

Docket No. UE-227
Exhibit PPL/600
Witness: William R. Griffith

**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

PACIFICORP

Rebuttal Testimony of William R. Griffith

July 2011

1 **Q. Please state your name, business address and present position with**
2 **PacifiCorp (the Company).**

3 A. My name is William R. Griffith. My business address is 825 NE Multnomah St.,
4 Suite 2000, Portland, Oregon 97232. My present position is Director, Pricing,
5 Cost of Service, and Regulatory Operations, in the Regulation Department.

6 **Qualifications**

7 **Q. Briefly describe your educational and professional background.**

8 A. I hold a Bachelor of Arts degree with High Honors and distinction in Political
9 Science and Economics from San Diego State University and a Master of Arts
10 degree in Political Science from that same institution; I was subsequently
11 employed on the faculty for one year. I also attended the University of Oregon
12 and completed all course work towards a Ph.D. in Political Science. I joined the
13 Company in the Pricing & Regulatory Affairs Department in December 1983. In
14 June 1989, I became Manager, Pricing in the Regulation Department. In February
15 2001, I assumed my present responsibilities.

16 **Q. Have you appeared as a witness in previous regulatory proceedings?**

17 A. Yes. I have testified on behalf of the Company in regulatory proceedings in the
18 states of Oregon, Washington, California, Utah, Wyoming, and Idaho.

19 **Purpose of Testimony**

20 **Q. What are your responsibilities in this proceeding?**

21 A. I respond to the \$42.6 million “additional margin” adjustment for non-NPC
22 revenues proposed by Industrial Customers of Northwest Utilities (ICNU) witness
23 Mr. Donald W. Schoenbeck. I also present the Company’s proposed change to

1 Schedule 220 which, as discussed by Company witness Mr. Gregory N. Duvall,
2 addresses Noble Americas Energy Solutions' (NAES) witness Mr. Kevin
3 Higgins' concern relating to line losses.

4 **ICNU's Proposed Adjustment for Non-NPC Revenues**

5 **Q. Please describe ICNU's proposed adjustment.**

6 A. ICNU proposes to reduce the Company's NPC increase in this TAM proceeding
7 by \$42.6 million. ICNU's witness, Mr. Schoenbeck, calculates this amount as the
8 difference between non-NPC revenue at present rates on the 2012 test period as
9 filed in this docket and the non-NPC revenue at present rates on the 2011 test
10 period from the UE 216/217 proceedings. ICNU labels the non-NPC revenue as
11 "margin revenue" and thereby labels the \$42.6 million as "additional margin
12 revenue [which] should be used to offset the NPC increase in this proceeding."¹

13 **Q. What rationale does ICNU offer for its proposed adjustment?**

14 A. ICNU proposes this adjustment to "recognize the additional fixed cost revenue
15 recovery from the additional sales..." in the 2012 forecast test period. ICNU's
16 witness states that his "preference would be to use the same load levels as the
17 prior docket" but indicates that the proposed adjustment would be a reasonable
18 alternative.²

19 **Q. Is ICNU's proposal reasonable?**

20 A. No, it is not reasonable. ICNU's proposed adjustment is outside the scope of the
21 TAM and violates the TAM Guidelines agreed to by ICNU and approved by the
22 Commission for TAM proceedings. It is also a one-sided adjustment which

¹ ICNU/100, Schoenbeck/10, lines 3-9.

² ICNU/100, Schoenbeck/9, lines 19-22.

1 proposes to update revenues without updating costs and violates the matching
2 principle.

3 **Q. How were the TAM Guidelines developed?**

4 A. In Docket UE 199, ICNU, CUB, Staff, and Sempra Energy (the precursor to
5 NAES) reached an all party settlement which included an agreement on TAM
6 Guidelines governing future TAM proceedings. ICNU and the other parties
7 signed the all-party TAM settlement stipulation, and it was ultimately approved
8 by the Commission in Order No. 09-274.

9 **Q. What are the objectives of the TAM and what is the scope of a stand-alone
10 TAM according to the TAM Guidelines?**

11 A. The objective of the TAM is set forth in the first sentence of the Guidelines:

12 Pacific Power's Transition Adjustment Mechanism (TAM) is an annual
13 filing *with the objective to update the forecast net power costs* to
14 account for changes in market conditions..."³ [emphasis added]

15 Also the stand-alone TAM process is, according to the Guidelines, "intended to be
16 narrower and more streamlined than when the TAM is filed in...a general rate
17 case."⁴

18 **Q. Is ICNU's proposal in line with these objectives?**

19 A. No. ICNU's proposed non-NPC revenue adjustment is not related to the update
20 of forecast net power costs and is outside the scope of the TAM. This proposal
21 attempts to broaden the stand-alone TAM by updating it for non-NPC revenues
22 while violating the TAM Guidelines to which ICNU agreed and which were
23 adopted by the Commission.

³ See Order No. 09-274, Appendix A at 9.

⁴ *Id.*

1 **Q. Do the TAM Guidelines specifically state the revenue accounts which can be**
2 **updated in the TAM?**

3 A. Yes. Attachment A to the TAM Guidelines provides a complete list of the FERC
4 NPC accounts which can be updated through the TAM. Additionally, in the
5 stipulation adopted by Order No. 10-363, parties agreed to a revision to the TAM
6 Guidelines to allow updates for specific items in Other Electric Revenue in stand-
7 alone TAM filings. Other Electric Revenue is tracked in non-NPC FERC
8 Account 456. This update is for revenues which are not NPC but are NPC
9 related. This is the only exception allowed by the Guidelines.

10 **Q. Does ICNU's adjustment update revenues related to the listed FERC**
11 **accounts?**

12 A. No. In fact, ICNU's adjustment is an attempt to do just the opposite – to update
13 revenues for every FERC account except the NPC accounts listed in Attachment
14 A to the TAM Guidelines. In a data response, ICNU agrees that its \$42.6 million
15 adjustment is composed entirely of non-NPC revenues. This data response is
16 provided as Exhibit PPL/601.

17 **Q. Is ICNU's proposed adjustment to update non-NPC revenues balanced?**

18 A. No. In addition to violating the TAM guidelines, ICNU's adjustment is entirely
19 one-sided. It updates non-NPC revenues for changes in load, but it makes no
20 corresponding update to costs for non-NPC items. It violates the matching
21 principle which requires that costs must be matched with revenues. ICNU's
22 adjustment is also punitive to the Company and would discourage PacifiCorp
23 from taking steps in the future to avoid filing annual general rate cases.

1 **Q. How are costs for non-NPC items updated in regulatory proceedings?**

2 A. They are updated through a general rate case rather than through this proceeding.

3 TAM proceedings are specifically designed to update NPC revenues and costs.

4 **Q. Will the Company's non-NPC rates change as a direct result of the rate**
5 **change in this TAM docket?**

6 A. No. The Company's non-NPC rates will not change as a result of this docket.

7 **Q. If non-NPC rates and revenues are not updated in the TAM, what is the**
8 **reason for including an updated calculation of total revenues for the test**
9 **period provided in Exhibit PPL/304, Ridenour/1?**

10 A. Total Oregon revenues shown in Exhibit PPL/304 have been provided in order to
11 offer additional information concerning the overall total bill impacts to customers
12 of this NPC change based on the stand-alone TAM forecast test period.

13 **Q. As you stated earlier, ICNU indicates that its proposed adjustment is not its**
14 **preference. Instead, ICNU's preference would be to use the same load levels**
15 **as were used in the prior docket for this stand-alone TAM. Please respond.**

16 A. ICNU's preferred method also violates the TAM Guidelines. Section D of the
17 Guidelines on Rate Design clearly states in paragraph 2, "In a stand-alone TAM,
18 the TAM rate design test year will be the forecast test year during which the
19 Schedule 201 rates will be effective."⁵ Given that the Schedule 201 rates will be
20 in effect for Calendar Year 2012, the rate design test year must also be the
21 Calendar Year 2012. ICNU's preferred methodology would use the test year
22 from UE 216/217, which was Calendar Year 2011, and which would also violate
23 the TAM Guidelines. This TAM Guideline was specifically designed to address

⁵ *Id.* at 4.

1 matching principle concerns raised by ICNU and Staff in UE 199.

2 **Q. Please summarize your response to ICNU’s proposed “additional margin”**
3 **adjustment in this proceeding.**

4 A. ICNU’s “additional margin” adjustment is outside the scope of the TAM and
5 violates the TAM guidelines ordered by the Commission in UE 199. These
6 guidelines were originally developed and agreed to by ICNU and other parties in
7 that docket. Additionally, ICNU’s proposed adjustment is one-sided and violates
8 the matching principle. ICNU’s “additional margin” adjustment should be
9 rejected.

10 **Schedule 220**

11 **Q. What revisions does the Company propose to Schedule 220?**

12 A. As indicated in the rebuttal testimony of Company witness Mr. Duvall to issues
13 raised by NAES’ witness Mr. Higgins, the Company proposes to change Schedule
14 220 to refer to the line losses in the Company’s OATT. The specific language is
15 set forth in the proposed tariff provided here as Exhibit PPL/602.

16 **Q. Does this conclude your rebuttal testimony?**

17 A. Yes.