

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED
12-23-09
04:59 PM

In the Matter of the Application of
PACIFICORP (U901E), an Oregon Company,
for an Order Authorizing a General Rate
Increase Effective January 1, 2011.

Application 09-11-015
(Filed November 20, 2009)

PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES

I. INTRODUCTION

In accordance with Rule 2.6, subdivision (a) of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure ("Rule"), the Division of Ratepayer Advocates ("DRA") protests general rate case ("GRC") Application ("A.") 09-11-015. DRA is reviewing the Application and the written direct testimonies of PacifiCorp's witnesses but needs more time to conduct discovery, analyze, and evaluate the issues. Subsequently, DRA will present its findings as testimony in a report.¹

DRA requests a hearing, at which DRA will present facts and law supporting its position on the issues. Set forth below is a preliminary list of the issues. This Protest, however, is not intended to be DRA's final and exhaustive listing of the issues. Therefore, DRA reserves the right to add, amend, or otherwise alter the issues stated in this Protest and does not waive any protest unstated at this time but which may be based on facts or law subsequently discovered.

¹ The Application was noticed as first appearing in the Commission's Daily Calendar on Nov. 23, 2009. According to Rule 2.6(a), DRA's filing of this Protest on Dec. 23, 2009 is timely.

II. BACKGROUND

A. Corporate History

Formed in 1984, PacifiCorp is a multi-state, electric utility serving customers in California, Idaho, Oregon, Utah, Washington, and Wyoming. It is comprised of the following three business units: (1) PacifiCorp Energy, headquartered in Salt Lake City, Utah, contains electric generation, commercial energy trading, and coal mining operations; (2) Pacific Power, headquartered in Portland, Oregon, delivers electricity to customers in Oregon, Washington, and California; and (3) Rocky Mountain Power, headquartered in Salt Lake City, Utah, supplies electricity to customers in Utah, Wyoming, and Idaho.²

Currently PacifiCorp has approximately 1.7 million customers and \$17.2 billion of assets.³ In California, PacifiCorp serves nearly 45,000 customers in a service area which straddles the California-Oregon border.⁴ PacifiCorp's California revenues are approximately \$65 million per year or approximately 2% of total system sales.⁵

B. Legal Background

When approving MEHC's purchase of PacifiCorp, the Commission imposed certain conditions that are applicable in this proceeding. For example, any corporate cost allocation methodology used for ratesetting must comply with Commission policies.⁶ Also, according to the Commission's Electric Rate Case Plan in D.07-07-004, as modified, the Application must include a cost allocation study by classes of service.⁷

² See <http://www.pacificorp.com/about/co.html/>.

³ See PacifiCorp Federal SEC Form 10-K Report for Fiscal Year ending Dec. 31, 2008, Item 6: Selected Financial Data, available at http://www.pacificorp.com/content/dam/pacificorp/doc/About_Us/Financial_Information/12_31_08_PacificCorp_10_K.pdf/.

⁴ See PacifiCorp Factsheet http://www.pacificorp.com/content/dam/pacificorp/doc/About_Us/Company_Overview/Company_Overview_1.pdf and PacifiCorp's service area map at <http://www.pacificpower.net/about/cf/sam.html>.

⁵ *Id.*

⁶ D.06-02-033, App. D, sec. 14(f), at D-4.

⁷ D.07-07-004, App. A, sec. 7(E) (1), at A-32.

DRA did not see in or accompanying the Application any stated cost allocation plan or supporting data.

Further, MEHC and PacifiCorp must provide the Commission access to all books, accounts, data, and any other records of their affiliated interests that pertain to transactions between PacifiCorp and its affiliated interests.⁸ This rule even applies to the books and records of Berkshire Hathaway, the majority-owner of MEHC.²

III. PRELIMINARY LIST OF ISSUES.

A. Revenue Requirement

PacifiCorp requests

[A]n overall revenue requirement increase of \$8.4 million . . . to provide the Company with a reasonable opportunity to earn the requested 11.0 percent [return on equity] ROE.¹⁰

Also according to the Application, this request “is driven by significant investment the Company is making to its system,” which consists of the “Populus to Terminal transmission line.”¹¹ PacifiCorp wants to recover in rate base approximately \$15.4 million of “California-allocated” costs of the Populus to Terminal Line.¹²

DRA will examine the Applicant’s reasons and data supporting the \$8.4 million revenue requirement and how this amount is reconciled with Applicant’s request to place in rate base \$15.4 million. Also, DRA will analyze the methods that PacifiCorp used to calculate the \$15.4 million of California-allocated costs.

B. PTAM Attrition Factor

PacifiCorp is applying to continue using the PTAM Attrition Factor to the rate cycle in this GRC. This procedure would annually adjust base rates for changes in

⁸ D.06-02-033, App. D, sec. 4, at p. D-1.

² *Id.*

¹⁰ PacifiCorp Appl., sec. II (A), at 3.

¹¹ *Id.* at 4 and Dir. Test. of J.A. Cupparo/PacifiCorp, Ex. PPL/400, at 3: 7-16 (Nov. 2009).

¹² *Id.* at 3: 14-16.

inflation with an offsetting productivity factor of 0.5 percent.¹³ DRA will evaluate whether this request is reasonable, consistent with the law, and in the public interest after discovering reasons, facts, and law proffered in support of this proposal.

C. Return on Equity

In this Application, PacifiCorp seeks an ROE of 11 percent. DRA will examine the financial models presented. DRA will prepare its own analysis and financial models and will present its own independent return on equity and rate of return proposals.

D. Capital Structure

In D.06-02-033, Appendix D, section 19, subdivisions (a) - (d), the Commission imposed certain requirements on PacifiCorp's capital structure. DRA will review whether the Applicant's proposed capital structure complies with Commission policies and whether the proffered data justifies PacifiCorp's proposal as reasonable, consistent with the law, and in the public interest.

E. Other Issues Expressed in PacifiCorp's Direct Testimonies

While the Application specifies only two requests — recovery of the California-allocated costs for the Populous to Terminal Line and extending the PTAM Attrition Factor —the direct testimonies of PacifiCorp's eight witnesses indicates other ratemaking issues, such as rate base, capital structure, return on equity, depreciation, expenses (including but not limited to O&M and A&G), taxes, plant, and/or revenues. As stated above, DRA has not had an opportunity to engage in discovery of these issues. DRA plans to examine each and every ratemaking issue, whether specifically stated in the Application or expressed in witnesses' testimony, and report to the Commission whether PacifiCorp proposals are reasonable, consistent with the law, and the public interest.

¹³ Dir. Test. of A. L. Kelly, Ex. PPL/100 at 6: 11-19 (Nov. 2009).

IV. PROPOSED CATEGORIZATION, NEED FOR HEARING, AND PROPOSED SCHEDULE

DRA agrees with PacifiCorp that this matter should be categorized as “ratesetting” and an evidentiary hearing is needed. DRA reserves comments on PacifiCorp’s proposed schedule at this time. By the date of the Prehearing Conference, DRA will have consulted with its Staff and will suggest changes, if any, to the schedule.

DRA, however, questions the need to schedule “Workshops: February 9-10, 2010.” These types of meetings are usually employed in Order Instituting Regulations proceedings and not GRCs. Further, the Application does not offer any justification for workshops. Therefore, DRA requests that the scheduling of workshops be obviated.

V. CONCLUSION

DRA recommends that the scope of this matter include, but not be limited to, the issues stated in this Protest. DRA will begin discovery as soon as practical and has already scheduled a meeting in early January with the Applicant to discuss its needs for additional information and data.

Respectfully submitted,

/s/ CLEVELAND W. LEE

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December 23, 2009

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES**” to each party of record on the official service list in **A.09-11-015** via electronic mail.

Parties who did not provide an electronic mail address, were served by U.S. mail with postage prepaid listed on the official service list.

Executed on December 23, 2009 at San Francisco, California.

/s/ ROSCELLA V. GONZALEZ

Roscella V. Gonzalez

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A.09-11-015

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