

Gregory B. Monson (2294)  
STOEL RIVES LLP  
*Attorneys for PacifiCorp*  
201 South Main Street, Suite 1100  
Salt Lake City, Utah 84111  
(801) 328-3131  
(801) 578-6999 (fax)  
gbmonson@stoel.com

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

---

In the Matter of the Application of	:	Docket No. 02-035-04
PACIFICORP for an Investigation of Inter-	:	
Jurisdictional Issues	:	<b>PACIFICORP’S APPLICATION TO</b>
	:	<b>INITIATE INVESTIGATION OF</b>
	:	<b>INTER-JURISDICTIONAL ISSUES</b>

---

PacifiCorp (or the “Company”), pursuant to Utah Code Ann. § 63-46b-3(3) and Utah Admin. Code R746-100-3, requests that the Commission initiate an investigation of inter-jurisdictional issues affecting the Company.

**PURPOSE OF APPLICATION**

Through this Application, PacifiCorp seeks to have the Commission: (a) open a new docket for the purpose of initiating an investigation of a number of important issues related to PacifiCorp’s status as a multi-jurisdictional utility and (b) endorse a process through which these issues can be considered in the first instance by stakeholders from all of the Company’s jurisdictions in a multistate process. Following the conclusion of the proposed multistate process, the Commission would complete its investigation with the benefit of the record assembled in the multistate process.

**NOTICES**

Notices with respect to this Application should be sent to:

**For Applicant:**

Andrea Kelly  
Director, Regulation  
PacifiCorp  
Suite 300  
825 NE Multnomah  
Portland, OR 97232  
(503) 813-6043  
(503) 813-6060 (fax)  
Andrea.Kelly@PacifiCorp.com

**With a Copy to:**

Gregory B. Monson  
STOEL RIVES LLP  
201 South Main Street, Suite 1100  
Salt Lake City, Utah 84111  
(801) 328-3131  
(801) 578-6999 (fax)  
gbmonson@stoel.com

**BACKGROUND**

PacifiCorp is an electrical corporation and public utility pursuant to Utah Code Ann. § 54-2-1(7) and (15). It provides retail electric service to more than 1.5 million customers in Utah and five other western states. PacifiCorp owns substantial generation and transmission facilities. Augmented with substantial wholesale power purchases and long-term transmission contracts, these facilities are operated as a single system on an integrated basis in order to provide service to all customers in a cost-effective manner. PacifiCorp recovers costs of owning and operating its generation and transmission system in retail prices established from time to time in state regulatory proceedings. In such state proceedings, it is customary to first determine what assets are deemed to be in the Company's rate base in the state conducting the proceeding. Then, because all of the Company's generation and transmission resources are deemed to be used to serve the Company's customers in all of its state jurisdictions, it is necessary to determine what portion of the costs associated with each of the rate-based resources ought to be allocated to customers in the state for which prices are being established. If different state commissions make different decisions regarding what resources should be deemed to be in PacifiCorp's rate base or if different state commissions adopt different policies for allocating the

costs of resources among states, the Company recovers less than its full cost of providing electric service.

Each of PacifiCorp's state regulatory commissions should have the ability to pursue policies that they believe are in the public interest in their state. However, it is also important for PacifiCorp to be able to make business decisions in an environment where differing state policies do not result in denying the Company a reasonable opportunity to recover its prudently incurred costs.

Differences in the manner in which PacifiCorp's state commissions allocate PacifiCorp's pre-1989 generation and transmission investments currently result in a substantial under-recovery of costs. There is good reason for PacifiCorp to be concerned that divergent state policies may cause this under-recovery to increase. In particular:

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.<sup>1</sup>

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.<sup>2</sup>

---

<sup>1</sup> For example, when the Company sold its interest in the Centralia Generating Station at a substantial gain, it ultimately incurred a loss on the transaction because more than 100 percent of the gain on sale was required to be distributed to customers in its various jurisdictions. Under the Oregon restructuring legislation (SB 1149), direct access commenced on March 1, 2002 with no determination as to how states should share "stranded costs" or "stranded benefits" associated with generation freed up by direct access customers.

<sup>2</sup> For example, administrative rules adopted by the Oregon Commission implementing SB 1149 contemplate that the Company will construct no additional rate-based resources on behalf of cost-of-service customers in Oregon.

4. There is no consensus among PacifiCorp's jurisdictions as to who should bear the costs of new resource additions.<sup>3</sup>

5. There is no consensus among PacifiCorp's jurisdictions as to the choice of the Company's new resource additions.<sup>4</sup>

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.

These are not circumstances conducive to sound planning and business decisions by PacifiCorp on behalf of its customers and other stakeholders.

### **ISSUES TO BE INVESTIGATED**

Therefore, PacifiCorp, by this Application, respectfully requests that the Commission initiate an investigation ("Investigation") of the following issues:

1. What changes, if any, are required in current Utah law and regulatory practice in order to assure that PacifiCorp will have a reasonable opportunity to recover prudently-incurred costs associated with investments in generation and transmission resources notwithstanding any future change in state policies?

2. What changes, if any, are required in the manner in which PacifiCorp's revenue requirement is calculated in order to accommodate different generation resource investment policies in different states?

---

<sup>3</sup> For example, there is considerable question in some states as to whether jurisdictions with relatively high rates of load growth should bear a larger share of the costs of new resource additions.

<sup>4</sup> These issue include decisions on the appropriateness of making substantial investments to extend the lives of existing facilities and the appropriateness of demand side resource investments.

3. What alternatives exist for allocating the costs of PacifiCorp’s existing generation and transmission resources among states and which of these alternatives is most equitable?

4. What alternatives exist for reallocating existing resources in the event of:  
(a) direct access, (b) sale or purchase of service territory or (c) closure of a major industrial facility and which of these alternatives is most equitable?

5. What alternatives exist for allocating the costs of PacifiCorp’s future generation and transmission resource additions among states and which of these alternatives is most equitable?

6. What alternatives exist for permitting different states to make different decisions regarding potential new generation additions and which of these alternatives is best adapted to preserving economic efficiencies?

7. What are the potential revenue requirement consequences of different methods of allocating the costs of PacifiCorp’s existing generation and transmission resources among its state jurisdictions?

8. What are the potential revenue requirement consequences of different methods of allocating the costs of PacifiCorp’s future resource additions among its state jurisdictions?

9. What policies should this Commission and other state commissions that regulate PacifiCorp adopt in order to afford PacifiCorp a reasonable opportunity to recover all of its prudently-incurred costs of existing and future generation and transmission resource investments?

### **PROPOSED MULTI-STATE PROCESS**

PacifiCorp proposes that in advance of further Utah-specific proceedings in this Investigation, there be conducted a multistate process (“MSP”) which will afford interested

parties from all of the Company's jurisdictions an opportunity to analyze inter-jurisdictional issues facing PacifiCorp and seek to achieve consensus concerning them. PacifiCorp proposes that the MSP be conducted as follows:

1. The MSP will be managed by an independent Special Master. PacifiCorp has solicited recommendations from interested parties as to who might be designated as Special Master. No later than March 15, 2002, PacifiCorp will nominate an individual to serve as Special Master. If, prior to March 29, 2002, one or more States accounting for more than 25 percent of PacifiCorp's retail revenues ("Opposing Percentage")<sup>5</sup> give notice to PacifiCorp that they object to PacifiCorp's proposed Special Master, the MSP schedule will be suspended until either: (a) a Special Master is proposed by PacifiCorp who is not objected to by States representing an Opposing Percentage or (b) PacifiCorp gives notice that it wishes to terminate the MSP because it does not believe that a consensus can be achieved on designating a Special Master.

2. Parties wishing to participate in the MSP should provide notice to that effect to PacifiCorp as soon as practicable so that they can be included on the distribution list for the MSP. Additionally, no later than April 5, 2002, interested parties should forward to PacifiCorp any briefing papers or any other information that they wish to be reviewed by the Special Master in advance of the MSP.<sup>6</sup>

---

<sup>5</sup> An Opposing Percentage would be represented by either Utah or Oregon or a combination of Wyoming and Washington together with either Idaho or California. Stakeholders in each state will independently determine whether an objection should be made on behalf of their state. If a suspension occurs because a Special Master is not designated by March 29, 2002, PacifiCorp expects that there would be a corresponding slippage in each of the MSP procedural milestones proposed in the balance of this Application.

<sup>6</sup> Any requests to be added to the MSP distribution list or materials for review by the Special Master should be e-mailed to Sue Rolfe ([Sue.Rolfe@PacifiCorp.com](mailto:Sue.Rolfe@PacifiCorp.com)) or mailed to Sue Rolfe at PacifiCorp (Suite 300, 825 NE Multnomah, Portland, Oregon 97232). PacifiCorp intends to maintain a  
(continued...)

3. All meetings of the MSP will be open to all interested parties. Facilities will be provided by PacifiCorp that permit participation by telephone.

4. The MSP will culminate with the filing of a Report from the Special Master with the Commission and the other state commissions regulating PacifiCorp. The Report will: (a) describe the extent of any material consensus that was achieved among commission advocacy staffs, including the Division of Public Utilities, and other interested parties as well as the views of any parties not sharing any such consensus view and (b) provide the Special Master's recommendations regarding any issues concerning which a material consensus was not achieved. Any such recommendations will be based upon a record to be developed by the Special Master. The Special Master will have discretion to determine whether the record, in regard to any contested issue, should consist of testimony and cross examination or an exchange of written submittals, provided that the process affords parties with a reasonable opportunity to make their views known and to contest the views of other parties.

5. The MSP will be conducted generally in accordance with the following schedule:

April 10, 2002 – Special Master holds individual meetings with representatives from each state (Boise)

April 11 and 12, 2002 – Organizing Meeting (Boise)

May 7, 8 and 9, 2002 – Workshop/Settlement Meeting 1

May 28 and 29, 2002 – Settlement Meeting 2

June 10 and 11, 2002 - Final Settlement Meeting

---

(...continued)

public web site on which all MSP documents will be posted so as to avoid a requirement that parties serve materials on each other.

June 25, 2002 – Report from Special Master on resolved and unresolved issues and how a record will be assembled in respect to unresolved issues (this report will not be part of the MSP record)

July 15, 2002 - All party filings on unresolved issues

August 2, 2002 – All party responsive filings on unresolved issues

Week of August 12, 2002 – Further proceedings (and settlement conferences on unresolved issues)

September 6, 2002 – Special Master distributes draft report

September 13, 2002 – Parties submit comments on draft report

September 20, 2002 – Special Master files Report with the Commission and other PacifiCorp state commissions

October 2, 2002 – Parties submit comments on the Special Master’s Report with the Commission and other state commissions

6. At the Organizing Meeting, the Special Master, after soliciting the views of the parties, will: (a) describe how the settlement meetings will be organized around particular issues, (b) establish locations for further meetings, (c) make any required adjustments in the schedule, (d) establish analytical requirements of the process and (e) determine whether it would be helpful to establish a “Stakeholders Committee” to work with the Special Master on procedural matters.

7. The MSP may be terminated at any time in advance of the submittal of the Report at the election of either States representing an Opposing Percentage, or PacifiCorp, if either concludes that the MSP is being conducted in an unreasonable manner or is not reasonably productive.

#### **FURTHER COMMISSION PROCEEDINGS IN THE INVESTIGATION**

PacifiCorp proposes that the Commission conduct public workshops during the weeks of June 18 and August 12, 2002, to afford interested parties an opportunity to provide comments to

the Commission concerning the MSP and to afford the Commission the opportunity to provide guidance to the parties regarding the MSP.

PacifiCorp further proposes that within 30 days of receipt of the Special Master's Report, that the Commission convene a prehearing conference to establish a schedule for further proceedings in the Investigation. At such prehearing conference, parties from other jurisdictions could petition to intervene in the Investigation.

PacifiCorp further proposes that the Commission find that the Special Master's Report, the parties' comments with respect to the Special Master's Report and the supporting record from the MSP should be made part of the record in the Investigation, subject to any party's right to provide rebuttal testimony in respect to the Report or record.

#### **IMMEDIATE RELIEF REQUESTED**

PacifiCorp respectfully requests that the Commission issue a notice inviting interested parties to submit comments on the Company's Application no later than March 22, 2002, notify PacifiCorp if they wish to participate in the MSP, notify the Division of Public Utilities not later than March 26, 2002 if they object to the Special Master nominated by PacifiCorp and forward to PacifiCorp any briefing papers or other information that they wish the Special Master to review prior to the MSP by April 5, 2002. PacifiCorp further respectfully requests that the Commission enter an order in respect to the Company's Application no later than April 3, 2002 so that the MSP can move forward on an expeditious basis. A form of proposed notice with respect to the Application and proposed Order on the Application are attached hereto.

RESPECTFULLY SUBMITTED: March 5, 2002.

---

Gregory B. Monson  
STOEL RIVES LLP

*Attorneys for PacifiCorp*

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing PACIFICORP'S APPLICATION TO INITIATE INVESTIGATION OF INTER-JURISDICTIONAL ISSUES was served by e-mail on all parties on the Commission's electronic service list for Energy matters and on all parties on the service lists in Docket Nos. 01-035-01 and 01-035-15 on March 5, 2002.

---