

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE)
INVESTIGATION OF)
PACIFICORP BY THE)
COMMISSION ON ITS OWN)
MOTION OF)
INTERJURISDICTIONAL ISSUES)
REGARDING THE BUSINESS)
ORGANIZATION OF)
PACIFICORP AND RELATED)
MATTERS)

DOCKET NO. 20000-EI-02-183
RECORD NO. 7395

DIRECT TESTIMONY
OF
DENISE KAY PARRISH
ON BEHALF OF
THE OFFICE OF CONSUMER ADVOCATE

TESTIMONY FILED: September 24, 2004
HEARING BEGINS: October 19, 2004

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Denise Kay Parrish. My business address is 2515 Warren Avenue, Suite 304, Cheyenne, WY 82002.

Q. WHAT IS YOUR OCCUPATION?

A. I am the Deputy Administrator of the Wyoming Office of Consumer Advocate (OCA). In this position, I review and provide input into the recommendations made by the OCA. I review utility applications filed with the Wyoming Public Service Commission (Commission) and provide advice to the Administrator regarding the involvement the OCA should have, if any, in various cases. I review applications, perform analyses and provide recommendations to the Commission relative to various utility matters, including revenue requirements, tariff language, competitive issues, rules and regulations, rate design, performance standards, and other items. I write and issue press releases, perform special studies, as well as provide information and research to customers, the legislature, the OCA Administrator, and others. I do other assignments and tasks, as needed and as assigned by the OCA Administrator.

Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?

A. In 1976, I graduated from Michigan State University with a Bachelor of Arts in Accounting. I have spent more than twenty-seven years as a regulator of public utilities, having been on the staff of four state utility regulatory commissions and two consumer advocate entities. Twelve of those years have been spent at the Wyoming Public Service Commission.

I have taken classes related to various aspects of public utility regulation, including income taxes, regulatory accounting, capital recovery, cost-of-service, rate design, revenue requirements, separations and allocations, auditing, and other specialized topics. I have taught classes on issues of accounting standards, general ratemaking principles, affiliated transactions, regulatory accounting,

financial reporting, rate case auditing, income taxes, and other specialized topics to regulatory professionals.

Since 2002, I have been a member of the faculty of the Michigan State University Institute of Public Utilities (CAMP NARUC). In 2004, I spent a week working with the staff of the Nigerian Communications Commission on regulatory accounting matters, including the development of a draft uniform system of accounts for telecommunications operators. In 2004, I also worked for the International Telecommunications Union as a seminar leader at a conference on regulatory accounting and auditing.

I am the past chair and a current member of the National Association of Regulatory Utility Commissioners' Staff Subcommittee on Accounting and Finance. I am listed in the current edition of Who's Who of American Women. Prior to its disbandment, I was a co-chair of the PacifiCorp Interjurisdictional Task Force on Allocations (PITA).

Q. DO YOU HAVE EXPERIENCE AS AN EXPERT WITNESS?

A. Yes. I have testified more than one hundred twenty-five times as an expert witness. I have testified before the Michigan Public Service Commission, the Colorado Public Utilities Commission, the Colorado District Court, the Arizona Corporations Commission, the Wyoming Public Service Commission, and the Wyoming Legislature Joint Corporations Committee. I have testified in telecommunications, water, wastewater, electric, and natural gas cases. The subjects upon which I have testified include fuel and purchased power adjustment mechanisms, revenue requirements, rate design, cost-of-capital, nuclear decommissioning, accounting deferrals, income taxes, capital recovery, universal service funding, cost allocations, and other specialized topics.

Q. DO YOU HAVE EXPERIENCE WITH INTERJURISDICTIONAL COST ALLOCATIONS, SUCH AS THOSE THAT ARE THE SUBJECT OF THIS PROCEEDING?

A. Yes. Since 1992, I have been involved in some manner with the determination and review of PacifiCorp's interjurisdictional cost allocations. I began as a participant in the PacifiCorp Interjurisdictional Task Force on Allocations (PITA) meetings shortly after joining the staff of the Wyoming Public Service Commission. After a few years, I became a co-chair of the PITA meetings, with the chairmanship of the meetings rotating among the staff designees of Wyoming, Oregon, and Utah. From March 1992 through April 2000, I participated in 12 PITA meetings. The purpose of these meetings was to facilitate discussion among the regulatory staffs of the states in PacifiCorp's retail service territory. The focus of the discussion was to try to get each of the state staffs to agree to a single method of allocating PacifiCorp's common costs for its integrated system. Additionally, during the time I was involved with the PITA group, the agreed upon methods were periodically reviewed for continued reasonableness and appropriateness, and modified as necessary to address emerging issues.

In December 2000, PacifiCorp filed an application in Docket No. 20000-EA-00-161, in which it sought an Order allowing it to restructure the company into six separate state electric companies, a generation company and a service company. I was assigned to this proceeding as a member of the Consumer Advocate Staff. After a few meetings were held with the Company to gain a general understanding of its request and the implications for Wyoming ratepayers, the application was put on hold. The Company asked that the matter be held in abeyance given some of the objections arising in other states about similar applications seeking permission for PacifiCorp to reorganize into a number of separate corporate entities.

Finally, I have participated in all but a few of the general group meetings on the multi-state process, have participated in numerous briefings and discussions, and

have reviewed and/or studied distributed documents that now fill more than four feet of shelf space. Between May and December 2002, I attended five multi-day meetings with the other states' representatives. My original participation in the matter was as a member of the Consumer Advocate Staff. With my transfer to the Office of Consumer Advocate in May 2003, I continued to participate as a representative of the OCA.

Q. WHO DO YOU REPRESENT IN THIS PROCEEDING?

A. As a member of the Office of Consumer Advocate, I represent the interests of Wyoming citizens and all classes of customers in this public utility matter, as required by W.S. § 37-2-401. I do not represent the position of any individual group, municipality, or corporation.

Q. WHAT COURSE OF ACTION IS AVAILABLE TO INDIVIDUAL CONSUMERS OR OTHER INTERESTED PARTIES IF THEY WISH TO PURSUE ISSUES NOT ADDRESSED BY THE OFFICE OF CONSUMER ADVOCATE, OR TAKE A DIFFERENT POSITION FROM THE OFFICE OF CONSUMER ADVOCATE?

A. Customers and other interested parties may intervene in the proceedings and raise additional issues not addressed by the Office of Consumer Advocate, and may take different positions than those presented by the OCA. Consumers may also present written or oral comments at the hearing, which then become part of the record in the case and are available to the Commission as it makes its decision on any particular proposal or suggested change. The OCA encourages the participation of the public and all interested parties in cases before the Commission.

Q. ARE YOU SPONSORING ANY ATTACHED EXHIBITS OR SCHEDULES AS PART OF YOUR DIRECT, PREFILED TESTIMONY IN THIS PROCEEDING?

- A. Yes. I am attaching and sponsoring Parrish/Joint Exhibit One, a stipulation among the parties in this case which we are asking the Commission to approve.

The first 27 pages of this document were filed with the Commission on September 9, 2004 and consist of the Stipulation and Agreement, the multi-state protocol, and Appendix A to the protocol. The next 21 pages comprise Appendix B to the protocol and were originally filed with PacifiCorp witness David Taylor's testimony on July 1, 2004. The next 18 pages comprise Appendix C of the protocol and were also filed with Mr. Taylor's July testimony. Appendix D of the protocol is contained in the next 3 pages and is labeled Special Contracts. This too came from Mr. Taylor's testimony as did Appendix E, the next page of the document. The last two pages are Appendix F, which are taken from PacifiCorp witness Greg Duvall's July 1, 2004 testimony.

I am presenting all of this in Parrish/Joint Exhibit One since the agreement we are asking the Commission to approve is the entire package, including all six Appendices.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

- A. First, to provide the Commission some background about this long and convoluted case, in order to provide a context in which the Commission may consider the stipulation that is being offered. Second, to present the OCA's views and understanding of the stipulation and protocol and to explain why its approval would be in the public interest.

Q. PLEASE EXPLAIN THE ORIGIN OF THIS PROCEEDING AND THE NATURE OF THE AGREEMENT THAT IS BEING PRESENTED.

- A. Certainly, although to fully understand the multi-state protocol and the stipulation, it is important to have a basic understanding of the history of PacifiCorp's interjurisdictional allocation process, starting with the PITA process, moving on to the filing requesting corporate restructuring, and then to the request in this

proceeding. I will provide as succinct an explanation and history as possible, although it is not likely to be characterized as brief.

This proceeding really began in 1987, when Utah Power and Light and Pacific Power and Light were seeking to merge. As reported in my April 18, 2002 affidavit filed with the Commission in this proceeding, reading the record of this earlier merger case was informative, in that officers of the two companies agreed that the rates for Pacific Power's customers would not increase as a result of the merger itself. This is also indicated on page 12 of the Commission's order in Docket No. 9266 Sub 104 and Docket No. 9119 Sub 83, "Applicants commit that, in any case, no rate increases will occur as a result of the merger."

More revealing are the orders in Oregon and Utah approving the Utah Power and Light and the Pacific Power and Light merger. The Oregon Public Utility Commission Order No. 88-767 stated at page 22:

Third, Applicants have committed indefinitely that Pacific's customers will not be harmed by the merger and will not subsidize benefits to Utah Power customers. Applicants recognize that if the merger results in higher costs, those costs will be borne by the merged company's shareholders. Applicants further agree that shareholders will assume all risks that may result from less than full system cost recovery if interdivisional allocation methods differ among the various jurisdictions.

The Utah Public Service Commission's Order in Docket No. 87-035-27 states at pages 90 and 91:

... In addition to the conditions dealing with record keeping and reporting requirements, we find the additional conditions set forth in (b) below, conditions proposed by various parties and as modified by the Commission, to be in the public interest and are imposed as conditions of the merger. . .

11) The Merged Company shall agree that PacifiCorp shareholders shall assume all risks that may result from less than full recovery if interdivisional allocations methods differ among the Merged Company's various jurisdictions.

It is clear that PacifiCorp agreed to bear the burden of any differences in cost allocation methodologies. Nonetheless, regulatory representatives from each state got together and established a task force – PITA – to study interjurisdictional allocations following the completion of the merger. The first agreement was reached in March 1990 and was called the Consensus Allocation Method. As described in a memorandum shared with Commissioners at an April 1992 Western Interstate Energy Board Meeting (WIEB), monitoring of the allocation results continued to assure ongoing *fairness*:

After numerous working meetings, the PITA developed a Consensus Allocation Method which has been the basis for PacifiCorp's interjurisdictional allocations since March 1990. However, our initial studies suggested that as we proceed through the 1990's, the Consensus Method would produce results some jurisdictions would consider unfair. The effective period for the Consensus Method ends on December 1992.

The PITA's work over the last several months has led to several potential adjustments to the existing Consensus Method. In these discussions, we have had to contend with two often conflicting considerations. *The first is that PacifiCorp operates the electric system on a fully merged basis, not as separate divisions sharing only a business relationship. The second is the continuing need to share benefits of the merger equitably, that is, without unduly favoring one division or jurisdiction.* [Emphasis added.]

Q. BEFORE CONTINUING WITH THE HISTORY OF ALLOCATIONS, PLEASE EXPLAIN THE IMPORTANCE OF THESE CONFLICTING ISSUES.

A. These two issues – PacifiCorp's integrated operations and equitable sharing of operational benefits – are the same basic issues that arise in this proceeding. They are two of the key issues that have been discussed in the multi-state process for the past two and one-half years. They are the same issues that have been the topic of discussion since I became involved in this PacifiCorp allocation process in 1992.

Q. WERE CHANGES MADE TO THE CONSENSUS METHOD DURING THE 1990s?

A. Yes. In January 1993, PITA reached agreement on a modified allocation method that was termed the “PITA Accord.” The changes adopted were meant to address the fact that the Consensus Method arrived at results that were not as stable from year-to-year as the group had hoped, the fact that the Consensus Method agreement expired at the end of 1992, and it appeared that the Consensus Method was going to result in disproportionate sharing of merger benefits among the jurisdictions.

Q. WHAT WAS THE IMPLICATION OF A STATE AGREEING TO A NEW ALLOCATION METHOD?

A. During the period when agreement was being reached through the PITA process (unlike the MSP process) the agreements were not formally approved through applications and orders of the state regulators. Instead, the agreements were among the state regulatory staffs and PacifiCorp. The agreements were not binding on any of the regulatory Commissions. Rather, those who did agree consented to advocate the agreed-upon method in their state regulatory proceedings. The 1993 PITA Allocation Agreement read, in part:

Those agreeing to the PITA Accord shall have the option to develop, explain and present in testimony or otherwise, the various allocation methods which have been discussed by PITA or any other method of interest. They do agree, however, not to advocate another method in preference to that shown in Attachment A, unless application of the method to the actual data produces unacceptable results. Such unacceptable results would be characterized by a jurisdictional benefit sharing varying significantly from the previously described target. In such event, Company and regulatory staffs would work together to resolve difficulties. Company and staffs, in this event, would be free to advocate any allocation method they consider appropriate to the circumstances.

As you will see later in my testimony, this has some of the same characteristics as the proposal we are asking you to approve in this proceeding. Specifically, parties to the agreement vow to advocate the agreement unless a *fairness* problem

arises. If such a problem does arise, the parties will work together to try to find a common solution. However, the current proposal is different from the earlier agreements, in that PacifiCorp is particularly desirous of having Commission approval of the allocation method up-front, rather than waiting to see if it is acceptable to the Commission in a later, formal regulatory proceeding.

Q. WHAT WAS THE NEXT MAJOR DEVELOPMENT IN THE INTERJURISDICTIONAL ALLOCATION PROCESS?

A. For the next few years, PITA would meet once or twice a year and monitor the results of the allocations and the sharing of the merger benefits. Questions that arose of how to treat very specific investments or expenses were addressed at the meetings, but for the most part, no significant method problems arose or were suggested. Then in May 1996, at a PITA meeting in Portland, Oregon, Utah provided a list of concerns and recommendations relative to the allocations. Included in those concerns was the following issue. Utah agreed to the Consensus Method in 1990, it was not on a permanent basis. While the agreement included that plant in existence at the time of the merger be allocated to each division (Utah Power and Pacific Power) and post-merger plant be allocated system-wide, Utah viewed the goal as having the pre-merger and post-merger plant division gone by 2000. As of the time of the 1996 discussion, Utah claimed that no work had been done on progressing toward the 2000 goal. Utah indicated that its commissioners would expect a report on the progress in the anticipated 1997 rate case. Additionally, Utah expressed concern that the transmission rate base was being largely charged to Utah, yet the transmission system was increasingly used for sales and purchases that benefit the system as a whole.

Utah then went on to recommend that work begin on “a modification of the allocation system to take into consideration changed conditions.” (Taken from May 21, 1996 memorandum, *Utah Concerns about Allocation*.) Its concerns were further clarified at the next PITA meeting in January 1997, wherein Utah stated: “The Accord Method is inconsistent with the objective of traditional cost

allocation because current Company projections show that the Accord Method will result in movement *away* from rolled-in cost allocation.” This concern centered on the value of the *endowments* that were reflected in the PITA Accord method.

Q. WHY ARE UTAH’S SPECIFIC CONCERNS ABOUT AN EARLIER ALLOCATION METHOD RELEVANT TO THIS PROCEEDING?

A. One of the drivers for the multi-state process was the fact that Utah ultimately stepped away from the earlier common allocation methods and moved to a rolled-in method for setting Utah retail rates. Furthermore, Utah strongly advocated the rolled-in allocation process for the past several years. The allocation protocol presented to the Commission in this case represents movement from the Modified Accord process currently in place.

Q. GENERALLY, WHAT IS THE ROLLED-IN ALLOCATION PROCESS?

A. The rolled-in process refers generally to an allocation method wherein costs are allocated among the states based on usage of the assets, rather than based on the vintage or location of the asset. This differs from many of the other discussed allocation methods, with at least a portion of the allocation method based on ownership of the asset at the time of a defined event (e.g., merger of Utah Power and Pacific Power.) The rolled-in method acknowledges that there is a common, integrated use of the assets by all of the jurisdictions, and therefore, each of the states should receive a portion of the cost as well as a portion of the benefit of that investment.

Q. WHAT ARE THE *ENDOWMENTS* TO WHICH YOU REFER?

A. Endowments were (and are) special allocation provisions to recognize that certain system attributes or investments are primarily associated with one division or the other, and therefore, specific adjustments to the general allocation method are made to reflect this unique characteristic. Over the years, there have been two primary endowments: one related to the hydro generating facilities and one

related to transmission investments. The hydro generation has traditionally been associated with the Northwestern United States and the Pacific Power portion of the PacifiCorp system. Hence, a lower cost of generation associated with the hydro plants was given to Pacific Power during the allocation process, recognizing that it came into the merger with these special assets. At the time of the merger, Utah Power had an abundance of transmission compared to Pacific Power, and thus, for some time, a transmission endowment was in place to recognize the benefits being received from wholesale power sales that could be accomplished due to these transmission assets.

In 1996-7, it was determined that there was a problem with the way that these two sets of special resources were being valued as part of the allocation process. The computation of the hydro endowment was larger than forecasts had anticipated, and Utah Power was concerned that it was not receiving its fair share of the overall system benefits associated with an integrated system.

Q. DID THE PITA GROUP ACCEPT UTAH'S SUGGESTION FOR A NEW ALLOCATION METHOD THAT WOULD PHASE OUT THE ENDOWMENTS BY THE END OF THE YEAR 2000?

A. No, however, changes to the endowment calculations were made at a PITA meeting in June 1997. This new agreement, termed the Modified Accord, eliminated the transmission endowment and changed the computation of the hydro endowment. The computation was deemed to be more straightforward and made an additional baby-step to rolled-in, since post-merger hydro plant would now be allocated system-wide rather than divisionally. These changes resulted in soft-agreement from each of the states, with Utah only acknowledging that it was better than the prior computation, since it was not in a position to agree to the continuation of endowments indefinitely.

This history is relevant to the current proceeding because treatment of the hydro generators became a huge source of contention between Utah, Washington, and Oregon during the multi-state process.

Q. WHAT IS THE NEXT CHAPTER IN THE SAGA OF PACIFICORP'S INTERJURISDICTIONAL ALLOCATIONS?

A. On April 16, 1998, the Public Service Commission of Utah issued an order adopting the rolled-in allocation method. (See Docket No. 97-035-04, *In the Matter of a Proceeding to Establish an Allocation Methodology to Separate PacifiCorp's Assets, Expenses, and Revenues Between Various States.*) As stated on page 21 of the order:

The Company shall report results of operations using the Rolled-In method. The fairness adjustment, as a divergence from Rolled-In that is phased out over the five-year period, 1996-2000, shall be included as an increment to revenue requirement in the 1997 semi-annual report. For these reporting and ratemaking purposes in Utah, the Company shall immediately eliminate all accounting associated with methods proposed but not adopted in Utah . . .

This was followed by a July 7, 1998 order in the same Utah docket:

For reporting and ratemaking purposes, the Company shall use the Rolled-in Method to determine jurisdictional revenue requirement and shall add to it a lump-sum transfer of \$34.56 million as the 1997 merger fairness adjustment. Thereafter, the amounts shall be \$25.92 million for 1998, \$17.28 million for 1999, and \$8.64 million for 2000. Beginning January 1, 2001, no further merger fairness adjustment shall be made to jurisdictional revenue requirement. (Page 12 of the Order)

This was a watershed event, because it was the first time that a state commission had broken away from the PITA agreements as part of a retail rate/earnings decision. The allocation issue became more than theory to PacifiCorp with this decision, since it no longer allowed PacifiCorp a reasonable opportunity to recover 100% of its costs.

Furthermore, this decision prompted Washington, at a February 1999 PITA meeting to question whether Utah's actions affected the fundamental objective of PITA, which is to have a consensus method for allocating costs among all of PacifiCorp's jurisdictions. At this same meeting, PacifiCorp was asked by Wyoming how it intended to compensate for the shortfall in its revenue requirement caused by the Utah allocation decision.

PacifiCorp proposed another version of an allocation method, to try to again bring consensus to the states, and eliminate the cost allocation hole felt by the Company's shareholders. This proposal was first discussed at an October 1999 PITA meeting, and further elaborated upon at an April 2000 meeting – the final meeting under the PITA process. The proposal did not appear to be finding legs and the states' positions were becoming entrenched. It was time for a new approach.

Q. BEFORE DESCRIBING THE NEXT PHASE OF THIS HISTORY, PLEASE EXPLAIN THE GENERAL ALLOCATION PROCESS IN PLACE IN WYOMING WHEN THE PITA DISCUSSIONS ENDED.

A. In general, plant assets were categorized as either pre-merger plant or post-merger plant. Plant that was pre-merger plant (including hydro), and owned by Utah Power was assigned to the Utah Power division states of Utah, Idaho, and Wyoming. Pacific Power's pre-merger plant (including hydro) was assigned to the Pacific Power states of Oregon, Washington, California, and Wyoming. (Wyoming is the only remaining state with both Utah and Pacific Power division operations, but the bulk of the Wyoming operations are in the Pacific Power division.) The divisional assignment continues until the pre-merger plant is retired, which will eventually occur, but keeps getting pushed out based on plant life extensions. Post merger plant (including hydro) was allocated system-wide to the six states. The basis of the plant allocations is 75% demand driven and 25% energy driven.

Retail revenues were assigned directly to the state where they were earned. Wholesale revenue credits were allocated system wide. Non-fuel operations and maintenance expenses are based on the relative amount of plant apportioned to each jurisdiction. Fuel expenses were allocated directly to jurisdictions based on relative usage.

The hydro endowment was achieved by a modification to the allocation of fuel costs. All fuel costs were first assumed to be equal to the costs of the thermal system. The operating costs of the Pacific Power division and the Utah Power division hydro systems were each compared to the operating costs of the PacifiCorp thermal systems, on a MWH basis. The differences were then credited back to each division as an offset to the assumed fuel costs. Under this method, post merger hydro plant investment and the associated expenses were shared across all states but the generation savings remain divisional. Thus, the Utah Division picked up an allocated share of the post merger investment in former Pacific Power hydro facilities, and visa versa, but the total fuel cost savings from those facilities continued to flow to the Pacific Division states.

This basic method has continued to be used in PacifiCorp's Wyoming rate cases.

Q. WHAT WAS THE EFFORT TOWARD ADOPTION OF A COMMON INTERJURISDICTIONAL ALLOCATION METHOD FOR PACIFICORP?

A. The next effort was short lived and quickly dead-ended. On December 1, 2000, PacifiCorp filed an application seeking an Order allowing it to restructure the company into six separate state electric companies, a generation company and a service company. The gist of this request is found in the early paragraphs of the application, beginning on page 1:

PacifiCorp proposes to implement a corporate restructuring. Under the proposed restructuring, PacifiCorp will retain ownership and operation of its generating assets and changes its name to “PacifiCorp Generation Company.” PacifiCorp will also retain ownership of its transmission assets, although control over and operation of these transmission assets are proposed to be transferred to a regional transmission organization, RTO West. PacifiCorp’s remaining non-transmission utility assets will be allocated among six new state electric companies – including PacifiCorp, Wyoming, Inc. – and a service company (the “service company”) Upon completion of the restructuring, the service company will be renamed “PacifiCorp.” Above all of these companies in the corporate structure will be a newly formed, non-operating U.S. holding company, PacifiCorp Holdings, Inc. The corporate structure of PacifiCorp and its related entities following the restructuring is shown on Application Exhibit 1.

The new Wyoming electric company, for purposes of this Application referred to as “PacifiCorp, Wyoming, Inc.” (“PacifiCorp Wyoming”), would continue to serve PacifiCorp’s electricity customers in Wyoming, and would be a public utility subject to the jurisdiction of the Commission. PacifiCorp Wyoming will acquire the necessary power supply to serve its utility customers pursuant to a power sales contract between PacifiCorp Wyoming and PacifiCorp Generation Company (“Power Supply Contract”). The Power Supply Contract will provide for PacifiCorp Wyoming’s current requirements; future requirements will be met through additional agreements with PacifiCorp Generation Company or third-party suppliers. [Footnotes deleted.]

Q. WHY DID PACIFICORP MAKE THE CORPORATE RESTRUCTURING FILING?

- A. PacifiCorp gave the following reasons on pages 12 and 13 of its application: (1) direct access initiatives in Oregon and elsewhere; (2) the need to provide independent control of the Company’s transmission assets, consistent with expectations of FERC; (3) fundamental changes in wholesale power markets and the risk of generation supply shortages; (4) industry consolidation; (5) the divergent policy goals of the state commissions that regulate the Company; (6) the limitations of traditional cost-of-service regulation; and (7) the breakdown of the Company’s interjurisdictional cost allocation process.

Q. WHAT WERE THE GOALS OF THE PROPOSED CORPORATE RESTRUCTURING, AS DESCRIBED BY PACIFICORP?

A. PacifiCorp's goals were to:

- Lock in benefits of existing generation and continue to provide cost-based rates long-term.
- Give each state independence in pursuing energy policies, including the type and timing of new generation resources.
- Create a stable environment for investment in new generation.
- Provide an opportunity for reasonable returns to company shareholders.

With this filing, one major additional concern emerged: the reluctance of PacifiCorp to make major system investments without reasonable assurance of recovery of its costs. This issue has two distinct subparts. First, many of the near-term investments that PacifiCorp was, and is, facing cost hundreds of millions of dollars (e.g., new generating plants). The Company was, and still is, reluctant to invest that much money in its retail operations while the states squabbled over how much cost recovery should come from each jurisdiction. Second, the states had different views on the types of investments to be made and what was driving the need for the significant investments. States disagree on the type of resource that should be built to meet new generation requirements, so how did PacifiCorp could not know that if a coal plant was built, Oregon would pay its share if it preferred a gas or a wind plant? How was PacifiCorp to have reasonable assurance that Utah would not count on an integrated system allocation while other states blamed the need for the new plant on Utah's growth? PacifiCorp sought greater certainty regarding cost recovery of its past and future investments.

Q. IDN'T PACIFICORP AGREE TO THIS KIND OF RISK WITH THE UTAH POWER AND PACIFIC POWER?

A. That is a matter of continuing debate. Some believe that this is simply a risk that the Company took on when it agreed to the risk of different allocations in different states. Others believe that PacifiCorp never intended to take on the risk associated with the costs and financing of new major generation and transmission power projects, such as those being faced over the next ten or fifteen years. At the time that this commitment was made, PacifiCorp was entering into a period of excess or adequate power supply.

But, one thing is clear. PacifiCorp has been reluctant to make major, long term investments until at least some of these issues are resolved. This proceeding resolves the allocation issue for now. The question of what type of resource to build continues to be debated in the resource planning process.

Q. WHY HAS THE CORPORATE RESTRUCTURING REQUEST BEEN IN A BLACK HOLE FOR THE BETTER PART OF FOUR YEARS?

A. For the better part of the first year after the application was filed in Wyoming as well as most of PacifiCorp's other states, it was being reviewed, examined, and investigated. The examination process moved at different paces in different states. While Wyoming was still having meetings with the Company and working to understand the nuances of the request, other states began to voice major concerns about the policy implications. Specifically, a number of states expressed concern that if the revised corporate structure was approved, jurisdiction over PacifiCorp's power supply would be moved from the states to the Federal Energy Regulatory Commission (FERC). Once PacifiCorp realized that this would be a major obstacle to approval in many of its states, it began working with the states looking for other ways to address the issues that had been previously identified as needing resolution. That brings us to the start of the multi-state process.

There has been a great deal of uncertainty as to whether the multi-state process would be successful. Thus, the corporate restructuring case has remained an open docket as a fall back option. As part of the stipulation relative to the multi-state

process and the proposed protocol, if the Commission approves the resolution being presented in this case, PacifiCorp has agreed to file to withdraw the corporate restructuring application.

Q. PLEASE DESCRIBE THE BEGINNING STAGE OF THE MULTI-STATE PROCESS.

A. During the last half of 2001, the PacifiCorp states began group discussions about the corporate restructuring filing and the challenges that drove the Company to make such a filing. As stated above, dissatisfaction with the corporate restructuring proposal was beginning to be voiced. At the same time, the states generally recognized that there were legitimate issues that needed to be addressed with a common solution. So, at Utah's suggestion, a meeting was held in December 2001 to determine the interest of the states in exploring the use of a multi-state forum to address some of the problems identified in PacifiCorp's corporate restructuring proposal. There was enough interest to proceed but with a great deal of reluctance and skepticism regarding what could be accomplished. Thus, the multi-state process was underway.

This proceeding formally began when PacifiCorp filed an application on March 7, 2002, requesting the initiation of an investigation of inter-jurisdictional issues affecting it. In this application, PacifiCorp described some of the reasons it saw a need for such an investigation, including:

1. There is no consensus among PacifiCorp's jurisdictions as to how the costs of the Company's existing generation and transmission resources should be allocated.
2. There is no consensus among PacifiCorp's jurisdictions as to who should bear responsibility or enjoy the benefits of resources in the event of direct access, sale or purchase of service territory or loss of industrial load.

3. There is no consensus among PacifiCorp's jurisdictions as to PacifiCorp's responsibility for meeting future load growth through the addition of rate-based resources.
4. There is no consensus among PacifiCorp's jurisdictions as to who should bear the costs of new resource additions.
5. There is no consensus among PacifiCorp's jurisdictions as to the appropriate choice of the Company's new resource additions.
6. Even if a consensus did emerge among PacifiCorp's jurisdictions in regard to the foregoing issues, there is no means for the Company to be assured that such consensus will be maintained over the full life of new resource investments, so as to permit full cost recovery.

Naively, the Company anticipated that the process would require six months, beginning with a group meeting in Boise on April 10, 2002 and ending with a report on the agreement submitted to the Commission on October 2, 2002. The Company also suggested the use of a meeting facilitator, who was ultimately hired.

On April 1, 2002, the Commission issued its order initiating an investigation into PacifiCorp's interjurisdictional issues. However, in approving the initiation of an investigation on its own motion, the Commission made clear that it was remaining flexible about future involvement and future processes. Only after a number of questions (about the process and what was likely to be accomplished) had been answered in an open meeting, and after a few of the large group meetings had been experienced, did the Commission approve its staff's full engagement in the multi-state process. (See Letter Order issued June 5, 2002.)

Q. WHAT HAPPENED DURING THE NEXT TWO YEARS?

A. Meetings, meetings, and more meetings. There were discussions about fish and states' God-given rights to hydro power. There were discussions about load growth and fairness. There were discussions about states' rights. There were

discussions about how big a “butt-kicking” any state would be willing to accept as a result of the process. There were discussions about unwinding the Utah Power and Pacific Power merger. There were discussions about regulatory pre-approvals of any new investments. There were discussions about the sustainability of any potential agreement, or lack thereof. And, finally, there were studies run on each scenario any state could dream up, until my eyes began to spin and the numbers run together.

Q. WHICH ISSUES EMERGED AS KEY ITEMS TO BE RESOLVED?

A. Two key issues related to making sure that costs associated with Utah’s load growth were being properly allocated and treatment of the hydro resources. Secondary, but still very important issues were: (1) assuring that no state would suffer unbearable cost shifts (or if they did, there would be a way to mitigate them in the short term) and (2) trying to build some sustainability and longevity into the agreement. The stipulation and proposed protocol we are presenting to the Commission addresses each of these key issues, and more.

Q. PLEASE DESCRIBE PARRISH/JOINT EXHIBIT ONE.

A. This exhibit consists of two distinct parts. The first seven pages are a Stipulation and Agreement that further discusses, explains, and clarifies the proposed multi-state protocol. The remaining pages are the multi-state protocol itself, and it contains the specifics of how the common investments, expenses, and revenues of PacifiCorp will be allocated among its various jurisdictions. The Stipulation and Agreement is unique to Wyoming, as individual states have customized their stipulations to contain explanations important to them and/or side agreements separate and apart from the common protocol. The language contained in the protocol itself is common among all the states. This was done intentionally to have one common agreement with the exact same language for all states, so that interpretive disagreements would be minimized. However, in spite of the attempt to make this agreement as concise and explanatory as possible, there are still some areas of ambiguity within the document, as well as some areas that are untested.

However, I understand that these few vagaries were necessary to get states to agree to the major concepts contained in the protocol, and I do not find them to be fatal flaws, based on what I know today.

Q. BEGINNING WITH THE PROTOCOL ITSELF, PLEASE EXPLAIN EACH MAJOR SECTION OF THE AGREEMENT.

A. Section I of the document is the Introduction. One of the first critical points made in this section is that “PacifiCorp commits that it will continue to plan and operate its generation and transmission system on a six-State integrated basis in a manner that achieves a least cost/least risk Resource portfolio for its customers.” This language is very important to the OCA because we want to ensure that PacifiCorp continues to focus on integrated planning and operations of its system, and not planning that may be driven by the political or environmental motives of a particular state or group. While states certainly have the opportunity to direct different resource choices, provided they are willing to pay for them, the agreement acknowledges that least cost planning for the entirety of the system will be the norm and an overarching goal of the resource planning process. This same concept is important enough that it is repeated in Section XII of the protocol.

The second important point in the introductory section is that simply because a cost is allocated to a particular jurisdiction does not mean that any state has waived its right to examine the underlying prudence of how and why that cost was incurred. Each preserves its right to examine the nature and reasonableness of the costs in cases where the Company is seeking to recover them in rates.

Third, the protocol recognizes that circumstances may change such that parties wish to revisit the terms of the protocol to recognize those changed circumstances. However, that is not meant to give parties *carte blanche* to abandon the process simply because they prefer different results or terms.

Q. WHAT ARE THE IMPLICATIONS OF SECTION II?

A. Section II discusses that the new allocation method will, without option, be used for all traditional, general, retail rate proceedings starting after June 1, 2004. However, whether the new allocation scheme will be used in other types of regulatory proceedings on and after June 1st is an open question. In Wyoming, the OCA was cognizant of the projected revenue requirement results under the new allocation method when reaching a settlement in the recent PacifiCorp pass-on case.

Q. WHAT CHANGES ARE REFLECTED IN SECTION III?

A. While there were several proposals during the course of this proceeding to revise the 75% demand and 25% energy weighted allocation factor for generation resources, the agreement continues the same weighting that is now in effect under the Modified Accord. It was agreed that this would continue absent a compelling reason to change, though legitimate arguments can be made on many different mixes of demand/energy percentages. Additionally, the protocol continues to utilize the current allocation process where non-firm purchases and sales are generally driven by more immediate energy needs rather than the need for capacity, and thus, are to be allocated on a 100% energy basis.

Q. PLEASE EXPLAIN SECTION IV OF THE AGREEMENT.

A. This section classifies resources into four categories: Seasonal, Regional, State, or System. The bulk of PacifiCorp's resources will continue to be classified as system resources, and the costs allocated to all six states. However, some parties felt a need for special treatment of the other three categories of resources to properly assign the cost to the cost-causing jurisdiction.

Seasonal resources are those obtained in order to serve the load of a particular region, division, or area, during a particular time of the year – normally during that division's peak period. Thus, the allocation factors (which are very

specifically defined in Appendix C) will reflect a heavier weighting for those jurisdictions during the months that those resources are most needed and utilized.

It is important to recognize that while agreement was reached on this allocation of seasonal resources for now, the parties are asking that their allocation results be monitored and further studied. Since this categorization of seasonal resources is a change from the Modified Accord or rolled-in methods, some parties wanted more time and study for certainty that the results will be reasonable.

Section IV(B) of the agreement addresses the latest proposed version of the hydro endowment. Currently, the hydro endowment goes to the states serving the former Pacific Power area (Washington, Oregon, and Wyoming.) Oregon and Washington were very passionate that the former Pacific Power area, and particularly their states, need to receive benefits from the hydro generation over and above what might be shared with the former Utah Power areas. Thus, the hydro endowment continues to the advantage of the Pacific Power states. But, a significant change in the hydro endowment is that it will expand to include additional hydro generation that the Company receives via contracts (rather than owned facilities). These contracts are referred to in total as the Mid-Columbia contracts (since they involve the Columbia river) and are sometimes called Mid-C. This part of the hydro endowment is shared among all states, but gives a larger weighting of the benefits to Washington and Oregon, based on one reading of specific contract language. The specific computation of the Mid-C contract allocation is found on Appendix F of the protocol.

Section IV(C) of the protocol addresses resources specifically driven by state regulatory decisions, such as demand side management investments, qualifying facilities contracts, or the desire for specific types of generating resources versus what would have otherwise been obtained pursuant to PacifiCorp's resource plan. The costs and benefits of each of these items, driven specifically by and for the state, will be allocated to that individual state. For example, if Oregon chooses to

make a large investment in demand side management programs, its allocations will be reduced by the reduced consumption resulting from those programs, but Oregon's retail customers will be allocated the costs associated with those programs.

Section IV(D) discusses the fact that all other resources, not otherwise specifically provided for, will be allocated system-wide.

Section IV(E) communicates the remaining concern of some of the parties that the results of this allocation process must be subject to continued monitoring to ensure that costs associated with growing load are appropriately allocated to the growing state. This concern continues because Utah's load has in recent years grown at a much greater rate than the other states'. Thus, the states other than Utah to make sure that an inappropriate cost-shift is not occurring due to costs driven by Utah's growth. Additional study will be done to confirm that the proposed allocation method continues to be appropriate based on additional data and study.

Q. PLEASE DESCRIBE THE SIGNIFICANCE OF SECTION V OF THE PROTOCOL.

A. Distribution costs are currently assigned to the state in which the distribution assets reside, i.e., they are assigned situs. Transmission costs are currently assigned either divisionally or system-wide. FERC is currently examining certain assets that could be categorized as either transmission or distribution, and PacifiCorp has requested that a number of those assets that fall within the grey area be treated primarily as transmission. The revenue requirement studies as part of this proceeding have also primarily assumed that those assets are treated as transmission. If a directive or decision were to be made that those assets should be reclassified as distribution, it is my understanding that Utah would be the hardest hit in shifting revenue requirement to it from other states. This provision

simply acknowledges that if the reclassification (or refunctionalization) occurs, any additional distribution assets will continue to be treated situs.

This concept of directly assigning distribution costs to individual states is also found in Section VI of the protocol.

Q. HOW ARE ADMINISTRATIVE AND GENERAL COSTS TO BE ALLOCATED?

A. These costs are to be directly assigned whenever possible. Otherwise, a cost causation factor(s) has been identified and will be used to allocate such costs.. These allocations are described in Section VII of the protocol and then more fully in Appendix B. For example, page 4 of Appendix B shows that Customer Service Expense will be allocated on the customer number (CN) factor which is based on a state's proportionate number of total customers.

Q. PLEASE EXPLAIN THE AGREEMENT ON SPECIAL CONTRACTS, DESCRIBED IN SECTION VIII OF THE PROTOCOL.

A. The language in Section VIII generally explains that if a customer is served by a special contract, the revenues from that contract/customer will be assigned to the state in which that customer's load resides. Additionally, the loads of that customer will be included in the demand and energy factors used to measure the proportion of the load associated with a state which will then be used in the process of computing allocations. As further described in Appendix D, if a customer reduces load under a provision of the special contract, that reduced load will then flow through the allocation computations based on the fact that the state's allocated portion of the total would be less than if that load reduction had not occurred.

As again described on Appendix D, exceptions to the above-described load reduction may occur depending on the nature of the contract. For example, if the contract calls for load reduction that replaces the Company's need for a

generating resource or an additional power purchase – thus benefiting the entire integrated system – the reduced load would not be reflected in the allocation computation. Rather, the demand and energy levels would assume the interruption (or load reduction) did not occur for the special customer, assigning a higher load to that customer’s state. Non-discounted revenue levels would also be assigned to that state. Then, the cost (or revenue loss) associated with the difference between the retail tariff rate (non-discounted revenue level) and the actual discounted rate paid by the customer (to compensate for the interruption that has occurred) would be allocated as a system cost to all states. Thus, there is no disadvantage to an individual state by having customers agree to provide power during peak periods through interruptible contracts, compared to obtaining the incrementally needed power through the addition of owned-resources or power purchases.

There is another Special Contract exception noted on Appendix D. A customer subject to an interruptibility provision in a special contract may choose not to be interrupted and instead may choose to pay the incremental cost of the power required to continue service during a defined difficult period. If the customer chooses this buy-through option, the load associated with the continuation of service will not be included in a state’s allocation factors. Furthermore, the revenues associated with that buy-through purchase will not be assigned to that state in which the customer resides and the costs of the buy-through will not become part of the system net power costs to be allocated.

While this complicated issue of various kinds of special contracts is spelled out in the agreement, there are currently no special power contracts in Wyoming. However, special contracts in other states may impact the costs allocated to Wyoming, as the interruption discount would flow through the allocation process as a system cost.

Q, WHAT IS THE MEANING OF SECTION IX OF THE PROTOCOL?

A. This provision is a reminder of PacifiCorp's displeasure related to the regulatory treatment associated with its most recent large system asset sale. According to PacifiCorp, the total of the proportionate allocated gains from each state was greater than 100% of the total gain on the sale. This provision attempts to ensure that shareholders are not burdened with future asset sales by having a state take a larger portion of the gain than the portion of the cost that it previously bore.

Q. PLEASE DESCRIBE SECTION X OF THE PROTOCOL.

A. This provision addresses loads and resources that are impacted by a state's decision to allow direct access (i.e., retail choice of power suppliers) in a state. The agreement discusses the situation where the customer chooses to leave PacifiCorp as the supplier on a permanent basis, or temporarily with the option to return to PacifiCorp's supply. When customers have the option to return to PacifiCorp, these customers' loads will be included in the state's loads used for computing allocation factors. When the option is chosen to permanently leave PacifiCorp's system, the customer's load will be used to compute the allocation of resources that existed when the decision to leave was made, but will not be included in the allocation of any new resources acquired after the customer's decision was made. If many customers left PacifiCorp's system on a permanent basis, the agreed-upon allocation process could result in a state having the cost of more resources allocated to it than are needed to serve that state's customers. If this freed-up resource is ultimately sold, it will be done only in a manner that brings no harm to the remaining non-Direct Access states. In other words, such a sale should not result in any cost shifts to the other states.

While a fair amount of time was spent discussing Direct Access issues, this appears to be more of a future issue than a current issue, While PacifiCorp's customers are allowed supplier choices in Oregon, very, very, few customers have chosen to leave PacifiCorp and thus the issue is not a burning one at the moment. However, this provision was put in place with the hope that the agreement will be

able to accommodate changing circumstances over time, without having to entirely start over.

Q. WHAT IS ANTICIPATED WITH THE LOSS OR INCREASE IN LOAD PROVISION IN SECTION XI?

A. This provision again is meant to be prepared for situations that may, and do occasionally occur, due to changing circumstances. If, for example, a small or mid-sized city were to municipalize what had previously been PacifiCorp's territory, this could reduce the allocation of the overall system costs to a particular state, leaving the other states to bear those costs. Similarly, a large customer could begin to self-generate, leaving the same effect of shifting costs to other states. This provision indicates that those increases and decreases in load (other than from direct access, which are addressed above) will simply be reflected in more than five percent of the system load, the changes will be specifically addressed based on the individual facts and circumstances of that situation. To put this into context, if PacifiCorp were to have a viable buyer for its California operations, the total sale of that load would be less than five percent of the system. However, if PacifiCorp chose to sell its Washington operations, that would exceed the five percent system load threshold.

Q. PLEASE SUMMARIZE SECTION XII OF THE PROTOCOL.

A. This provision was mentioned earlier, and emphasizes the importance of performing resource planning on a least-cost basis for the entire system. This issue is so important that it is also emphasized in the discussion on page two of the Stipulation and Agreement.

The protocol also acknowledges on the part of the states that resources that are found to have been prudently obtained and are used and useful will be reflected in retail rates but in a manner consistent with that state's ratemaking requirements and principles. This is not meant to circumvent a state's authority to review the reasonableness and appropriateness of investments but rather, is meant to provide

at least a smidgen of assurance to PacifiCorp that the least-cost planning process will carry some meaning when it comes to rate recovery.

Q. PLEASE PROVIDE A DESCRIPTION AND EXPLANATION OF THE PROVISIONS CONTAINED IN SECTION XIII OF THE PROTOCOL.

A. This provision is multi-faceted and of key importance to the OCA. I will therefore spend some time walking through each subpart of this provision.

First is the matter of questions about the protocol. This simply indicates that the parties to the protocol will attempt to interpret the language in a manner consistent with the overall intent of the discussions and principles that underlie the agreement.

Second is the matter of the Standing Committee. There are several reasons that this provision for a Standing Committee was included. A primary objective is to provide an avenue for discussions among the states. One of the early comments of the facilitator was his surprise at how little the states had spoken with each other about some of the key issues in this proceeding. While I have often consulted with my colleagues in other states about common matters, I would not say that I did so regularly since the PITA meetings ended. This process of having a Standing Committee that is charged with meeting at least once during the year will provide an opportunity for discussion. However, this can be a double-edged sword. I have also seen instances where because people are charged with meeting, they feel that they have to create a purpose and project in conjunction with the meeting – even when it sometimes appears to simply be make-work or meaningless. Thus, I urge the Wyoming representative on the Standing Committee to fully participate in the meetings and work assignments, but not to create a purpose to meet when none exists.

The protocol also allows the state member of the Standing Committee to be either a Commissioner or a designated staff member. I ask the Commission to consider

appointing a staff member to this position rather than one of the Commissioners. In this way, individual Commissioners will have some distance between issues that begin with the Standing Committee and end up in hearings or applications before the Wyoming Commission.

Another element of the Standing Committee provision is that all meetings be open. As more specifically spelled out in the Stipulation and Agreement, the OCA believes it means that each of the meetings should have meaningful notice and be open to any party or member of the public who wishes to attend. Frankly, the OCA anticipates attending each of these meetings of the Standing Committee into the foreseeable future, as we see it as a continuation of much of the work we have been involved in for many years. However, our schedules and resources are tight, and thus, notice and the ability to plan our attendance is important to us.

The protocol attempts to describe the work of the Standing Committee as being a forum at which issues may be raised in a group setting. It also anticipates that the Standing Committee would work with the Company and the state staffs to study issues and perhaps even identify potential solutions. However, as further described in the Stipulation and Agreement, this body is not intended to have any decision making authority and is not authorized to usurp any of the authority held by individual state commissions. It is not a regional hearing body and it is only marginally advisory. Instead, it is more of a fact finder and issue identifier.

Finally, the protocol describes that the Standing Committee would begin its existence by having some involvement in the studies that are otherwise described in the protocol on seasonal resources and load growth.

Q. ARE THERE ADDITIONAL SUBPARTS IN SECTION XIII?

- A. Yes. Section XIII(C) describes the process for amending the protocol agreement. The key element of this language is that parties will notify each other as issues

arise that might warrant changes to the protocol and that parties are not bound by their agreement in this case into perpetuity.

As to the last subpart, Section XIII(D), it is important to have a majority of jurisdictions agreeing to this allocation process for it to have some meaning to PacifiCorp in reducing its risk relative to new resources and cost recovery. Thus, it will only become effective if Oregon, Utah, Wyoming and Idaho approve the protocol with little or no change.

Q. WHY DOES IT APPEAR THAT THE PROTOCOL IS INCOMPLETE, BASED ON THE LANGUAGE ON PAGE 15?

A. Regrettably, the document ends with a typographical error. The last word on this page should be ‘States.’

Q. SINCE THE ALLOCATON METHOD CONTINUES TO CONTAIN SEPARATE ALLOCATIONS FOR THE UTAH POWER AND PACIFIC POWER OPERATIONS, WILL WYOMING CONTINUE TO BE SADDLED WITH TWO SETS OF COSTS FOR ITS INTEGRATED OPERATIONS?

A. Unfortunately, yes. However, there is nothing that would prevent the Commission from simply totaling the two sets of costs and arriving at one cost of service and one revenue requirement for its Wyoming operations. By doing this, the Commission could easily continue to move toward the consolidation of the Utah Power division and Pacific Power division rates, as it had previously ordered.

Q. PLEASE DESCRIBE THE STIPULATION AND AGREEMENT THAT IS CONTAINED IN PARRISH/JOINT EXHIBIT ONE.

A. Some of the more significant sections of language and provisions have been discussed above in conjunction with the language in the protocol. The areas that have not, as well as those that warrant further explanation, are discussed below.

Paragraph 4 of the Stipulation and Agreement explicitly states that the OCA and the other signatories to the document will both advocate for approval and will also support the use of the described allocations for ratemaking purposes unless and until proper concerns are raised about the on-going appropriateness of their use. As described in Paragraph 5, parties are no longer bound by this commitment to use the agreed-to allocations once they believe that the results depart from just and reasonable results.

In Paragraph 6, PacifiCorp commits to provide some data for parties and the Commission to use when monitoring the reasonableness of the result. In this provision, PacifiCorp commits to provide, for the ten years following the ratification of the Protocol, data that will allow for the comparative revenue requirement impacts under both this submitted allocation protocol and the currently used Modified Accord. Furthermore, the Company agrees to submit all supporting documentation and workpapers that underlie the Modified Accord versus Protocol comparison data.

The language beginning on page 4 at paragraph 8(a) of the Stipulation was drafted at the OCA's request in order to better define the role and purpose of the Standing Committee. As described above, the Standing Committee is not intended to be a decision making body nor are its recommendations presumptively correct when (if) they are introduced in proceedings before state commissions.

Again, the OCA wants to emphasize that the work of the Standing Committee should be a very open process. Parties not members of the Standing Committee should be able to contact the Standing Committee and provide comments or concerns at or between meetings. Meetings should be held in public, accessible places after reasonable notice. In order not to advantage one state or party over another, the meetings should either be held in a neutral location (other than one of the six PacifiCorp states) or should be moved from jurisdiction to jurisdiction.

Q. WHAT IMPACT WILL ADOPTING THIS PROTOCOL AND STIPULATION HAVE ON WYOMING CUSTOMERS' RATES?

A. Exhibit 5S of PacifiCorp witness Dave Taylor, submitted July 1, 2004, provides a best estimate quantification of the long and short term impact of the agreement on each of its six states. Based on numerous assumptions, and best guesses, PacifiCorp estimates that the net present value change to Wyoming's revenue requirement will be negligible (about -0.09%). In the early years, the annual impact, all other things being equal, would be to reduce the revenue requirement by one to two percent. This benefit of a reduction to revenue requirement is estimated to reverse in about 2011, when the increases would be expected to be one to about one and one-half percent.

Since the impacts are expected to be relatively small, and estimates will predictably be wrong anyway, the OCA felt no need to request additional rate mitigation procedures as part of the Stipulation. Additionally, there is no request to change rates associated with the approval of this agreement.

Q. DO YOU RECOMMEND THAT THE COMMISSION FIND THAT THE PACKAGE OF THE PROTOCOL ALONG WITH THE STIPULATION AND AGREEMENT IS IN THE PUBLIC INTEREST?

A. Yes. Overall, the package appears to be a fair and reasonable means of allocating common costs and investment among PacifiCorp's retail jurisdictions.

Q. DOES THAT CONCLUDE YOUR PREFILED DIRECT TESTIMONY?

A. Yes, and I look forward to the opportunity to respond to any questions the Commission or its advisors may have about this matter at the hearing scheduled to begin October 19, 2004. I also look forward to having another phase of the history of PacifiCorp's allocations behind me!