

ORDER NO. 11 244

ENTERED: JUL 05 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1050

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Petition for Approval of Amendments to
Revised Protocol Allocation Methodology.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. BACKGROUND

In 2002, PacifiCorp, dba Pacific Power (Pacific Power) filed an application in each of the six states in which the company operates to open a Multi-State Process (MSP) to address issues regarding the company's status as a multi-jurisdictional utility. After approximately two years of discussion and negotiation, in September of 2003, Pacific Power filed for approval of an Inter-Jurisdictional Cost Allocation Protocol (Protocol) by the public utility commissions in four states: Utah, Oregon, Wyoming and Idaho.

By June 28, 2004, discussion and negotiation resulted in a stipulation (2004 Stipulation) among all but one of the parties to adopt a revised Protocol (Revised Protocol). The Industrial Customers of Northwest Utilities (ICNU) opposed the 2004 Stipulation. In Order No. 05-021, the Public Utility Commission of Oregon (Commission) ratified the Revised Protocol for use in future rate cases to determine how Pacific Power's generation, transmission and distribution costs and wholesale revenues would be allocated among the utility's service territories. The Commission concluded that the Revised Protocol met the Commission's goals for the MSP, as adopted in Order No. 02-193:

- 1) Determine an allocation methodology that would allow Pacific Power an opportunity to recover its prudently incurred costs associated with its investment in generation resources;
- 2) Insure that Oregon's share of Pacific Power's costs is equitable in relation to other states; and
- 3) Meet the public interest standard in Oregon.

The Revised Protocol was also adopted by Wyoming, Utah and Idaho, although the latter two states instituted a rate cap. Washington rejected the Revised Protocol in favor of allocating costs pursuant to the Western Control Area Allocation Methodology, as developed by Washington's commission. Although California did not formally adopt the Revised Protocol, California uses it to establish rates.

The Revised Protocol provided for ongoing discussion among interested parties in all of the states through the continuation of the MSP, with a standing committee comprised of a representative of each commission that ratified the Revised Protocol, an informal working group that allows participation by any interested party, a professional facilitator and technical and other support from the company. The Revised Protocol standing committee and workgroups convened in September 2009 to address amendments to the Revised Protocol. In July 2010, the Standing Committee reached an agreement in principle to amend the Revised Protocol allocation methodology (2010 Protocol).

On September 15, 2010, Pacific Power filed a Petition for Approval of Amendments to Revised Protocol Allocation Methodology (petition) and testimony and supporting exhibits with the Commission. In the petition, the company requests approval of amendments to the Revised Protocol. Pacific Power indicates that since ratification of the Revised Protocol, interested parties in the state of Utah raised concerns about the continued use of the Revised Protocol. The Petition seeks approval of the 2010 Protocol, attached as Exhibit PPL/101 to the direct testimony of Ms. Andrea L. Kelly.

On October 25, 2010, a prehearing conference was held and conference participants proposed a procedural schedule that was adopted. On December 29, 2011, the procedural schedule was modified. Pursuant to the modified schedule, on January 27, 2011, reply testimony to the petition was filed by Commission Staff (Staff), the Citizens' Utility Board of Oregon (CUB) and ICNU.

A settlement conference was held on February 17, 2011. The active parties in the docket, Pacific Power, Staff, CUB, and ICNU participated.¹ These parties met again on February 28, 2011. They agreed to engage in further settlement discussions prior to filing rebuttal testimony. On March 1, 2011, Pacific Power filed another motion to modify the procedural schedule to allow additional time for settlement discussions. On March 18, 2011, the motion was granted and the schedule modified.

On April 1, 2001, the active parties again engaged in settlement discussions. As a result of these discussions, these parties reached a settlement in principle on all issues in the case. On April 4, 2011, Pacific Power filed a letter informing the Commission of the settlement in principle and requesting abeyance of the proceeding until a stipulation could be filed. On April 6, 2011, the procedural schedule was suspended.

¹ The Northwest Energy Coalition and Portland General Electric Company are the only other parties to this docket. Neither party was active in the docket, and neither filed reply testimony nor participated in settlement discussions.

On April 22, 2011, a stipulation was filed on behalf of Pacific Power, Staff, CUB and ICNU (the stipulating parties). On April 25, 2011, the stipulating parties filed Joint Testimony in Support of Stipulation (joint testimony). Both documents are attached as Appendix A and are incorporated by reference.

II. THE STIPULATION

A. Adopt the 2010 Protocol with Modifications

The Stipulating Parties agree that the 2010 Protocol, as proposed by Pacific Power, should be adopted by the Commission with certain modifications (2010 Protocol hereafter refers to the 2010 Protocol with the modifications set forth in the stipulation). Pursuant to the stipulation, the 2010 Protocol would be applied in all Pacific Power general rate cases filed in Oregon on or before December 21, 2016. The Stipulating Parties further agree that for any Pacific Power general rate case filed in Oregon after December 21, 2016, Pacific Power will revert to using the Revised Protocol allocation methodology, absent alternative direction by the Commission.

The Stipulating Parties agree to two modifications to the 2010 Protocol proposed by Pacific Power. The Stipulating Parties agree to modify calculations for the: 1) Hydro Embedded Cost Differential (ECD) Adjustment; and 2) Klamath Surcharge Adjustment. Changes to these calculations reflect agreement among the Stipulating Parties that the calculations should not be based on the six-year, fixed-levelized approach as proposed by Pacific Power, but rather on test period cost elements for rate filings, or historic and pro forma cost elements for regulatory reporting. Attachment 1 to the Stipulation shows changes to the language of the 2010 Protocol. Attachment 2 to the Stipulation demonstrates how the Hydro ECD and Klamath Surcharge adjustments will be allocated to Oregon.

B. Other Calculations

The Stipulating Parties also agree that for the duration of the 2010 Protocol: 1) Pacific Power's general rate cases filed with the Commission will include calculations of the company's Oregon revenue requirement under both the 2010 Protocol and the Revised Protocol; and 2) Pacific Power's annual results of operations with the Commission shall include calculations of the company's allocated results of operations for Oregon under both the 2010 Protocol and the Revised Protocol. All filings must include, and adequately explain, all adjustments, assumptions, work papers and spreadsheet models used by the company in calculations. The Stipulating Parties also reserve the right to request, in the future, comparisons against the Modified Accord allocation.² As such,

² The Modified Accord allocation approach is a previous consensus method that utilizes a fuel adjustment mechanism to allocate hydro resources across Pacific Power's multi-jurisdictional territory.

Pacific Power agrees to maintain the capability to provide results under the Modified Accord methodology. The Stipulating Parties agree it is not necessary for the company to maintain models related to the hybrid method allocation.³ The Stipulating Parties also agree to work in good faith to provide any requested results.

C. Rate Protection Mechanisms

The Stipulating Parties agree that any increase to Pacific Power's revenue requirement for Oregon, approved by the Commission in a general rate case filed by the company prior to December 31, 2016, as a result of implementation of the 2010 Protocol, will be capped at 0.30 percent of the company's Oregon revenue requirement under the Revised Protocol, as revised by Attachment 2 to the Stipulation. "Because the differences between Revised Protocol and the 2010 Protocol are related to the allocation of generation costs, in all cost of service studies performed by the parties, any change in Oregon's revenue requirement attributable to the cap will be applied to each customer class based on each class' relative share of marginal generation costs after it has been reconciled to the embedded revenue requirement."⁴

D. Deferral of 2011 Forecast Difference

As agreed among the Stipulating Parties, Pacific Power filed an application concurrently with the Stipulation to defer a \$2.3 million credit to Oregon customers. The deferral addresses the forecast difference for calendar year 2011 between Oregon's revenue requirement under the 2010 Protocol and the Revised Protocol. The Stipulating Parties agree that interest accrues on the credit consistent with Commission policy, with amortization beginning no later than January 1, 2012. The Stipulating Parties further agree that the credit should be allocated to all rate schedules. Allocation will be based on each schedule's proportion of present generation revenues under Schedules 200 and 201, with the shape of the allocation the same as the shape of the revenue allocation in the company's Transition Adjustment Mechanism proceeding.

E. Analysis of Alternate Allocation Options

As the 2010 Protocol expires under the Stipulation as of December 31, 2016, the Stipulating Parties plan to commence discussions in 2013, in conjunction with the MSP Standing Committee, about future allocation options. To facilitate these discussions, preparatory discussions will begin in 2012, and Pacific Power will consult with stakeholders to perform cost causation studies related to classification and allocation of costs as well as a comprehensive evaluation of the costs and benefits of structural separation and other allocation options such as the Rolled-In allocation methodology.

³ The hybrid method is not a fully-developed allocation methodology, never having been used for rate-making in any of the company's jurisdictions.

⁴ Appendix A, p. 5.

F. Class 1 Demand Side Management (DSM) Programs

The Stipulating Parties agree that emerging issues related to the Class 1 DSM programs are not yet ripe for Commission action. Additional analysis and discussion of these issues should be undertaken in the MSP Standing Committee workgroup, with participation by the Stipulating Parties to the extent possible, with proposed resolutions set forth at the next MSP Commissioners' Forum. The Stipulating Parties recognize, however, that the company may later make a filing with the Commission to address Class 1 DSM program issues. The Stipulating Parties also agree that any revenue requirement impact of changes related to Class 1 DSM programs, as adopted by the Commission in the future, will not be limited by the rate protection mechanisms provided for in the Stipulation.

G. Intervenor Funding Agreement

The Stipulating Parties agree to work cooperatively to develop an additional Intervenor Funding Agreement (IFA) to allow the full participation of CUB and ICNU in the ongoing MSP Standing Committee workgroup efforts, including the analysis of alternative allocation options for 2017 and beyond provided by the Stipulation. CUB and ICNU agree to bear the burden of supporting the requested level of increased funding to the Commission. Should the Commission reject a future request for an additional IFA, the Stipulating Parties agree to meet to discuss alternatives to fund participation by CUB and ICNU in the MSP Standing Committee workgroup efforts.

H. Reservation of Rights

Should the benefits or detriments of the 2010 Protocol no longer produce just and reasonable results at any time in the future, the Stipulating Parties reserve the rights to propose amendments to the 2010 Protocol or to recommend a different allocation approach.

III. COMMISSION DISPOSITION

The Commission has examined the stipulation, the joint testimony in support of the stipulation, and the pertinent record in the case. The Commission concludes that the stipulation is an appropriate resolution of all the pending issues in this docket. The Commission adopts the stipulation and the 2010 Protocol, as amended by the Stipulation.

ORDER

IT IS ORDERED that:

1. The stipulation is adopted in its entirety.
2. The 2010 Protocol, as amended by the stipulation, is adopted.

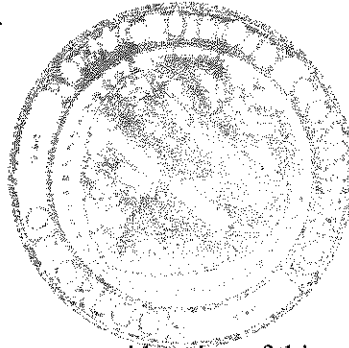
Made, entered, and effective JUL 05 2011.



John Savage
 Commissioner



Susan Ackerman
 Commissioner



A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
 2 **OF OREGON**

3 **UM 1050**

4 In the Matter of the Application of
 5 PACIFICORP for an Investigation of Inter-
 6 Jurisdictional Issues

STIPULATION

7
 8 Parties to this case have entered into a Stipulation for the purpose of resolving the
 9 issues related to PacifiCorp's Petition for Approval of Amendments to Revised Protocol
 10 Allocation Methodology.

11 **PARTIES**

12 1. The parties to this Stipulation are PacifiCorp, Staff of the Public Utility
 13 Commission of Oregon (Staff), Citizens' Utility Board of Oregon (CUB), and the Industrial
 14 Customers of Northwest Utilities (ICNU) (together, the Parties). This Stipulation will be made
 15 available to the other parties to this docket, who may participate by signing and filing a copy of
 16 the Stipulation.¹

17 **BACKGROUND**

18 2. On January 12, 2005, the Oregon Public Utility Commission (Commission)
 19 issued Order No. 05-021 in this docket ratifying the Revised Protocol inter-jurisdictional cost
 20 allocation methodology and adopting a Stipulation among PacifiCorp, Staff, CUB, (collectively
 21 the Oregon Parties) and AARP (2004 Stipulation). ICNU opposed the Stipulation.

22 3. The 2004 Stipulation included certain statements that explicitly recognized the
 23 expectations of and trade-offs by parties in reaching agreement to support the Revised
 24 Protocol.² Specifically, the 2004 Stipulation contained the following sections:

25 _____
 26 ¹ Northwest Energy Coalition and Portland General Electric Company are the only other parties to this docket. They did not file reply testimony and did not participate in settlement discussions.

² ICNU remains opposed the 2004 Stipulation, including paragraphs 4 and 5 cited below.

1 4. Throughout this proceeding, Oregon Parties have made clear the
2 importance of maintaining the Hydro-Electric Resources and Mid-Columbia
3 Contracts for Northwest citizens. An allocation of these Resources to Oregon
4 that is less than that contemplated by the Revised Protocol is not acceptable to
5 Oregon Parties. In order to secure the allocation of the Mid-Columbia
6 Contracts that is contemplated in the Revised Protocol, Oregon Parties have
7 accepted the allocation of the costs of Existing QF Contracts that is
8 contemplated in the Revised Protocol.

9 5. The parties to this Stipulation recognize that there is uncertainty regarding
10 the future value of the Mid-Columbia Contracts and that it is possible that,
11 during the remaining term of the Existing QF Contracts, the costs to Oregon
12 customers associated with the contemplated allocation of Existing QF
13 Contracts will exceed the benefits of the contemplated allocation of Mid-
14 Columbia Contracts. However, the Oregon Parties are prepared to assume this
15 risk because they expect that the contemplated allocation of Mid-Columbia
16 Contracts will continue to provide long-term benefits to Oregon customers after
17 the expiration of the Existing QF Contracts. Similarly, the parties to this
18 Stipulation recognize that the addition of relicensing costs to the Company's
19 ratebase may cause the Hydro-Electric Resources to be more costly than other
20 market opportunities in the near term, but Oregon Parties are willing to accept
21 responsibility for these higher near-term costs in the expectation that, as the
22 relicensing costs are depreciated, Hydro-Electric Resources will yield long-term
23 benefits to Oregon customers. For the foregoing reasons, it is critical to Oregon
24 Parties that their entitlement to Hydro-Electric Resources and Mid-Columbia
25 Contracts not be abridged at any time in the future.³

26 4. On September 15, 2010, PacifiCorp filed a Petition for Approval of Amendments
to Revised Protocol Allocation Methodology (Petition). The Petition was accompanied by
direct testimony of Andrea L. Kelly, Steven R. McDougal, and Gregory N. Duvall, and
supporting exhibits. In the Petition, the Company requested that the Commission approve
amendments to the Revised Protocol, the method by which PacifiCorp's costs are allocated
among its six jurisdictions that was approved by the Commission on January 12, 2005. The
proposed amendments reflected an agreement in principle reached by the Multi-State Process
(MSP) Standing Committee⁴ known as the "2010 Protocol."

³ In the Matter of the Application of PacifiCorp for an Investigation of Inter-Jurisdictional Issues, Docket
UM 1050, Order No. 05-021, Stipulation at 2 (Jan. 12, 2005).

⁴ The MSP Standing Committee was established by Section XIII.B of the Revised Protocol. The MSP
Standing Committee monitors and discusses inter-jurisdictional allocation issues facing PacifiCorp
and its customers and seeks resolution of these issues.

1 use in all PacifiCorp general rate case filings in Oregon that are filed on or before December
2 31, 2016. The Parties further agree that for all general rate case filings subsequent to
3 December 31, 2016, PacifiCorp will utilize the Revised Protocol allocation methodology,
4 absent formal action by the Commission to adopt an alternate allocation methodology for
5 Oregon.

6 12. Calculation of the Hydro Embedded Cost Differential (ECD) and the Klamath
7 Surcharge Adjustment: The Parties agree that, for ratemaking purposes, the two adjustments
8 in the 2010 Protocol, Hydro ECD and Klamath Surcharge, will not be based on the six-year,
9 fixed levelized approach as proposed in the Company's Petition. Instead, the adjustments will
10 reflect test period cost elements for purposes of rate filings, and historic and pro forma cost
11 elements for purposes of regulatory reporting. Attachment 1 to this Stipulation details the
12 impact of the Stipulation on the 2010 Protocol and its accompanying Appendix A – Defined
13 Terms. The Hydro ECD and Klamath Surcharge adjustments will be allocated to Oregon as
14 illustrated in Attachment 2 to this Stipulation.

15 For the duration of the 2010 Protocol: a) the Company's general rate case filings filed
16 with the Commission shall include calculations of the Company's Oregon revenue requirement
17 under both the 2010 Protocol and the Revised Protocol; and b) the Company's annual results
18 of operations with the Commission shall include calculations of the Company's Oregon
19 allocated results of operations under both the 2010 Protocol and Revised Protocol. All such
20 submittals shall include and adequately explain all adjustments, assumptions, work papers
21 and spreadsheet models used by the Company in its calculations. While the Parties agree
22 that a comparison to other allocation methodologies is not necessary for these purposes, the
23 Parties reserve the right to request comparisons against the Modified Accord allocation
24 methodology in the future. This in no manner impacts a Party's discovery rights. The
25 Company agrees to maintain the capability to provide results under the Modified Accord
26 methodology and the Parties agree to work in good faith to provide requested results in a

1 reasonable timeframe. The Parties agree that it is not necessary for the Company to maintain
2 models related to the Hybrid allocation methodology.

3 13. Rate Protection Mechanisms: In order to mitigate risks associated with the
4 potential rate impacts on Oregon customers, for all Company general rate case filings filed
5 prior to December 31, 2016, the increase in the Oregon total revenue requirement (as finally
6 determined by the Commission in each proceeding) as a result of the implementation of the
7 2010 Protocol shall be capped at 0.30 percent of the Company's Oregon revenue requirement
8 calculated under the Revised Protocol (as modified in Attachment 2 to this Stipulation).
9 Because the differences between Revised Protocol and the 2010 Protocol are related to the
10 allocation of generation costs, in all cost of service studies performed by the parties, any
11 change in Oregon's revenue requirement attributable to the cap will be applied to each
12 customer class based on each class' relative share of marginal generation costs after it has
13 been reconciled to the embedded revenue requirement.

14 14. Deferral of 2011 Forecast Difference: The Parties agree that PacifiCorp will file
15 an application to defer a \$2.3 million credit to Oregon customers related to the forecast
16 difference for calendar year 2011 between Oregon's revenue requirement under the 2010
17 Protocol and the Revised Protocol. The deferral application will be made concurrent with the
18 filing of the Stipulation, and interest will accrue, consistent with Commission policy, at the
19 Company's weighted average cost of capital until amortization of the balance is authorized by
20 the Commission. The Parties agree that the credit should be allocated to all rate schedules
21 based on each schedule's proportion of present generation revenues under Schedules 200
22 and 201, and amortization of the credit should begin no later than January 1, 2012. The
23 allocation across rate schedules should be the same shape as the revenue allocation in the
24 Company's Transition Adjustment Mechanism proceeding.

25 15. Analysis of Alternate Allocation Options: In anticipation of the expiration of the
26 use of the 2010 Protocol after December 31, 2016, the Parties agree to engage in discussions

1 starting in 2013 with other interested persons and, as appropriate, in conjunction with the MSP
2 Standing Committee and applicable workgroups regarding appropriate allocation options for
3 2017 and beyond. As part of these discussions the Company, in consultation with the other
4 stakeholders, will perform cost causation studies related to classification and allocation of
5 costs, including appropriate demand/energy weighting for generation costs, and a
6 comprehensive evaluation of the costs and benefits of structural separation and other
7 allocation options such as the Rolled-In allocation methodology. The Parties also agree to
8 undertake preparatory discussions beginning in 2012.

9 16. Class 1 Demand-Side Management (DSM) Programs: The Parties agree that
10 the emerging issues related to the allocation of Class 1 DSM programs are not yet ripe for
11 Commission action. The Parties agree that additional analysis and discussion of these issues
12 should be undertaken in the MSP Standing Committee workgroup, and the Parties will
13 endeavor to participate in the workgroup efforts to the extent possible. The Parties shall
14 encourage the workgroup to develop a proposed resolution on these issues by the next MSP
15 Commissioners' Forum. The Parties understand that the Company may make a subsequent
16 filing with the Commission to address this discrete issue. All Parties may take any position
17 they deem appropriate in response to this filing, if it occurs. The Parties agree that the
18 revenue requirement impact of changes adopted by the Commission in the future related to
19 Class 1 DSM programs, if any, will not be limited by the rate protection mechanisms contained
20 in Paragraph 13 of this Stipulation.

21 17. Intervenor Funding Agreement: To allow for full participation by CUB and ICNU
22 in the ongoing MSP Standing Committee workgroup efforts, as well as the comprehensive
23 multi-state effort outlined in Paragraph 15, the Parties support an additional Intervenor
24 Funding Agreement (IFA). This additional IFA does not impact the current IFA approved in
25 Order No. 07-564. Upon approval of this Stipulation, Parties agree to work cooperatively to
26 develop an additional IFA. CUB and ICNU agree to bear the burden of supporting the

1 requested level of increased funding, and all requested budgets and recovery would remain
2 subject to Commission approval. In the event the Commission rejects the request for an
3 additional IFA, the Parties agree to meet to discuss alternatives for funding for CUB's and
4 ICNU's participating in the MSP Standing Committee workgroup efforts and the
5 comprehensive multi-state effort outlined in Paragraph 15.

6 18. Reservation of Rights: As provided for in Section XIII C of the 2010 Protocol, a
7 party's initial support of the 2010 Protocol will not bind that party in the event that unforeseen
8 or changed circumstances cause that party to conclude that the 2010 Protocol no longer
9 produces just and reasonable results. Should the benefits or detriments to Oregon customers
10 of the contemplated allocations in the 2010 Protocol, or any amended version of the 2010
11 Protocol recommended by the MSP Standing Committee, no longer produce results that are
12 just, reasonable, and in the public interest, any party to this Stipulation may propose
13 amendments to the 2010 Protocol or propose to the Commission that the Commission depart
14 from its terms, so as to produce results that are just, reasonable, and in the public interest.

15 19. Notwithstanding the status of the 2010 Protocol as an inter-jurisdictional cost
16 allocation method, if PacifiCorp, Staff, or CUB proposes a material change to the allocation
17 methodology for Hydro-Electric Resources and Mid-Columbia Contracts, the proposed change
18 will be consistent with the trade-off contained in the Revised Protocol between near-term
19 negative impacts of Existing QF Contracts and long-term positive impacts of Mid-Columbia
20 Contracts and the potential near-term costs and long-term benefits of Hydro-Electric
21 Resources as described in Sections 4 and 5 of the 2004 Stipulation excerpted above.

22 20. Unless otherwise recommended by the MSP Standing Committee, as long as
23 CUB, ICNU, and Staff continue to support the use of the 2010 Protocol or the Revised
24 Protocol for purposes of establishing PacifiCorp's Oregon revenue requirement, PacifiCorp
25 will not propose or advocate any material change in the Protocol provisions relating to Hydro-
26 Electric Resources. Provided, however, the foregoing provision shall not prevent PacifiCorp

1 from complying with any Commission order. Staff, CUB, and ICNU reserve all rights to object
2 to recommendations of the MSP Standing Committee.

3 21. This Stipulation will be offered into the record as evidence pursuant to OAR 860-
4 001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and any
5 appeal, provide witnesses to sponsor this Stipulation at hearing, if needed, and recommend
6 that the Commission issue an order adopting the Stipulation.

7 22. If this Stipulation is challenged by any other party to this proceeding, the Parties
8 agree that they will continue to support the Commission's adoption of the terms of this
9 Stipulation. The Parties reserve the right to cross-examine witnesses and put in such
10 evidence as they deem appropriate to respond fully to the issues presented including the right
11 to raise issues that are incorporated in the settlements embodied in this Stipulation.

12 23. The Parties have negotiated this Stipulation as an integrated document. If the
13 Commission rejects all or any material portion of this Stipulation or imposes additional material
14 conditions in approving this Stipulation, any Party shall have the rights provided in OAR 860-
15 001-0350(9), including the right to present evidence and argument on the record in support of
16 the Stipulation or to withdraw from the Stipulation, and shall be entitled to seek
17 reconsideration pursuant to OAR 860-001-0720.

18 24. By entering into this Stipulation, no Party shall be deemed to have approved,
19 admitted, or consented to the facts, principles, methods, or theories employed by any other
20 Party in arriving at the terms of this Stipulation, other than as specifically identified in the body
21 of this Stipulation. No Party shall be deemed to have agreed that any provision of this
22 Stipulation is appropriate for resolving issues in any other proceeding, except as specifically
23 identified in this Stipulation.

24 25. This Stipulation may be executed in counterparts and each signed counterpart
25 shall constitute an original document.

26

1 This Stipulation is entered into by each Party on the date entered below such Party's
2 signature.

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

STAFF

CUB

By: *Man Keller*

By: _____

Date: Apr. 22, 2011

Date: _____

ICNU

PACIFICORP

By: _____

By: _____

Date: _____

Date: _____

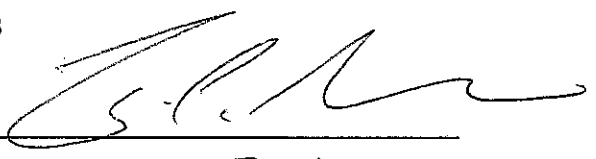
1 This Stipulation is entered into by each Party on the date entered below such Party's
2 signature.

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

STAFF

CUB

By: _____

By:  _____

Date: _____

Date: 4-22-11 _____

ICNU

PACIFICORP

By: _____

By: _____

Date: _____

Date: _____

1 This Stipulation is entered into by each Party on the date entered below such Party's
2 signature.

3
4 STAFF

CUB

5 By: _____

By: _____

6 Date: _____

Date: _____

7
8 ICNU

PACIFICORP

9 By: M. J. [Signature]

By: _____

10 Date: April 22, 2011

Date: _____

1 This Stipulation is entered into by each Party on the date entered below such Party's
2 signature.

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

STAFF

CUB

By: _____

By: _____

Date: _____

Date: _____

ICNU

PACIFICORP

By: _____

By: Andrea Kelly

Date: _____

Date: 4/22/11 *J*

**UM 1050
ATTACHMENT 1
to the Stipulation**

Modifications to the 2010 Protocol

The following redline changes to Section IV A of the 2010 Protocol (Exhibit PPL/101, pages 3-6), and Appendix A – Defined Terms (Exhibit PPL/101, pages 17-18), detail the impact of the proposed modifications to the two adjustments in the 2010 Protocol (Stipulation Paragraph 12). The Hydro embedded cost differential adjustment and the Klamath Surcharge adjustment, will not be based on the six-year, fixed levelized approach. Instead, the adjustments will reflect test period cost elements for purposes of rate filings, and historic and pro forma cost elements for purposes of regulatory reporting.

2010 Protocol

1 **IV. Allocation of Resource Costs and Wholesale Revenues**

2 **A. Regional Resources**

3 Costs associated with Regional Resources will be assigned and
4 allocated as follows:

5 1. Hydro-Endowment.

6 a. Owned Hydro Embedded Cost Differential

7 Adjustment. The Owned Hydro Embedded Cost
8 Differential Adjustment is calculated as follows:

- 9 • ~~The Forecasted Annual~~ Embedded Costs – Hydro-
10 Electric Resources, less the ~~Forecasted Annual~~
11 Embedded Costs – Pre-2005 Resources, multiplied
12 by the normalized MWh's of output from the
13 Hydro-Electric Resources.
- 14 • ~~The calculation is made using forecasted~~
15 ~~information contained in the Company's Baseline~~
16 ~~Study (finalized in March 2010) for calendar years~~
17 ~~2011 through 2016.~~

- 1 • The forecasted differential is allocated on the DGP
- 2 factor and the inverse amount is allocated on the
- 3 SG factor to compute State specific amounts for
- 4 calendar years 2011 through 2016.
- 5 • ~~The net present value of the forecasted differential~~
- 6 ~~by State is set at a fixed dollar level that will be~~
- 7 ~~used for all PacifiCorp rate proceedings filed prior~~
- 8 ~~to January 1, 2017.~~

9 b. Mid-Columbia Contract Embedded Cost Differential
 10 Adjustment. The Mid-Columbia Contract Embedded
 11 Cost Differential Adjustment is calculated as follows:

- 12 • The ~~Forecasted Annual~~ Mid-Columbia Contracts
- 13 Costs, less the ~~Forecasted Annual~~ Embedded Costs
- 14 – Pre-2005 Resources, multiplied by the
- 15 normalized MWh's of output from the Mid-
- 16 Columbia Contracts (Mid-C less All Other).
- 17 • ~~The calculation is made using forecasted~~
- 18 ~~information contained in the Company's Baseline~~
- 19 ~~Study (finalized in March 2010) for calendar years~~
- 20 ~~2011 through 2016.~~
- 21 • The forecasted allocation of Mid-Columbia
- 22 Contracts to each State is established pursuant to
- 23 Appendix F. The forecasted Mid-Columbia
- 24 differential is allocated on the MC factor and the
- 25 inverse amount is allocated on the SG factor to
- 26 compute State specific amounts for calendar years
- 27 2011 through 2016.

- ~~The net present value of the forecasted differential by State is set at a fixed dollar level that will be used for all PacifiCorp rate proceedings filed prior to January 1, 2017.~~

~~The results of the Owned Hydro Embedded Cost Differential calculation and the Mid-Columbia Contract Embedded Cost Differential calculation are added together and a levelized annual value for the calendar years 2011 through 2016 time period is calculated. The levelized Hydro Endowment is fixed for purposes of ratemaking for that time period.~~

2. Klamath Hydroelectric Settlement Agreement (KHSA). As

part of future ratemaking proceedings, the Company will include the full impact of the KHSA as a system cost in unadjusted results.

a. Klamath Dam Removal Surcharge Adjustment. The Klamath Dam Removal Surcharge is re-allocated to Oregon (92 percent) and California (8 percent) as follows:

- Each State's initial allocated share of the Klamath Dam Removal Surcharge is reversed and assigned to Oregon and California on a situs basis. The calculation is made using forecasted annual information contained in the Company's results of operations Baseline Study (finalized in March 2010) for calendar years 2011 through 2016.

- ~~The net present value of the forecasted adjustment by State is set at a fixed dollar level that will be used for all PacifiCorp rate proceedings filed prior to January 1,~~

1
2
3

~~2017. The levelized annual value for the calendar
years 2011 through 2016 time period will be used for
purposes of ratemaking for that time period.~~

2010 Protocol - Appendix A**Defined Terms**

1 **“Forecasted Annual Embedded Costs – Hydro-Electric Resources”**
2 means PacifiCorp’s total ~~forecasted test period¹ normalized annual~~ production costs
3 contained in the Company’s Baseline Study, for calendar years 2011 through 2016,
4 expressed in dollars per MWh, associated with Hydro-Electric Resources as recorded
5 in the FERC Accounts listed in Appendix E to the 2010 Protocol.

6 **“Forecasted Annual Embedded Costs – Pre-2005 Resources”** means
7 PacifiCorp’s total ~~forecasted test period¹ normalized annual~~ production costs of Pre-
8 2005 Resources contained in the Company’s Baseline Study, for calendar years 2011
9 through 2016, expressed in dollars per MWh, other than costs associated with
10 Hydro-Electric Resources, and Mid-Columbia Contracts, as recorded in the FERC
11 Accounts listed in Appendix E to the 2010 Protocol.

12 **“Forecasted Annual Mid-Columbia Contract Costs”** means the total
13 ~~forecasted test period¹~~ net costs incurred by PacifiCorp contained in the Company’s
14 Baseline Study, for calendar years 2011 through 2016, expressed in dollars per
15 MWh, under the Mid-Columbia Contracts.

¹ Test period costs will vary based on the test period and the costs that are used by parties to calculate the Company’s revenue requirement. Test period costs would therefore reflect adjustments made by parties to the Company’s filed case. The final test period costs that would be used to set rates would be based on the test period and costs approved by Commission order.

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Allocation Factor			
		Original Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
Sales to Ultimate Customers					
440	Residential Sales				
	Direct assigned - Jurisdiction	S	S	S	S
442	Commercial & Industrial Sales				
	Direct assigned - Jurisdiction	S	S	S	S
444	Public Street & Highway Lighting				
	Direct assigned - Jurisdiction	S	S	S	S
445	Other Sales to Public Authority				
	Direct assigned - Jurisdiction	S	S	S	S
448	Interdepartmental				
	Direct assigned - Jurisdiction	S	S	S	S
447	Sales for Resale				
	Direct assigned - Jurisdiction	S	S	S	S
	Non-Firm	SE	SE	SE	SE
	Firm	SG	SG	SG	SG
449	Provision for Rate Refund				
	Direct assigned - Jurisdiction	S	S	S	S
		SG	SG	SG	SG
Other Electric Operating Revenues					
450	Forfeited Discounts & Interest				
	Direct assigned - Jurisdiction	S	S	S	S
451	Misc Electric Revenue				
	Direct assigned - Jurisdiction	S	S	S	S
	Other - Common	SO	SO	SO	SO
453	Water Sales				
	Common	N/A	SG	SG	SG
454	Rent of Electric Property				
	Direct assigned - Jurisdiction	S	S	S	S
	Common	SG	SG	SG	SG
	Other - Common	N/A	SO	SO	SO
456	Other Electric Revenue				
	Direct assigned - Jurisdiction	S	S	S	S
	Wheeling Non-firm, Other	SE	SE	SE	SE
	Common	SO	SO	SO	SO
	Wheeling - Firm, Other	SG	SG	SG	SG
	Customer Related	N/A	CN	CN	CN
Miscellaneous Revenues					
41160	Gain on Sale of Utility Plant - CR				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	General Office	SO	SO	SO	SO
41170	Loss on Sale of Utility Plant				

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
			<u>Allocation Factor</u>		
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	General Office	SO	SO	SO	SO
4118	Gain from Emission Allowances				
	SO2 Emission Allowance sales	SE	SE	SE	SE
41181	Gain from Disposition of NOX Credits				
	NOX Emission Allowance sales	SE	SE	SE	SE
421	(Gain) / Loss on Sale of Utility Plant				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	General Office	SO	SO	SO	SO
	Customer Related	N/A	CN	CN	CN
Miscellaneous Expenses					
4311	Interest on Customer Deposits				
	Customer Service Deposits	CN	CN	CN	CN
	Direct assigned - Jurisdiction	N/A	S	S	S
Steam Power Generation					
500, 502, 504-514	Operation Supervision & Engineering				
	Steam Plants	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
501	Fuel Related				
	Steam Plants	SE	SE	SE	SE
	Peaking Plants*	SSECT	SSECT	N/A	N/A
	Cholla*	SSECH	SSECH	N/A	N/A
503	Steam From Other Sources				
	Steam Royalties	SE	SE	SE	SE
Nuclear Power Generation					
517 - 532	Nuclear Power O&M				
	Nuclear Plants	SG	SG	SG	SG
Hydraulic Power Generation					
535 - 545	Hydro O&M				
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
Other Power Generation					
546, 548-554	Operation Super & Engineering				
	Other Production Plant	SG	SG	SG	SG
	Peaking Plants*	N/A	SSGCT	N/A	N/A
547	Fuel				
	Other Fuel Expense	SE	SE	SE	SE
	Peaking Plants*	N/A	SSECT	N/A	N/A
Other Power Supply					
555	Purchased Power				

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original		Current Definition	
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
				Allocation Factor	
	Direct assigned - Jurisdiction	S	S	S	S
	Firm	SG	SG	SG	SG
	Non-firm	SE	SE	SE	SE
	100 MW Hydro Extension	SG	N/A	N/A	N/A
	Seasonal Contracts	SSGC	SSGC	N/A	N/A
556	System Control & Load Dispatch				
	Other Expenses	SG	SG	SG	SG
557	Other Expenses				
	Direct assigned - Jurisdiction	N/A	S	S	S
	Other Expenses	SG	SG	SG	SG
	Cholla Transaction	N/A	SGCT	SGCT	SGCT
	Klamath Dam Removal Surcharge	N/A	S	SG	SG
	Embedded Cost Differential Endowments				
	Company Owned Hydro ECD (Hydro less All Other)	DGP	DGP	N/A	N/A
	Company Owned Hydro ECD (All Other less Hydro)	SG	SG	N/A	N/A
	Mid-Columbia Contract ECD (Mid C less All Other)	MC	MC	N/A	N/A
	Mid-Columbia Contract ECD (All Other less Mid C)	SG	SG	N/A	N/A
	Existing QF Contracts ECD (QF less- All Other)	S	S	N/A	N/A
	Existing QF Contracts ECD (All Other less QF)	SG	SG	N/A	N/A
	Fixed-Levelized 2010 Protocol Adjustments				
	Hydro Endowment	N/A	N/A	S	N/A
	Klamath Dam Removal Surcharge Re-allocation	N/A	N/A	S	N/A
	Non-Levelized 2010 Protocol Embedded Cost Differential and Adjustment				
	Company Owned Hydro ECD (Hydro less Pre-2005 All Other)	N/A	N/A	DGP	N/A
	Company Owned Hydro ECD (Pre-2005 All Other less Hydro)	N/A	N/A	SG	N/A
	Mid-Columbia Contract ECD (Mid C less Pre-2005 All Other)	N/A	N/A	MC	N/A
	Mid-Columbia Contract ECD (Pre-2005 All Other less Mid C)	N/A	N/A	SG	N/A
	Klamath Dam Removal Surcharge Re-allocation	N/A	N/A	S	N/A
TRANSMISSION EXPENSE					
560-564, 566-573	Transmission O&M				
	Transmission Plant	SG	SG	SG	SG
565	Transmission of Electricity by Others				
	Firm Wheeling	SG	SG	SG	SG
	Non-Firm Wheeling	SE	SE	SE	SE
DISTRIBUTION EXPENSE					
580 - 598	Distribution O&M				
	Direct assigned - Jurisdiction	S	S	S	S
	Other Distribution	SNPD	SNPD	SNPD	SNPD
CUSTOMER ACCOUNTS EXPENSE					
901 - 905	Customer Accounts O&M				
	Direct assigned - Jurisdiction	S	S	S	S
	Total System Customer Related	CN	CN	CN	CN
CUSTOMER SERVICE EXPENSE					
907 - 910	Customer Service O&M				
	Direct assigned - Jurisdiction	S	S	S	S

APPENDIX A
PAGE 20 OF 45

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
	Total System Customer Related	CN	CN	CN	CN
SALES EXPENSE					
911 - 916	Sales Expense O&M				
	Direct assigned - Jurisdiction	S	S	S	S
	Total System Customer Related	CN	CN	CN	CN
ADMINISTRATIVE & GEN EXPENSE					
920-935	Administrative & General Expense				
	Direct assigned - Jurisdiction	S	S	S	S
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	FERC Regulatory Expense	SG	SG	SG	SG
DEPRECIATION EXPENSE					
403SP	Steam Depreciation				
	Steam Plants	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
403NP	Nuclear Depreciation				
	Nuclear Plant	SG	SG	SG	SG
403HP	Hydro Depreciation				
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
403OP	Other Production Depreciation				
	Other Production Plant	SG	SG	SG	SG
	Peaking Plants*	N/A	SSGCT	N/A	N/A
403TP	Transmission Depreciation				
	Transmission Plant	SG	SG	SG	SG
403	Distribution Depreciation Direct assigned - Jurisdiction				
	Land & Land Rights	S	S	S	S
	Structures	S	S	S	S
	Station Equipment	S	S	S	S
	Storage Battery Equipment	N/A	S	S	S
	Poles & Towers	S	S	S	S
	OH Conductors	S	S	S	S
	UG Conduit	S	S	S	S
	UG Conductor	S	S	S	S
	Line Trans	S	S	S	S
	Services	S	S	S	S
	Meters	S	S	S	S
	Inst Cust Prem	S	S	S	S
	Leased Property	S	S	S	S
	Street Lighting	S	S	S	S

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original		Current Definition	
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
403GP	General Depreciation				
	Distribution	S	S	S	S
	Steam Plants	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
	Mining	N/A	SE	SE	SE
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
	Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General SO	SO	SO	SO	SO
403MP	Mining Depreciation				
	Remaining Mining Plant	SE	SE	SE	SE
AMORTIZATION EXPENSE					
404GP	Amort of LT Plant - Capital Lease Gen				
	Direct assigned - Jurisdiction	S	S	S	S
	General	SO	SO	SO	SO
	Customer Related	CN	CN	CN	CN
404SP	Amort of LT Plant - Cap Lease Steam				
	Steam Production Plant	SG	SG	SG	SG
404IP	Amort of LT Plant - Intangible Plant				
	Distribution	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	General	SO	SO	SO	SO
	Mining Plant	SE	SE	SE	SE
	Customer Related	CN	CN	CN	CN
	Cholla*	N/A	SSGCH	N/A	N/A
404MP	Amort of LT Plant - Mining Plant				
	Mining Plant	SE	SE	SE	SE
404HP	Amortization of Other Electric Plant				
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
405	Amortization of Other Electric Plant				
	Direct assigned - Jurisdiction	S	S	S	S
406	Amortization of Plant Acquisition Adj				
	Direct assigned - Jurisdiction	S	S	S	S
	Production Plant	SG	SG	SG	SG
407	Amort of Prop Losses, Unrec Plant, etc				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	Trojan	TROJP	TROJP	TROJP	TROJP

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
Taxes Other Than Income					
408	Taxes Other Than Income				
	Direct assigned - Jurisdiction	S	S	S	S
	Property	GPS	GPS	GPS	GPS
	System Taxes	SO	SO	SO	SO
	Misc Energy	SE	SE	SE	SE
	Misc Production	SG	SG	SG	SG
DEFERRED ITC					
41140	Deferred Investment Tax Credit - Fed ITC	DGU	DGU	DGU	DGU
41141	Deferred Investment Tax Credit - Idaho ITC	DGU	DGU	DGU	DGU
Interest Expense					
427	Interest on Long-Term Debt				
	Direct assigned - Jurisdiction	S	S	S	S
	Interest Expense	SNP	SNP	SNP	SNP
428	Amortization of Debt Disc & Exp Interest Expense	SNP	SNP	SNP	SNP
429	Amortization of Premium on Debt Interest Expense	SNP	SNP	SNP	SNP
431	Other Interest Expense Interest Expense	SNP	SNP	SNP	SNP
432	AFUDC - Borrowed AFUDC	SNP	SNP	SNP	SNP
Interest & Dividends					
419	Interest & Dividends Interest & Dividends	SNP	SNP	SNP	SNP
DEFERRED INCOME TAXES					
41010	Deferred Income Tax - Federal-DR				
	Direct assigned - Jurisdiction	S	S	S	S
	Electric Plant in Service	DITEXP	DITEXP	DITEXP	DITEXP
	Pacific Hydro	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Property Tax related	GPS	GPS	GPS	GPS
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJD	TROJD	TROJD
	Distribution	SNPD	SNPD	SNPD	SNPD
	Mining Plant	SE	SE	SE	SE
	Bad Debt	N/A	BADDEBT	BADDEBT	BADDEBT
	Tax Depreciation	N/A	TAXDEPR	TAXDEPR	TAXDEPR
	Cholla*	N/A	SSGCH	N/A	N/A

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
41011	Deferred Income Tax - State-DR				
	Direct assigned - Jurisdiction	S	S	S	S
	Electric Plant in Service	DITEXP	DITEXP	DITEXP	DITEXP
	Pacific Hydro	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Property Tax related	GPS	GPS	GPS	GPS
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJD	TROJD	TROJD
	Distribution	SNPD	SNPD	SNPD	SNPD
	Mining Plant	SE	SE	SE	SE
	Bad Debt	N/A	BADDEBT	BADDEBT	BADDEBT
	Tax Depreciation	N/A	TAXDEPR	TAXDEPR	TAXDEPR
41110	Deferred Income Tax - Federal-CR				
	Direct assigned - Jurisdiction	S	S	S	S
	Electric Plant in Service	DITEXP	DITEXP	DITEXP	DITEXP
	Pacific Hydro	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Property Tax related	GPS	GPS	GPS	GPS
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJD	TROJD	TROJD
	Distribution	SNPD	SNPD	SNPD	SNPD
	Mining Plant	SE	SE	SE	SE
	Contributions in aid of construction	N/A	CIAC	CIAC	CIAC
	Production, Other	N/A	SGCT	SGCT	SGCT
	Book Depreciation	N/A	SCHMDEXP	SCHMDEXP	SCHMDEXP
	Cholla*	N/A	SSGCH	N/A	N/A
41111	Deferred Income Tax - State-CR				
	Direct assigned - Jurisdiction	S	S	S	S
	Electric Plant in Service	DITEXP	DITEXP	DITEXP	DITEXP
	Pacific Hydro	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Property Tax related	GPS	GPS	GPS	GPS
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJD	TROJD	TROJD
	Distribution	SNPD	SNPD	SNPD	SNPD
	Mining Plant	SE	SE	SE	SE
	Contributions in aid of construction	N/A	CIAC	CIAC	CIAC
	Production, Other	N/A	SGCT	SGCT	SGCT
	Book Depreciation	N/A	SCHMDEXP	SCHMDEXP	SCHMDEXP
SCHEDULE - M ADDITIONS					
SCHMAF	Additions - Flow Through				
	Direct assigned - Jurisdiction	S	S	S	S

APPENDIX A
PAGE 24 OF 45

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
SCHMAP	Additions - Permanent				
	Direct assigned - Jurisdiction	N/A	S	S	S
	Mining related	SE	SE	SE	SE
	General	SO	SO	SO	SO
	Production / Transmission	N/A	SG	SG	SG
	Depreciation	N/A	SCHMDEXP	SCHMDEXP	SCHMDEXP
SCHMAT	Additions - Temporary				
	Direct assigned - Jurisdiction	S	S	S	S
	Contributions in aid of construction	CIAC	CIAC	CIAC	CIAC
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJD	TROJD	TROJD
	Pacific Hydro	SG	SG	SG	SG
	Mining Plant	SE	SE	SE	SE
	Production, Transmission	SG	SG	SG	SG
	Property Tax	GPS	GPS	GPS	GPS
	General	SO	SO	SO	SO
	Depreciation	SCHMDEXP	SCHMDEXP	SCHMDEXP	SCHMDEXP
	Distribution	N/A	SNPD	SNPD	SNPD
	Production, Other	N/A	SGCT	SGCT	SGCT
SCHEDULE - M DEDUCTIONS					
SCHMDF	Deductions - Flow Through				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	Pacific Hydro	SG	SG	SG	SG
SCHMDP	Deductions - Permanent				
	Direct assigned - Jurisdiction	S	S	S	S
	Mining Related	SE	SE	SE	SE
	Miscellaneous	SNP	SNP	SNP	SNP
	General	SO	SO	SO	SO
SCHMDT	Deductions - Temporary				
	Direct assigned - Jurisdiction	S	S	S	S
	Bad Debt	BADDEBT	BADDEBT	BADDEBT	BADDEBT
	Miscellaneous	SNP	SNP	SNP	SNP
	Pacific Hydro	SG	SG	SG	SG
	Mining related	SE	SE	SE	SE
	Production, Transmission	SG	SG	SG	SG
	Property Tax	GPS	GPS	GPS	GPS
	General	SO	SO	SO	SO
	Depreciation	TAXDEPR	TAXDEPR	TAXDEPR	TAXDEPR
	Distribution	SNPD	SNPD	SNPD	SNPD
	Customer Related	N/A	CN	CN	CN
	Cholla*	N/A	SSGCH	N/A	N/A
State Income Taxes					
40911	State Income Taxes	IBT	CALCULATED**	CALCULATED**	CALCULATED**
40911	Renewable Energy Tax Credit	N/A	SG	SG	SG
40910	FIT True-up	S	S	S	S
40910	Renewable Energy Tax Credit	SG	SG	SG	SG

APPENDIX A
PAGE 25 OF 45

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
Steam Production Plant					
310 - 316	Steam Plants	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
Nuclear Production Plant					
320-325	Nuclear Plant	SG	SG	SG	SG
Hydraulic Plant					
330-336	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
Other Production Plant					
340-346	Other Production Plant	SG	SG	SG	SG
	Peaking Plants*	N/A	SSGCT	N/A	N/A
TRANSMISSION PLANT					
350-359	Transmission Plant	SG	SG	SG	SG
DISTRIBUTION PLANT					
360-373	Direct assigned - Jurisdiction	S	S	S	S
GENERAL PLANT					
389 - 398	Distribution	S	S	S	S
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
	Production / Transmission	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Mining	N/A	SE	SE	SE
399	Coal Mine				
	Remaining Mining Plant	SE	SE	SE	SE
399L	WIDCO Capital Lease				
	WIDCO Capital Lease	SE	SE	SE	SE
1011390	General Capital Leases				
	Direct assigned - Jurisdiction	S	S	S	S
	General	SO	SO	SO	SO
	Production / Transmission	N/A	SG	SG	SG

UM 1050

**Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol**

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
INTANGIBLE PLANT					
301	Organization				
	Direct assigned - Jurisdiction	S	S	S	S
302	Franchise & Consent				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
303	Miscellaneous Intangible Plant				
	Distribution	S	S	S	S
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
	Production / Transmission	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Mining	N/A	SE	SE	SE
303	Less Non-Utility Plant				
	Direct assigned - Jurisdiction	S	S	S	S
Rate Base Additions					
105	Plant Held For Future Use				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	Mining Plant	SE	SE	SE	SE
114	Electric Plant Acquisition Adjustments				
	Direct assigned - Jurisdiction	S	S	S	S
	Production Plant	SG	SG	SG	SG
115	Accum Provision for Asset Acquisition Adjustments				
	Direct assigned - Jurisdiction	S	S	S	S
	Production Plant	SG	SG	SG	SG
120	Nuclear Fuel				
	Nuclear Fuel	SE	SE	SE	SE
124	Weatherization				
	Direct assigned - Jurisdiction	S	S	S	S
	General	SO	SO	SO	SO
182W	Weatherization				
	Direct assigned - Jurisdiction	S	S	S	S
186W	Weatherization				
	Direct assigned - Jurisdiction	S	S	S	S
151	Fuel Stock				
	Steam Production Plant	SE	SE	SE	SE
	Cholla*	N/A	SSECH	N/A	N/A

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original		Current Definition	
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
152	Fuel Stock - Undistributed Steam Production Plant	SE	SE	SE	SE
25316	DG&T Working Capital Deposit Mining Plant	SE	SE	SE	SE
25317	DG&T Working Capital Deposit Mining Plant	SE	SE	SE	SE
25319	Provo Working Capital Deposit Mining Plant	SE	SE	SE	SE
154	Materials and Supplies				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	Mining	SE	SE	SE	SE
	General	SO	SO	SO	SO
	Production - Common	SNPPS	SNPPS	SG	SG
	Hydro	SNPPH	SNPPH	SG	SG
	Distribution	SNPD	SNPD	SNPD	SNPD
	Production, Other	N/A	SNPPO	SG	SG
163	Stores Expense Undistributed General	SO	SO	SO	SO
25318	Provo Working Capital Deposit Provo Working Capital Deposit	SNPPS	SNPPS	SG	SG
165	Prepayments				
	Direct assigned - Jurisdiction	S	S	S	S
	Property Tax	GPS	GPS	GPS	GPS
	Production, Transmission	SG	SG	SG	SG
	Mining	SE	SE	SE	SE
	General	SO	SO	SO	SO
182M	Misc Regulatory Assets				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	Mining	SE	SE	SE	SE
	General	SO	SO	SO	SO
	Cholla Transaction	SSGCH	SGCT	SGCT	SGCT
186M	Misc Deferred Debits				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	General	SO	SO	SO	SO
	Mining	SE	SE	SE	SE
	Production - Common	SNPPS	SNPPS	SG	SG
Working Capital					
CWC	Cash Working Capital				
	Direct assigned - Jurisdiction	S	S	S	S
OWC	Other Working Capital				

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled in
		Allocation Factor			
131	Cash	SNP	SNP	SNP	SNP
135	Working Funds	SG	SG	SG	SG
141	Notes Receivable	N/A	SO	SO	SO
143	Other Accounts Receivable	SO	SO	SO	SO
232	Accounts Payable	SO	SO	SO	SO
232	Accounts Payable	SE	SE	SE	SE
232	Accounts Payable	N/A	SG	SG	SG
253	Deferred Hedge	SE	SE	SE	SE
25330	Other Deferred Credits - Misc	SE	SE	SE	SE
230	Other Deferred Credits - Misc	N/A	SE	SE	SE
254105	ARO Reg Liability	N/A	SE	SE	SE
Miscellaneous Rate Base					
18221	Unrec Plant & Reg Study Costs				
	Direct assigned - Jurisdiction	S	S	S	S
16222	Nuclear Plant - Trojan				
	Trojan Plant	TROJP	TROJP	TROJP	TROJP
	Trojan Plant	TROJD	TROJD	TROJD	TROJD
141	Notes Receivable				
	Employee Loans - Hunter Plant	SG	SG	SG	SG
Rate Base Deductions					
235	Customer Service Deposits				
	Direct assigned - Jurisdiction	S	S	S	S
2281	Prov for Property Insurance	SO	SO	SO	SO
2282	Prov for Injuries & Damages	SO	SO	SO	SO
2283	Prov for Pensions and Benefits	SO	SO	SO	SO
22841	Accum Misc Oper Prov				
	Mining	SE	SE	SE	SE
	Other Production	N/A	SG	SG	SG
22842	Accum Misc Oper Prov-Trojan				
	Trojan Plant	TROJD	TROJD	TROJD	TROJD
254105	FAS 143 ARO Regulatory Liability				
	Trojan Plant	N/A	TROJP	TROJP	TROJP
230	Asset Retirement Obligation				
	Trojan Plant	N/A	TROJP	TROJP	TROJP

APPENDIX A
PAGE 29 OF 45

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original		Current Definition	
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled in
		Allocation Factor			
252	Customer Advances for Construction				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
25398	SO2 Emissions	N/A	SE	SE	SE
25399	Other Deferred Credits				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	General	N/A	SO	SO	SO
	Mining	SE	SE	SE	SE
254	Regulatory Liabilities				
	Regulatory Liabilities	N/A	S	S	S
	Regulatory Liabilities	N/A	SE	SE	SE
	Insurance Provision	N/A	SO	SO	SO
190	Accumulated Deferred Income Taxes				
	Direct assigned - Jurisdiction	S	S	S	S
	Bad Debt	BADDEBT	BADDEBT	BADDEBT	BADDEBT
	Pacific Hydro	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJD	TROJD	TROJD
	Distribution	N/A	SNPD	SNPD	SNPD
	Mining Plant	N/A	SE	SE	SE
281	Accumulated Deferred Income Taxes				
	Production, Transmission	SG	SG	SG	SG
282	Accumulated Deferred income Taxes				
	Direct assigned - Jurisdiction	S	S	S	S
	Depreciation	DITBAL	DITBAL	DITBAL	DITBAL
	Hydro Pacific	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJP	TROJP	TROJP
	Depreciation	N/A	TAXDEPR	TAXDEPR	TAXDEPR
	Depreciation	N/A	SCHMDEXP	SCHMDEXP	SCHMDEXP
	System Gross Plant	N/A	GPS	GPS	GPS
	Contribution in Aid of Construction	N/A	CIAC	CIAC	CIAC
	Cholla*	N/A	SSGCH	N/A	N/A
	Mining	N/A	SE	SE	SE

APPENDIX A
PAGE 30 OF 45

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Allocation Factor			
		Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
283	Accumulated Deferred Income Taxes				
	Direct assigned - Jurisdiction	S	S	S	S
	Depreciation	DITBAL	DITBAL	DITBAL	DITBAL
	Hydro Pacific	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJD	TROJD	TROJD
	Production, Other	N/A	SGCT	SGCT	SGCT
	Property Tax	N/A	GPS	GPS	GPS
	Mining Plant	N/A	SE	SE	SE
255	Accumulated Investment Tax Credit				
	Direct assigned - Jurisdiction	S	S	S	S
	Investment Tax Credits	ITC84	ITC84	ITC84	ITC84
	Investment Tax Credits	ITC85	ITC85	ITC85	ITC85
	Investment Tax Credits	ITC86	ITC86	ITC86	ITC86
	Investment Tax Credits	ITC88	ITC88	ITC88	ITC88
	Investment Tax Credits	ITC89	ITC89	ITC89	ITC89
	Investment Tax Credits	ITC90	ITC90	ITC90	ITC90
	Investment Tax Credits	DGU	DGU	DGU	DGU
PRODUCTION PLANT ACCUM DEPRECIATION					
108SP	Steam Prod Plant Accumulated Depr				
	Steam Plants	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
108NP	Nuclear Prod Plant Accumulated Depr				
	Nuclear Plant	SG	SG	SG	SG
108HP	Hydraulic Prod Plant Accum Depr				
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
108OP	Other Production Plant - Accum Depr				
	Other Production Plant	SG	SG	SG	SG
	Peaking Plants*	N/A	SSGCT	N/A	N/A
TRANS PLANT ACCUM DEPR					
108TP	Transmission Plant Accumulated Depr				
	Transmission Plant	SG	SG	SG	SG
DISTRIBUTION PLANT ACCUM DEPR					
108360 - 108373	Distribution Plant Accumulated Depr				
	Direct assigned - Jurisdiction	S	S	S	S
108D00	Unclassified Dist Plant - Acct 300				
	Direct assigned - Jurisdiction	S	S	S	S
108DS	Unclassified Dist Sub Plant - Acct 300				
	Direct assigned - Jurisdiction	S	S	S	S
108DP	Unclassified Dist Sub Plant - Acct 300				

APPENDIX A
PAGE 31 OF 45

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original		Current Definition	
		Revised	Revised	2010	Rolled
		Protocol	Protocol	Protocol	In
		Allocation Factor			
	Direct assigned - Jurisdiction	S	S	S	S
GENERAL PLANT ACCUM DEPR					
108GP	General Plant Accumulated Depr				
	Distribution	S	S	S	S
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
	Production / Transmission	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
	Customer Related	CN	CN	CN	CN
	General SO	SO	SO	SO	SO
	Mining Plant	N/A	SE	SE	SE
108MP	Mining Plant Accumulated Depr.				
	Mining Plant	SE	SE	SE	SE
108MP	Less Centralia Situs Depreciation				
	Direct assigned - Jurisdiction	S	S	S	S
1081390	Accum Depr - Capital Lease				
	General	SO	SO	SO	SO
1081399	Accum Depr - Capital Lease				
	Direct assigned - Jurisdiction	S	S	S	S
ACCUM PROVISION FOR AMORTIZATION					
111SP	Accum Prov for Amort-Steam				
	Steam Plants	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
111GP	Accum Prov for Amort-General				
	Distribution	S	S	S	S
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
	Production / Transmission	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
	Customer Related	CN	CN	CN	CN
	General SO	SO	SO	SO	SO
111HP	Accum Prov for Amort-Hydro				
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG

UM 1050

Attachment 2 to the Stipulation
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
111IP	Accum Prov for Amort-Intangible Plant				
	Distribution	S	S	S	S
	Pacific Hydro	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	General	SO	SO	SO	SO
	Mining	SE	SE	SE	SE
	Customer Related	CN	CN	CN	CN
	Cholla*	SSGCH	SSGCH	N/A	N/A
111IP	Less Non-Utility Plant				
	Direct assigned - Jurisdiction	S	S	S	S
111399	Accum Prov for Amort-Mining				
	Mining Plant	SE	SE	SE	SE

Notes:

* Peaking plants and Cholla are no longer allocated on seasonal factors in the 2010 Protocol – they are included in Steam Plants, Other Production Plant, and Production / Transmission categories.

** Rather than allocated to jurisdictions using the Income Before Tax factors, state income taxes are calculated by applying the blended statutory state and local tax rate to taxable income by jurisdiction.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1050

In the Matter of the Application of
PACIFICORP for an Investigation of Inter-
Jurisdictional Issues

JOINT TESTIMONY
IN SUPPORT OF
STIPULATION

STAFF-PACIFICORP-CUB-ICNU

JOINT TESTIMONY IN SUPPORT OF STIPULATION

WITNESSES: GEORGE R. COMPTON, ANDREA L. KELLY,
BOB JENKS, AND DONALD W. SCHOENBECK

April 25, 2011

1 **Introduction**

2 **Q. Who is sponsoring this testimony?**

3 A. This testimony is jointly sponsored by Staff of the Public Utility Commission of Oregon
4 (Staff), PacifiCorp (or the Company) the Citizens' Utility Board of Oregon (CUB), and
5 the Industrial Customers of Northwest Utilities (ICNU) (collectively the Parties).

6 **Q. Please state your names.**

7 A. George R. Compton testifying on behalf of Staff; Andrea L. Kelly testifying on behalf of
8 PacifiCorp; Bob Jenks testifying on behalf of CUB, and Donald W. Schoenbeck
9 testifying on behalf of ICNU. The qualifications of the witnesses are set forth in Exhibit
10 Staff/501; PPL/100, Kelly/1; CUB Exhibit 101; and Exhibit ICNU/101, respectively.

11 **Q. What is the purpose of your testimony?**

12 A. This testimony describes and supports the Stipulation filed on April 22, 2011 among
13 PacifiCorp, Staff, CUB, and ICNU (the Stipulation).

14 **Q. Have all parties that filed testimony and participated in settlement conferences
15 joined in the Stipulation?**

16 A. Yes. Northwest Energy Coalition and Portland General Electric Company are parties to
17 this docket, but did not file testimony or participate in settlement discussions.

18 **Background**

19 **Q. What is the Revised Protocol?**

20 A. The Revised Protocol is the inter-jurisdictional cost allocation methodology that the
21 Oregon Public Utility Commission (Commission) uses to allocate PacifiCorp's costs
22 among its six jurisdictions. The Commission ratified the Revised Protocol on January 12,
23 2005 by adopting a Stipulation among PacifiCorp, Staff, CUB, (collectively the Oregon
24 Parties) and AARP (2004 Stipulation) in Order No. 05-021 in this docket. ICNU

1 opposed the 2004 Stipulation. Andrea L. Kelly's Direct Testimony provides a discussion
2 of some of the history surrounding the Revised Protocol at PPL/100, Kelly/2-6.

3 **Q. Did the 2004 Stipulation include specific provisions that explicitly recognized the**
4 **expectations of and trade-offs by parties in reaching agreement to support the**
5 **Revised Protocol?**

6 A. Yes. The 2004 Stipulation contained the following sections:

7 4. Throughout this proceeding, Oregon Parties have made clear the
8 importance of maintaining the Hydro-Electric Resources and Mid-Columbia
9 Contracts for Northwest citizens. An allocation of these Resources to Oregon
10 that is less than that contemplated by the Revised Protocol is not acceptable to
11 Oregon Parties. In order to secure the allocation of the Mid-Columbia
12 Contracts that is contemplated in the Revised Protocol, Oregon Parties have
13 accepted the allocation of the costs of Existing QF Contracts that is
14 contemplated in the Revised Protocol.

15 5. The parties to this Stipulation recognize that there is uncertainty regarding
16 the future value of the Mid-Columbia Contracts and that it is possible that,
17 during the remaining term of the Existing QF Contracts, the costs to Oregon
18 customers associated with the contemplated allocation of Existing QF Contracts
19 will exceed the benefits of the contemplated allocation of Mid-Columbia
20 Contracts. However, the Oregon Parties are prepared to assume this risk
21 because they expect that the contemplated allocation of Mid-Columbia
22 Contracts will continue to provide long-term benefits to Oregon customers after
23 the expiration of the Existing QF Contracts. Similarly, the parties to this
24 Stipulation recognize that the addition of relicensing costs to the Company's
25 ratebase may cause the Hydro-Electric Resources to be more costly than other
26 market opportunities in the near term, but Oregon Parties are willing to accept
27 responsibility for these higher near-term costs in the expectation that, as the
28 relicensing costs are depreciated, Hydro-Electric Resources will yield long-term
29 benefits to Oregon customers. For the foregoing reasons, it is critical to Oregon
30 Parties that their entitlement to Hydro-Electric Resources and Mid-Columbia
31 Contracts not be abridged at any time in the future.¹

32 **Q. What did the Company request of the Commission in its Petition for Approval of**
33 **Amendments to Revised Protocol Allocation Methodology (Petition) filed on**
34 **September 15, 2010?**

¹ *In the Matter of the Application of PacifiCorp for an Investigation of Inter-Jurisdictional Issues*, Docket UM 1050, Order No. 05-021, Stipulation at 2 (Jan. 12, 2005).

1 A. In the Petition, the Company requested that the Commission approve amendments to the
2 Revised Protocol. The proposed amendments reflected an agreement in principle reached
3 by the Multi-State Process (MSP) Standing Committee² known as the "2010 Protocol."
4 The Petition was accompanied by direct testimony of Andrea L. Kelly, Steven R.
5 McDougal, and Gregory N. Duvall, and supporting exhibits. A copy of the 2010 Protocol
6 is attached to the Petition as Exhibit PPL/101.

7 **Q. Did Staff and other parties conduct a thorough examination of the Company's**
8 **filing?**

9 A. Yes. The Staff, CUB, and ICNU conducted discovery on PacifiCorp's filing and filed
10 reply testimony on January 27, 2011.

11 **Q. How did the Parties arrive at the Stipulation?**

12 A. The parties to this docket convened a settlement conference on February 17, 2011. All
13 parties were invited to participate. PacifiCorp, Staff, CUB, and ICNU participated in the
14 settlement conference. The Parties met again on February 28, 2011 to discuss the status
15 of this case and the procedural schedule. The Parties agreed to engage in further
16 settlement discussions prior to their filing rebuttal testimony. To that end, PacifiCorp
17 filed a Second Stipulated Motion to Modify Schedule on March 1, 2011. ALJ
18 Kirkpatrick adopted the modified schedule on March 16, 2011. The Parties convened a
19 second settlement conference on April 1, 2011, which resulted in a settlement resolving
20 the issues in this case.

21 **2010 Protocol**

22 **Q. Did the Parties agree to adopt the 2010 Protocol proposed by the Company?**

² The MSP Standing Committee was established by Section XIII.B of the Revised Protocol. The MSP Standing Committee monitors and discusses inter-jurisdictional allocation issues facing PacifiCorp and its customers and seeks resolution of these issues.

1 A. Yes, with the modifications described in the Stipulation.

2 **Q. In what proceedings and for how long will the 2010 Protocol be used?**

3 A. The Parties agree that the 2010 Protocol, as modified by the Parties, should be adopted
4 for use in all PacifiCorp general rate case filings in Oregon that are filed on or before
5 December 31, 2016. For all general rate case filings after December 31, 2016, PacifiCorp
6 will utilize the Revised Protocol allocation methodology, absent formal action by the
7 Commission to adopt an alternate allocation methodology for Oregon. The Parties retain
8 the ability to request that the Commission adopt a different allocation methodology for
9 any rate proceeding after December 31, 2016.

10 **Q. What modifications did the Parties make to the 2010 Protocol proposed by the**
11 **Company?**

12 A. The Parties agreed to two modifications: to the calculation of the: 1) Hydro Embedded
13 Cost Differential (ECD) Adjustment; and 2) Klamath Surcharge Adjustment in Section
14 IV.A of the 2010 Protocol. Attachment 1 to the Stipulation includes redline changes to
15 this section. A revised 2010 Protocol Appendix E will be provided showing the revised
16 calculation of the Hydro ECD. The Hydro ECD will be calculated consistent with
17 Appendix E in the Revised Protocol, with the "all other resource" line changed to pre-
18 2005 resources.

19 **Q. Please explain the purpose of the changes to the Hydro ECD and Klamath**
20 **Surcharge Adjustments.**

21 A. The changes to the Hydro ECD and Klamath Surcharge Adjustment provisions in the
22 2010 Protocol were intended to reflect the Parties' agreement that these adjustments will
23 not be based on the six-year, fixed levelized approach as proposed in the Company's

1 Petition. Instead, the adjustments will reflect test period cost elements for purposes of
2 rate filings, and historic and pro forma cost elements for purposes of regulatory reporting.

3 **Q. How will the Hydro ECD and Klamath Surcharge adjustments be allocated to**
4 **Oregon?**

5 A. Attachment 2 to the Stipulation shows how the Hydro ECD and Klamath Surcharge
6 adjustments will be allocated to Oregon.

7 **Q. Will the Company continue to provide calculations of revenue requirement under**
8 **the Revised Protocol even while the 2010 Protocol is in effect?**

9 A. Yes. The Stipulation provides that for the duration of the 2010 Protocol: a) the
10 Company's general rate case filings filed with the Commission shall include calculations
11 of the Company's Oregon revenue requirement under both the 2010 Protocol and the
12 Revised Protocol; and b) the Company's annual results of operations with the
13 Commission shall include calculations of the Company's Oregon allocated results of
14 operations under both the 2010 Protocol and Revised Protocol. These submittals will
15 include and adequately explain all adjustments, assumptions, work papers and
16 spreadsheet models used by the Company in its calculations.

17 **Q. Does the Stipulation include a provision relating to the Company's presentation of**
18 **other allocation methodologies?**

19 A. Yes. The Parties agree that a comparison to other allocation methodologies is not
20 necessary, but reserve the right to request comparisons against the Modified Accord
21 allocation methodology in the future. The Company agrees to maintain the capability to
22 provide results under the Modified Accord methodology and the Parties agree to work in
23 good faith to provide requested results in a reasonable timeframe. This agreement does

1 not affect a Party's discovery rights. The Parties agree that it is not necessary for the
2 Company to maintain models related to the Hybrid allocation methodology.

3 **Q. Have the Parties agreed to a mechanism that is intended to mitigate risks associated**
4 **with the potential rate impacts on Oregon customers resulting from implementation**
5 **of the 2010 Protocol?**

6 A. Yes. The Parties agree that for all Company general rate case filings filed prior to
7 December 31, 2016, the increase in the Oregon total revenue requirement (as finally
8 determined by the Commission in each proceeding) as a result of the implementation of
9 the 2010 Protocol shall be capped at 0.30 percent of the Company's Oregon revenue
10 requirement calculated under the Revised Protocol, as modified in Attachment 2 to the
11 Stipulation.

12 **Q. How will the change in Oregon's revenue requirement attributable to the cap be**
13 **applied across the customer classes?**

14 A. Because the differences between Revised Protocol and the 2010 Protocol are related to
15 the allocation of generation costs, in all cost of service studies performed by the parties,
16 any change in Oregon's revenue requirement attributable to the cap will be applied to
17 each customer class based on each class' relative share of marginal generation costs after
18 it has been reconciled to the embedded revenue requirement.

19 **Q. Have the Parties come to an agreement regarding the treatment of the \$2.3 million**
20 **difference between Oregon's revenue requirement under the 2010 Protocol and the**
21 **Revised Protocol for calendar year 2011?**

22 A. Yes. The Parties agree that PacifiCorp will file an application to defer a \$2.3 million
23 credit to Oregon customers related to this difference. The deferral application will be
24 made concurrent with the filing of the Stipulation, and interest will accrue, consistent

1 with Commission policy, at the Company's weighted average cost of capital until
2 amortization of the balance is authorized by the Commission. The Parties agree that the
3 credit should be allocated to all rate schedules based on each schedule's proportion of
4 present generation revenues under Schedules 200 and 201, and amortization of the credit
5 should begin no later than January 1, 2012. The allocation across rate schedules should
6 be the same shape as the revenue allocation in the Company's Transition Adjustment
7 Mechanism proceeding.

8 **Q. The Stipulation states that the 2010 Protocol will be used until December 31, 2016.**

9 **How will the Parties determine what allocation methodology to use after that date?**

10 A. In anticipation of the expiration of the use of the 2010 Protocol after December 31, 2016,
11 the Parties agree to engage in discussions starting in 2013 with other interested persons
12 and, as appropriate, in conjunction with the MSP Standing Committee and applicable
13 workgroups regarding appropriate allocation options for 2017 and beyond. As part of
14 these discussions the Company, in consultation with the other stakeholders, will perform
15 cost causation studies related to classification and allocation of costs, including
16 appropriate demand/energy weighting for generation costs, and a comprehensive
17 evaluation of the costs and benefits of structural separation and other allocation options
18 such as the Rolled-In allocation methodology. The Parties also agree to undertake
19 preparatory discussions beginning in 2012.

20 **Q. Is the allocation of Class 1 DSM Programs addressed in the Stipulation?**

21 A. No. The Parties agree that the emerging issues related to the allocation of Class 1 DSM
22 programs are not yet ripe for Commission action.

23 **Q. How do the Parties plan to address the allocation of Class 1 DSM Programs in the**
24 **future?**

1 A. The Parties agree that additional analysis and discussion of these issues should be
2 undertaken in the MSP Standing Committee workgroup, and the Parties will endeavor to
3 participate in the workgroup efforts to the extent possible. The Parties shall encourage
4 the workgroup to develop a proposed resolution on these issues by the next MSP
5 Commissioners' Forum. The Parties understand that the Company may make a
6 subsequent filing with the Commission to address this discrete issue. All Parties may
7 take any position they deem appropriate in response to this filing, if it occurs.

8 **Q. Would the revenue requirement impact of changes adopted by the Commission in**
9 **the future related to Class 1 DSM Programs be subject to the 0.30 percent cap**
10 **discussed above?**

11 A. No. The Parties agree that the revenue requirement impact of such changes, if any, will
12 not be limited by the rate protection mechanisms contained in Paragraph 13 of the
13 Stipulation.

14 **Q. Does the Stipulation address how CUB and ICNU will fund participation in the**
15 **ongoing MSP Standing Committee workgroup efforts and analysis of alternative**
16 **allocation methodologies under Paragraph 15 of the Stipulation?**

17 A. Yes. To allow for full participation by CUB and ICNU in these efforts, the Parties
18 support an additional Intervenor Funding Agreement (IFA). This additional IFA does not
19 impact the current IFA approved in Order No. 07-564. Upon approval of this Stipulation,
20 Parties agree to work cooperatively to develop an additional IFA. CUB and ICNU agree
21 to bear the burden of supporting the requested level of increased funding, and all
22 requested budgets and recovery would remain subject to Commission approval.

23 **Q. Does the Stipulation explain how the Parties will address additional funding for**
24 **CUB and ICNU should the Commission reject the request for an additional IFA?**

1 A. Yes. While the Parties believe that the Commission is unlikely to reject the request for
2 an additional IFA, the Stipulation provides that if this event occurs, the Parties will meet
3 to discuss alternatives for funding for CUB's and ICNU's participating in the MSP
4 Standing Committee workgroup efforts and the comprehensive multi-state effort outlined
5 in Paragraph 15.

6 **Q. Will Parties be bound if unforeseen or changed circumstances cause the Party to**
7 **conclude that the 2010 Protocol no longer produces just and reasonable results?**

8 A. No. As provided for in Section XIII C of the 2010 Protocol, a party's initial support of
9 the 2010 Protocol will not bind that party in the event that unforeseen or changed
10 circumstances cause that party to conclude that the 2010 Protocol no longer produces just
11 and reasonable results. Should the benefits or detriments to Oregon customers of the
12 contemplated allocations in the 2010 Protocol, or any amended version of the 2010
13 Protocol recommended by the MSP Standing Committee, no longer produce results that
14 are just, reasonable and in the public interest, any party to the Stipulation may propose
15 amendments to the 2010 Protocol or propose to the Commission that the Commission
16 depart from its terms, so as to produce results that are just, reasonable and in the public
17 interest.

18 **Q. Please explain the Parties' agreement should any Party propose a material change**
19 **to the allocation methodology for Hydro-Electric Resources and Mid-Columbia**
20 **Contracts.**

21 A. Notwithstanding the status of the 2010 Protocol as an inter-jurisdictional cost allocation
22 method, if PacifiCorp, Staff, or CUB proposes a material change to the allocation
23 methodology for Hydro-Electric Resources and Mid-Columbia Contracts, the proposed
24 change will be consistent with the trade-off contained in the Revised Protocol between

1 near-term negative impacts of Existing QF Contracts and long-term positive impacts of
2 Mid-Columbia Contracts and the potential near-term costs and long-term benefits of
3 Hydro-Electric Resources as described in Sections 4 and 5 of the 2004 Stipulation
4 excerpted above.

5 **Q. Does the Stipulation include a provision related specifically to PacifiCorp proposing**
6 **a material change to the 2010 Protocol provisions relating to Hydro-Electric**
7 **Resources?**

8 A. Yes. The Parties agree that unless otherwise recommended by the MSP Standing
9 Committee, as long as CUB, ICNU, and Staff continue to support the use of the 2010
10 Protocol or the Revised Protocol for purposes of establishing PacifiCorp's Oregon
11 revenue requirement, PacifiCorp will not propose or advocate any material change in the
12 Protocol provisions relating to Hydro-Electric Resources. This provision does not,
13 however, prevent PacifiCorp from complying with any Commission order.

14 **Q. Does this provision require Staff, CUB, or ICNU to support the recommendations of**
15 **the MSP Standing Committee?**

16 A. No. The Stipulation provides that Staff, CUB, and ICNU reserve all rights to object to
17 recommendations of the MSP Standing Committee.

18 **Conclusion**

19 **Q. What action do you recommend the Commission take with respect to the**
20 **Stipulation?**

21 A. For the reasons discussed above, we recommend that the Commission find that the
22 Stipulation is in the public interest and would produce rates that are fair, just,
23 reasonable, and sufficient. Accordingly, we recommend that the Commission adopt the
24 Stipulation and include the terms and conditions in its order in this case.

- 1 Q. Does this conclude your testimony?
- 2 A. Yes.