597.00 is approved.

Made, entered, and effective FEB 22 2005.

  
\_\_\_\_\_  
**Lee Beyer**  
Chairman

  
\_\_\_\_\_  
**John Savage**  
Commissioner

  
\_\_\_\_\_  
**Ray Baum**  
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable

BEFORE THE PUBLIC UTILITY COMMISSION  
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UE 170

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 170 for an Issue Fund Grant in the amount of \$147,980. ICNU prepared its Proposed Budget on the basis of the procedural schedule adopted in the prehearing conference report issued in this Docket on December 8, 2004. ICNU proposes that this grant be funded from the PacifiCorp Issue Fund Account. 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 170. In UE 170, PacifiCorp filed a request for a \$102,000,000 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 170 directly affects

PacifiCorp, which falls under the definition of “Participating Public Utility” in Section 1(k) of the IFA. Therefore, UE 170 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 170. In addition, ICNU intends to submit an issues list, 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 170 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 at least three components of PacifiCorp’s proposal that are unique and that will add to the complexity of this proceeding. These include establishing a transition adjustment mechanism and resource valuation mechanism, developing a revised partial requirements service tariff for cogenerators, and the implementation of the Revised Protocol. ICNU has invested three years of effort on the development of an interjurisdictional allocation methodology for PacifiCorp and looks forward to the establishment of the Hybrid Method cost allocation methodology to serve as a comparison to the Revised Protocol.

**(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 and interjurisdictional allocation, should benefit all of PacifiCorp’s customers. In

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addition, ICNU has participated in previous PacifiCorp rate cases and proceedings, including UE 111, UE 147, UM 1050, and UM 1081. 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 \$147,980. 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 is ICNU's proposed budget in UE 170. The proposed budget amount of \$147,980 is composed of \$56,480 in attorney fees, \$85,000 in expert witness fees, and \$6,500 in expenses. 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, partial requirements service tariff, 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. ICNU's share of the ROE witness' fee is \$12,500.

**Basis for Request**

ICNU respectfully requests that the Commission grant its request for this Issue Fund Grant in the amount of \$147,980 based on the following considerations:

1. In this docket, PacifiCorp proposes to raise its rates by 21.6% for industrial customers. As a result, UE 170 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. PacifiCorp's application in UE 170 requests Commission approval of a new transition adjustment mechanism. For the first time, PacifiCorp is also asking the Commission to establish a resource valuation mechanism. As such, this aspect of the application needs to be thoroughly reviewed.

5. The Company proposes several revisions to its partial requirements service tariff for customers with on-site generation, including changes to Facilities Charges and potential payment by customers of spinning and supplemental reserves charges. These modifications will directly affect several of ICNU's members.

6. This case presents PacifiCorp's first implementation in a general rate case of the Revised Protocol adopted in UM 1050. This is the culmination of three years of work on finding a solution to PacifiCorp's multi-jurisdictional cost allocation issues. ICNU has fully

participated in this long process and will investigate PacifiCorp's application regarding its implementation of the Revised Protocol and other MSP issues. Furthermore, in accordance with the Commission's final order in UM 1050, ICNU will work with PacifiCorp and other parties to establish the Hybrid Method cost allocation methodology to serve as a comparison to the Revised Protocol.

7. 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.

8. 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.

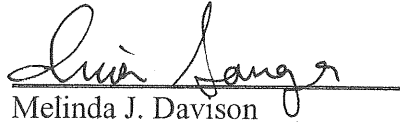
Therefore, ICNU respectfully requests that the Commission issue an order granting an Issue Fund Grant in the amount specified above. ICNU prepared the attached budget on the basis of the schedule adopted in the prehearing conference report issued in this Docket on December 8, 2004. In the event that this Docket involves a substantially different process, ICNU will prepare an amended budget.



Dated this 28th day of January, 2005.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.



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Of Attorneys for Industrial Customers  
of Northwest Utilities

**Exhibit A**

**Proposed Budget of ICNU**

Exhibit A

ICNU Proposed Budget for Issue Fund Grant

<u>Task</u>	<u>Assigned Personnel</u>	<u>Hours</u>	<u>Rate</u>	<u>Cost</u>
Attend Prehearing Conference, Work on Scheduling, Attend Filing Meetings, Review Filing	Sr. Attorney	8	185.00	1,480.00
	Assoc. Attorney	15	135.00	2,025.00
Analyze Case and Prepare Issue Statement, Work on Issues with Other Parties	Sr. Attorney	20	185.00	3,700.00
Prepare for and Participate in Workshops	Sr. Attorney	10	185.00	1,850.00
	Assoc. Attorney	10	135.00	1,350.00
Conduct Discovery	Sr. Attorney	10	185.00	1,850.00
	Assoc. Attorney	30	135.00	4,050.00
Participate in Settlement Conferences	Sr. Attorney	30	185.00	5,550.00
	Assoc. Attorney	10	135.00	1,350.00
Prepare Opening Testimony	Sr. Attorney	15	185.00	2,775.00
	Assoc. Attorney	25	135.00	3,375.00
Prepare Surrebuttal Testimony	Sr. Attorney	5	185.00	925.00
	Assoc. Attorney	15	135.00	2,025.00
Legal Research	Assoc. Attorney	10	135.00	1,350.00
Prepare for and Attend Hearings	Sr. Attorney	30	185.00	5,550.00
	Assoc. Attorney	40	135.00	5,400.00
Draft Opening Brief and Reply Brief	Sr. Attorney	20	185.00	3,700.00
	Assoc. Attorney	40	135.00	5,400.00
Prepare for and Attend Oral Argument	Sr. Attorney	15	185.00	2,775.00
	Total Hours	358	Sub-Total	56,480.00

Expert Witness Fees

Witness 1 (Power Costs, MSP, resource valuation mechanism)	40,000.00
Witness 2 (A&G, rate spread, rate design, partial requirements service tariff)	32,500.00
Witness 3* (ROE)	12,500.00
	<u>Sub-Total 85,000.00</u>

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

Expenses

Travel Expenses (Mileage)	500.00
Consultant Travel Expenses	3,500.00
Printing and Reproduction	2,000.00
Telephone and Postage	<u>500.00</u>
	Sub-Total 6,500.00

**Grand Total** 147,980.00

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In the Matter of	)	
	)	CUB Request for PacifiCorp Issue
	)	Fund Grant & Proposed Budget
PACIFIC POWER & LIGHT,	)	
	)	
Request for a General Rate Increase in the	)	
Company's Oregon Annual Revenues	)	
_____	)	

The Citizens' Utility Board of Oregon (CUB) requests a grant of \$45,597 from the PacifiCorp Issue Fund.

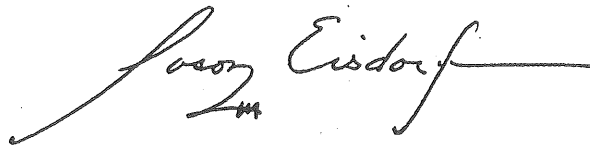
CUB is precertified as per OAR 860-012-0100(3)(a). UE 170 is an eligible proceeding under the Intervenor Funding Agreement, adopted by the Commission in Order No. 03-388 (July 2, 2003), because the proceeding directly affects PacifiCorp, a participating public utility. Agreement, 1(c). CUB filed its Notice of Intent to Request a PacifiCorp Issue Fund Grant concurrent with its Notice of Intervention on November 24, 2004, as required by the Intervenor Funding Agreement. Agreement 6.2.

Pursuant to paragraph 6.3 of the Intervenor Funding Agreement, the proposed budget must identify certain points of information. We provide the information below.

*1) Statement of Work to be Performed:* CUB intends to participate in every procedural aspect of this case. We have participated in the pre-hearing conference. We will attend and participate in all or most workshops, hearings and settlement meetings. We will review and analyze

- 4) *The Specific Fund from which CUB Seeks an Issue Fund Grant:* CUB is seeking an Issue Fund Grant from the PacifiCorp Issue Fund.
- 5) *The Budget Showing Estimated Fees and Costs:* CUB's budget is included as Attachment 1. CUB's budget includes half the cost associated with a cost of capital expert witness that CUB intends to hire in conjunction with ICNU. CUB and ICNU intend to share the cost of this witness as envisioned in section 6.6 of the Intervenor Funding Agreement. The total grant request from the PacifiCorp Issue Fund is \$45,597. This assumes a fully litigated case; settlement of some or all issues would reduce the ultimate request for reimbursement. CUB staff will keep track of its participation by hours and activity.

Dated this 28<sup>th</sup> Day of January, 2005.  
Respectfully submitted,



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Jason Eisdorfer #92292  
Attorney for Citizens' Utility Board of Oregon