

July 30, 2010

***VIA ELECTRONIC MAIL
AND OVERNIGHT DELIVERY***

Administrative Law Judge Sean Wilson
California Public Utilities Commission
Division of Administrative Law Judges
Room 5022
505 Van Ness Avenue
San Francisco, CA 94102-3214

RE: PacifiCorp (U 901 E) Application for an Order Authorizing a Rate Increase Effective January 1, 2011 and Granting Conditional Authorization to Transfer Assets, pursuant to the Klamath Hydroelectric Settlement Agreement, A.10-03-015 (Application).

Pursuant to the *Scoping Memo and Ruling of Assigned Commissioner*, dated June 18, 2010, PacifiCorp, d.b.a. Pacific Power, respectfully submits the attached Supplemental Testimony of Andrea L. Kelly.

Sincerely,



Andrea L. Kelly
Vice President, Regulation

Enclosures

cc: A.10-03-015 Service List

Docket No. A.10-03-015
Exhibit No. PPL/202
Witness: Andrea L. Kelly

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

Supplemental Testimony of Andrea L. Kelly

July 2010

1 **Introduction**

2 **Q. Are you the same Andrea L. Kelly who submitted direct testimony in this**
3 **proceeding?**

4 A. Yes.

5 **Purpose and Overview of Supplemental Testimony**

6 **Q. What is the purpose of your supplemental testimony?**

7 A. The June 18, 2010, *Scoping Memo and Ruling of Assigned Commissioner*, sets
8 forth a list of issues for examination with respect to PacifiCorp's Application for
9 an Order Authorizing a Rate Increase Effective January 1, 2011 and Granting
10 Conditional Authorization to Transfer Assets, pursuant to the Klamath
11 Hydroelectric Settlement Agreement (Application) and indicates that parties'
12 testimony should address any issue on which factual information may be helpful
13 to explain or support their position.¹ The Company's Application includes direct
14 testimony and supporting exhibits which address many of the issues listed in the
15 Ruling. My supplemental testimony provides reference to those portions of the
16 respective witnesses' direct testimony that address the listed issues. My
17 supplemental testimony also provides additional information on specific issues
18 that were not addressed in the direct testimony.

19 **Q. Please list the direct testimony and exhibits that were included with the**
20 **Application in this proceeding.**

21 A. The direct testimony and exhibits are as follows:

22 Exhibit PPL/100 – Direct Testimony of Dean S. Brockbank

¹ See Ruling, pp. 6-8.

1 **Q. What rate design did the Company use to determine the monthly surcharge**
2 **for each customer class?**

3 A. As detailed in Exhibit PPL/201 to my direct testimony, the Company has
4 proposed a surcharge expressed on a cents per kilowatt-hour (kWh) by customer
5 class. The calculation of the surcharge is included on page 4 of that exhibit.

6 **Q. Does the KHSA provide contingencies for the trust funds, such as refunds to**
7 **customers, if future circumstances change?**

8 A. Yes. As discussed on page 10 of my direct testimony, Exhibit PPL/200, Section
9 4.4 of the KHSA outlines specific contingency plans for the surcharge funds. The
10 Commission retains the authority to ensure that the funds are used for the benefit
11 of customers, including potential refunds.

12 **Q. If the surcharge is refunded, what information would be available to the**
13 **Commission to determine the amount of the refund?**

14 A. As manager of the trust funds, the Commission and/or the State of California will
15 know the balance of the amounts in the trust funds. The Company will also
16 provide the Commission with information regarding collections as part of
17 remitting the funds to the trust fund. This information will include the amount of
18 monthly collection by rate schedule. If the Commission were to decide to refund
19 amounts to customers, it would need to direct the trust fund to remit those funds
20 to PacifiCorp and PacifiCorp would cooperate in facilitating the refund.

1 **Q. Did the Company's Application and direct testimony address whether**
2 **PacifiCorp should be authorized to remit the KHSA surcharge funds into**
3 **two trust accounts created by the Commission and managed by an agency of**
4 **the State?**

5 A. Yes. This is discussed in the Application, pages 5-6, and in my direct testimony,
6 Exhibit PPL/200, on page 9.

7 **Q. Has the Company proposed to depreciate the assets associated with the**
8 **Klamath River Project on an accelerated basis?**

9 A. Yes. This proposal is discussed in the Application, pages 6-7, and in my direct
10 testimony, Exhibit PPL/200, pages 10-12. The change in depreciation life is
11 consistent with the expected life of the facility under the KHSA and ensures full
12 depreciation of the assets prior to removal by the dam removal entity.

13 **Q. Did the Company's direct testimony explain the method for calculating the**
14 **depreciation of the assets and provide a proposal for reflecting it in rates?**

15 A. Yes. This is discussed in my direct testimony, Exhibit PPL/200, pages 10-12.

16 **Q. Would the accelerated depreciation be refundable?**

17 A. No. Depreciation lives for the Klamath assets can be adjusted on a prospective
18 basis in rate case proceedings if the Commission determines that one or more of
19 the Klamath dams will not be removed, or will be removed in a year after 2020.

20 This is no different than any other asset in rate base where the lives are
21 periodically reassessed through depreciation studies.

1 **Q. Where did the Company's Application and direct testimony address**
2 **whether, pursuant to Public Utilities Code § 851, PacifiCorp should be**
3 **authorized to transfer Klamath River Project assets to an entity designated**
4 **to remove the dams in question, according to the terms of the KHSA?**

5 A. This is addressed in the Application, pages 7-9, and in my direct testimony,
6 Exhibit PPL/200, pages 14-16.

7 **Q. If PacifiCorp is authorized to transfer Klamath River Project assets in this**
8 **proceeding, what type of filing should PacifiCorp be required to file prior to**
9 **the actual transfer of Klamath River Project assets?**

10 A. As discussed in the Application, page 8, and in my direct testimony, Exhibit
11 PPL/200, pages 14-15, the Company proposes to file a compliance advice letter
12 confirming that all the conditions precedent for transfer of each facility have been
13 completed. If the key preconditions are not met, the authorization to transfer will
14 not become effective, and the Commission will retain its existing jurisdiction over
15 the assets.

16 **Q. Is PacifiCorp seeking Commission authorization to comply with the terms**
17 **and conditions of the KHSA?**

18 A. Yes, it is seeking Commission authorization in those areas subject to the
19 Commission's jurisdiction. By way of clarification, in order to comply with the
20 terms and conditions of the KHSA, PacifiCorp is obligated to request that the
21 Commission: (1) establish a surcharge in California to fund the removal of four
22 PacifiCorp dams located on the Klamath River; and (2) determine a depreciation
23 schedule for each Facility based on the assumption that the Facility will be

1 removed in 2020. Both of these requests address ratemaking issues for which
2 Commission approval is required, and, along with a request for authorization to
3 transfer the Project and related lands to the Dam Removal Entity, are the subject
4 of the Application. As such, PacifiCorp's Application does not seek the
5 Commission's authorization to comply with the provisions of the KHSA as a
6 whole, but rather requests the Commission's permission to implement certain
7 provisions of the KHSA.

8 **Q. Is PacifiCorp agreeable to Commission adoption of a requirement that**
9 **PacifiCorp report on conditions, milestones, and events related to the KHSA**
10 **on a scheduled basis?**

11 A. Yes. Exhibit 2 of the KHSA provides table outlining the sequence of steps
12 necessary to implement the settlement. As indicated at the prehearing conference
13 of May 19, 2010, PacifiCorp proposes to make an annual filing with the
14 Commission indicating the status of each of the necessary steps outlined in
15 Exhibit 2 of the KHSA. In addition to this annual filing, PacifiCorp proposes to
16 update the Commission and parties to this proceeding via email of any major
17 milestones or developments with respect to the KHSA.

18 **Q. Does this conclude your supplemental testimony?**

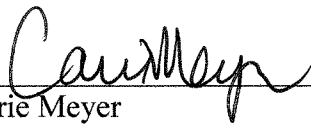
19 A. Yes.

Certificate of Service

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this 30th day of July, 2010, at Portland, OR, provided via electronic mail a true and correct copy of PacifiCorp's (U 901-E) Supplemental Testimony to the following parties:

**Service List
A.10-03-015**

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