

September 15, 2010

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission  
550 Capitol Street NE, Ste 215  
Salem, OR 97301-2551

Attn: Filing Center

**RE: Docket UM 1050  
Petition of PacifiCorp Requesting Approval of Amendments to the Revised Protocol  
Allocation Methodology, Motion for a Protective Order and Waiver of Paper  
Service**

PacifiCorp d/b/a Pacific Power (Company) submits for filing an original and five copies of its Petition, Direct Testimony and Exhibits in the above-referenced matter. Also enclosed are two CDs containing the confidential and non-confidential work papers supporting the testimony and exhibits.

Included with this filing is a motion for a protective order. The Commission previously issued a protective order in this docket for Phase 2. Since this time, the Commission's standard protective order has changed; therefore, the Company is requesting that the Commission issue its current standard protective order. Expedited consideration is requested.

Lastly, pursuant to OAR 860-013-0070(4), the Company waives paper service in this proceeding.

PacifiCorp respectfully requests that all data requests regarding this filing be addressed to the following:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah Street, Suite 2000  
Portland, Oregon 97232

Informal inquiries may be directed to Joelle Steward, Regulatory Manager at (503) 813-5542.

Sincerely,

A handwritten signature in black ink that reads "Andrea Kelly" followed by a stylized flourish or initials.

Andrea L. Kelly  
Vice President, Regulation

Enclosures

cc: Service List – UM 1050

## CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document, in Docket UM 1050, on the date indicated below by email and/or overnight delivery, addressed to said parties at his or her last-known address(es) indicated below.

### Service List UM-1050

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DATED: September 15, 2010

  
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Carrie Meyer  
Coordinator, Administrative Services

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1050**

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

**PETITION FOR APPROVAL  
OF AMENDMENTS TO  
REVISED PROTOCOL  
ALLOCATION METHODOLOGY**

1 Pursuant to ORS 756.568 and OAR 860-013-0020, PacifiCorp (Pacific Power or  
2 Company) hereby submits its petition (Petition) to the Public Utility Commission of  
3 Oregon (Commission) requesting approval of amendments to the Revised Protocol  
4 allocation methodology previously approved by the Commission in Order No. 05-021 in  
5 this proceeding on January 12, 2005. In support of the Petition, Pacific Power states as  
6 follows:

7 1. Pacific Power is a division of PacifiCorp. PacifiCorp is an Oregon  
8 corporation that provides electric service to retail customers through its Pacific Power  
9 division in the states of California, Oregon, and Washington, and through its Rocky  
10 Mountain Power division in the states of Idaho, Utah, and Wyoming.

11 2. Pacific Power is a public utility in the state of Oregon under ORS 757.005  
12 and is subject to the Commission's jurisdiction with respect to its prices and terms of  
13 electric service to retail customers in Oregon. The Company serves approximately  
14 580,000 retail customers in Oregon. Pacific Power's principal place of business in  
15 Oregon is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232.

16 3. The Company respectfully requests that the Commission complete its  
17 review and issue an order with respect to this Petition no later than March 31, 2011, for  
18 the reasons discussed herein.



1 determine what portion of the costs associated with each of the rate-based resources  
2 ought to be allocated to customers in the state for which prices are being established. If  
3 different state commissions make different decisions regarding what resources should be  
4 deemed to be in PacifiCorp's rate base or if different state commissions adopt different  
5 policies for allocating the costs of resources among states, the Company may not be  
6 afforded the opportunity to recover its full cost of providing electric service.

7         7. Each of PacifiCorp's state regulatory commissions has the ability to  
8 pursue policies that it believes are in the public interest in its state. However, it is also  
9 important for PacifiCorp to be able to make business decisions in an environment where  
10 differing state policies do not result in denying the Company a reasonable opportunity to  
11 recover its prudently incurred costs. This would create a disincentive for PacifiCorp to  
12 invest in its system.

13         8. Accordingly, in 2002, PacifiCorp filed applications in each of its six  
14 jurisdictions requesting the state commissions to investigate a number of important issues  
15 related to its status as a multi-jurisdictional utility and to endorse a process through which  
16 these issues can be considered by stakeholders, the Multi-State Process (MSP). In its  
17 application, the Company identified issues to be investigated, related primarily to the  
18 inter-jurisdictional allocation of prudently-incurred costs associated with investments in  
19 existing and new generation and transmission resources and how future policy scenarios  
20 including, but not limited to, direct access, sale or purchase of service territory or closure  
21 of a major industrial facility should be considered and implemented among the  
22 Company's state jurisdictions to allow PacifiCorp a reasonable opportunity to recover all  
23 of its prudently-incurred costs, among other things.

24         9. After approximately two years of discussions and negotiations, on  
25 September 29 and 30, 2003, PacifiCorp initiated proceedings in Utah, Oregon, Wyoming  
26 and Idaho seeking ratification of an Inter-jurisdictional Cost Allocation Protocol  
27 (Protocol) by the Public Service Commission of Utah, the Public Utility Commission of

1 Oregon, the Public Service Commission of Wyoming, and the Idaho Public Utilities  
2 Commission (collectively, the Commissions).

3 10. Thereafter, subsequent and substantial discussions occurred that resulted  
4 in the development of a Revised Protocol. The Revised Protocol was agreed to by the  
5 parties on June 28, 2004. The Revised Protocol seeks to allocate PacifiCorp's costs  
6 among its jurisdictional states in an equitable manner, ensures PacifiCorp plans and  
7 operates its generation and transmission system on a six-state integrated basis that  
8 achieves a least cost-least risk resource portfolio for customers, allows each state to  
9 independently establish its ratemaking policies and provides PacifiCorp with the  
10 opportunity to recover 100 percent of its prudently-incurred costs. The Revised Protocol  
11 was approved by the Public Utility Commission of Oregon on January 12, 2005.

12 **II. REQUEST FOR APPROVAL OF AMENDMENTS TO THE**  
13 **REVISED PROTOCOL**

14 11. Since the approval of the Revised Protocol, interested parties in Utah  
15 raised concerns that the continued use of the Revised Protocol may result in Utah-  
16 allocated revenue requirement that is higher when compared to revenue requirement  
17 allocated using the Rolled-In methodology than was anticipated by the Public Service  
18 Commission of Utah when it originally adopted the Revised Protocol. The Standing  
19 Committee and workgroups have been collaborating since September 2009 to come up  
20 with potential solutions acceptable to all parties in the context of the Revised Protocol  
21 allocation methodology, including the performance of various studies by the Company at  
22 the request of the Standing Committee.

23 12. In July 2010, the Standing Committee reached an agreement in principle  
24 to amend the Revised Protocol allocation methodology; such agreement will be known as  
25 the 2010 Protocol and is provided as Exhibit PPL/101 to the direct testimony of Ms.  
26 Andrea L. Kelly. If adopted, the 2010 Protocol will remain in effect for Company filings  
27 made through 2016. The amendments are intended to allow for greater movement to a

1 Rolled-In allocation methodology, while retaining a Hydro Endowment for the former  
2 Pacific Power & Light states of Oregon, California, Washington and part of Wyoming.

3 13. As further described in the attached direct testimony of Company  
4 witnesses Ms. Andrea L. Kelly, Vice President of Regulation; Mr. Steven R. McDougal,  
5 Director of Revenue Requirement; and Mr. Gregory N. Duvall, Director, Long-Range  
6 Planning and Net Power Costs, the 2010 Protocol continues to identify state resources  
7 based on cost responsibility and regional resources for the Hydro Endowment calculation.  
8 Besides using a Rolled-In allocation methodology as the starting point, a significant  
9 change relates to the Embedded Cost Differential (ECD). The scope of the ECD has been  
10 reduced and limited, using a comparison of embedded costs based on resources in place  
11 on the Company's system prior to 2005. The ECD calculation has been based on  
12 projected pre-2005 resource costs and the value allocated to each state is fixed and  
13 levelized over the term of the 2010 Protocol. For the duration of the 2010 Protocol a  
14 fixed dollar amount per year deviation would be applied to each state's revenue  
15 requirement under the Rolled-In allocation methodology. The deviation is composed of  
16 two parts; a situs adjustment associated with the surcharge imposed under the Klamath  
17 Hydroelectric Settlement Agreement to Oregon and California with a corresponding  
18 credit to the other states, and the fixed levelized ECD.

19 14. The requested amendments in the Revised Protocol allocation  
20 methodology result in a consistent and fair cost allocation method that assures the  
21 Company a reasonable opportunity to recover all of its prudently-incurred costs and  
22 supports further system investment. Adoption of the changes are just, reasonable and in  
23 the public interest.

24 **III. PROPOSED COMMISSION PROCEEDING PROCESS**

25 15. Given the significant discussions and analysis since November 2008 by  
26 interested parties, as described in Ms. Kelly's direct testimony, Pacific Power respectfully

1 requests that the Commission complete its review and issue an order with respect to this  
2 Petition no later than March 31, 2011. The Company also proposes that within 30 days  
3 of receipt of the date of this Petition, the Commission convene a prehearing conference to  
4 establish a schedule for further proceedings. In this context, the Company proposes the  
5 following illustrative schedule of milestones that would allow for discovery, rounds of  
6 testimony and hearings that would allow sufficient time for a comprehensive review:

<b>Event</b>	<b>Date</b>
PacifiCorp Petition, Testimony and Exhibits	September 15, 2010
Intervenor Testimony due	Early-December 2010
PacifiCorp Rebuttal Testimony due	Early-January 2011
Public Hearing	Late-January 2011
Briefs due	Mid-February 2011
Target Date for Commission Decision	March 31, 2011

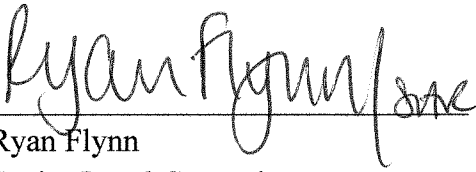
7 **IV. CONCLUSION**

8 WHEREFORE, by this Petition, Pacific Power respectfully requests that the  
9 Commission issue an order approving the 2010 Protocol allocation methodology as  
10 described in the direct testimony of Company witnesses Ms. Kelly, Mr. McDougal, and  
11 Mr. Duvall no later than March 31, 2011.

DATED this 15<sup>th</sup> day of September 2010.

Respectfully submitted,

PACIFIC POWER

A handwritten signature in black ink that reads "Ryan Flynn" with a stylized flourish at the end.

Ryan Flynn

Senior Legal Counsel

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