

**Before the
Utah Public Service Commission**

PSC Case No. 01-035-01

PacifiCorp

Direct Testimony and Exhibits of

Alan Chalfant

On Behalf of

Utah Industrial Energy Consumers

Project 7518
June 2001



BRUBAKER & ASSOCIATES, INC.

PacifiCorp

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Direct Testimony of Alan Chalfant

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Alan Chalfant; 1215 Fern Ridge Parkway, Suite 208; St. Louis, Missouri 63141-2000.

3 **Q WHAT IS YOUR OCCUPATION?**

4 A I am a consultant in the field of public utility regulation with Brubaker & Associates,
5 Inc., energy, economic and regulatory consultants.

6 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
7 **EXPERIENCE.**

8 A My qualifications are stated in Appendix A to this testimony.

9 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

10 A I am appearing on behalf of the Utah Industrial Energy Consumers (UIEC). The
11 members of UIEC include numerous large customers of PacifiCorp (Company).

1 **Q WHAT IS THE SUBJECT OF YOUR TESTIMONY?**

2 A My testimony will discuss PacifiCorp's proposed adjustments to test year power
3 market prices and provide an analysis of the short-term purchases and sales of
4 PacifiCorp in electricity power markets. This latter analysis will be directed toward
5 determining whether PacifiCorp's purchases and sales of short-term power provide a
6 benefit to its Utah retail customers or if, in fact, the Utah retail customers are
7 subsidizing these activities.

8 **Year Test Purchased Power Price Adjustments**

9 **Q WHAT ADJUSTMENTS HAS PACIFICORP MADE TO ITS TEST YEAR POWER**
10 **MARKET COSTS?**

11 A PacifiCorp adjusted the prices it used to calculate its purchased power costs and
12 power sales revenues for the months of October 1999 through May 2000 to reflect
13 the higher electricity power market prices that began to be experienced in May 2000.
14 These adjustments are imprecise, not reflective of the non-price implications of the
15 changes in power markets, based on a very small number of months, and their
16 magnitude is extremely large. These adjustments should not be allowed.

17 **Q HOW DID PACIFICORP DETERMINE THE LEVEL OF ITS PROPOSED**
18 **ADJUSTMENTS?**

19 A Basically, the Company looked at historical relationships between monthly averages
20 in relevant price indexes and adjusted the actual prices for the months of October
21 1999 through May 2000 based on only four months (June through September) of
22 2000 prices in such a way as to maintain the historical relationships between time
23 periods. Exhibit ____ (AC-1), Schedule 1, is a copy of PacifiCorp's response to UIEC
24 Data Request No 6.8 which describes in greater detail the calculations made by the
25 Company.

1 **Q WHY DO YOU SAY THAT THESE ADJUSTMENTS ARE IMPRECISE?**

2 A These adjustments that are based on monthly and seasonal average prices are
3 applied to prices that change hourly. More specifically, from the information we have
4 been provided, it does not appear that these adjustments make any attempt to use
5 the timing of the Company's purchases and sales to develop properly weighted
6 average monthly prices. For example, it would apply the same weightings to a month
7 in which 80% of PacifiCorp's purchases were during peak hours as it would to a
8 month in which only 50% of its purchases were in peak hours.

9 Also, based on the formulas provided in the Company's response to UIEC
10 Data Request No. 6.8, (Exhibit ____ (AC-1), Schedule 1), the adjustments are not
11 even based on individual months. Rather, they are based on the relationship of
12 prices in June through September to the total year applied to actual prices during
13 June through September 2000. In other words, if the average price for the five-month
14 period covering January through May was historically 90% of the average price for
15 the four-month period covering June through September, then the adjustment factor
16 would be set to make the adjusted prices for January through May bear that same
17 relationship (i.e., 90% of the June through September prices).

18 **Q WHAT ARE THE NON-PRICE IMPLICATIONS OF THE POWER MARKET PRICE**
19 **CHANGES THAT YOU CLAIM ARE IGNORED BY THESE ADJUSTMENTS?**

20 A The amount and timing of wholesale purchases and sales are certain to change as a
21 result of the dramatic changes in power market prices for the period June through
22 September 2000, which form the basis for PacifiCorp's adjustments. Yet, the
23 mechanism used by the Company to apply its adjustments assumes that it would
24 have made the identical transactions regardless of the price. This is economic
25 nonsense. When prices increase four-fold or more from a prior year, players in the
26 market will respond.

1 In fact, PacifiCorp did respond. Table 1, below, compares the various types of
 2 wholesale transactions PacifiCorp engaged in during the months of October and
 3 November 1999 with those for the same months in 2000. This comparison shows
 4 that in response to the changes in market conditions, PacifiCorp sharply reduced its
 5 long- and intermediate-term sales while increasing its long-term purchases by more
 6 than 60%. Both short-term purchases and sales also increased significantly during
 7 this period. In addition to the changes shown in Table 1, it is likely that the timing of
 8 purchases and sales changed as well.

<u>Description</u>	<u>Nov/Dec</u> <u>1999</u> <u>(MWh)</u>	<u>Nov/Dec</u> <u>2000</u> <u>(MWh)</u>	<u>Percent</u> <u>Change</u>
Long-term firm sales	1,634,603	1,418,206	-13.2%
Intermediate-term firm sales	815,737	574,180	-29.6%
Long-term firm purchases	783,704	1,287,884	64.3%
Short-term purchases	3,280,540	4,041,000	23.2%
Short-term sales	3,214,751	3,628,945	12.9%

9 As the dramatic changes in the composition of wholesale transactions shown in
 10 Table 1 indicates, more than just prices changed as a result of changing market
 11 conditions between 1999 and 2000.

12 **Q WHY DO YOU STATE THAT THE PROPOSED ADJUSTMENTS ARE NOT**
 13 **REPRESENTATIVE?**

14 **A** Because they are all based on market prices during only four months of 2000, a
 15 period that represents the beginning of the most dramatic change in electricity
 16 markets that has ever occurred. In fact, the price changes that occurred were very

1 uneven viewed on a monthly average basis, with even larger increases occurring in
 2 the 2000/2001 winter months. Exhibit ____ (AC-1), Schedule 2, shows the erratic
 3 pattern of price increases that have taken place since May 2000. It is not obvious
 4 whether these subsequent price changes had a negative or positive impact on
 5 PacifiCorp's costs and revenues, for example, because, they may have had a greater
 6 impact on sales than purchases and, as a result, increased revenue more than costs.
 7 What is certain is that the adjustments made reflected the wrong prices and, as
 8 discussed above, were applied to different transactions than would have taken place
 9 with the higher prices in effect.

10 **Q HOW LARGE ARE PACIFICORP'S PROPOSED ADJUSTMENTS?**

11 **A** During some months, certain purchases were increased by a multiplier of 6.5 or
 12 higher. Overall, the range of multipliers applied to sales and purchase prices ranged
 13 from 1.7 to 6.8. Table 2, below, shows the unweighted average of the eight monthly
 14 adjustments for the various purchases and sales to which the adjustments were
 15 applied.

TABLE 2	
Average Multipliers Used by PacifiCorp to Increase Power Purchase and Sales Prices	
Purchase Price Multipliers	
Type of Transaction	Multiplier
SCE Purchase	4.2
Short-Term Firm PPL	4.1
Short-Term Firm UPL	3.3
System Purchases PPL	4.6
System Purchases UPL	3.5
Sales Price Multipliers	
Type of Transaction	Multiplier
Green Mountains	2.2
Short-Term Firm PPL	4.1
Short-Term Firm Intertie	3.4
Short-Term Firm UPL	3.5
System Sales PNW	4.1
System Sales PSW	4.1
System Sales UPL	3.0

1 As this table shows, nearly all of the prices were multiplied by a factor of at
2 least 3. The only factor under 3 was applied to a relatively small volume of sales.

3 **Q IS IT YOUR POSITION THAT THE INCREASES IN ELECTRICITY POWER**
4 **MARKET PRICES HAVE NOT BEEN IMPORTANT?**

5 **A**Certainly not. To the extent that reasonably accurate adjustments can be made they
6 should be, but PacifiCorp's proposed adjustments are not reasonable. It should also
7 be recognized that the higher market prices impact both the purchase costs and the
8 sales revenue. Thus, with a system such as PacifiCorp, that owns resources and has
9 long-term commitments sufficient to meet its requirements, the net impact should not
10 be intolerable as long as it is acting appropriately to minimize its costs. Considering
11 this, coupled with the improper method the Company has used to develop its
12 proposed adjustments, the risk of misstating the revenue requirement increases
13 substantially if the adjustments are allowed.

14 If, indeed, PacifiCorp is suffering harm as a result of the large increases in
15 purchase power prices that have occurred subsequent to the test year, it would be
16 more appropriate to file a new case after it has data that fully reflects what it argues
17 are long-term changes in market prices, rather than to make incorrect adjustments to
18 historical data. It should be noted in this regard that the impact on PacifiCorp's
19 profitability in the post test year period is in large part a result of the outage of the
20 Hunter 1 power plant and the cost of replacing its production. These issues are
21 supposed to be dealt with outside the context of this proceeding, however. Apart
22 from replacing Hunter I output, it is not clear whether the changes in market price
23 have been harmful or beneficial to PacifiCorp.

1 **Q WHAT IS THE NET EFFECT OF THE ADJUSTMENT FOR POWER MARKET**
2 **PRICES THAT PACIFICORP HAS PROPOSED?**

3 **A**Based on the information supplied by PacifiCorp in its response to UIEC Data
4 Request No. 6.8, (Exhibit____(AC-1), Schedule 1) which shows the price adjustment,
5 and in its response to the United States Executive Agencies Data Request No. 1.2
6 which shows the corresponding volumes, I have estimated the impact of the
7 proposed adjustment to be \$102 million on a system-wide basis. The development of
8 this amount is shown in Exhibit _____ (AC-1), Schedule 3. As that Schedule shows,
9 the Company is proposing to increase the cost of approximately 10.9 million MWh of
10 purchases by \$949 million, while increasing the revenue from approximately 10.0
11 million MWh of sales by \$848 million. This results in a net increase in power costs of
12 \$102 million, which is \$37.7 million for the Utah jurisdiction.

13 **Q PLEASE SUMMARIZE YOUR PROPOSAL WITH RESPECT TO PACIFICORP'S**
14 **PROPOSED ADJUSTMENT FOR POWER MARKET PRICES.**

15 **A**This adjustment should not be allowed. As a result, the Company's requested
16 revenue requirement should be decreased by \$37.7 million.

17 **PacifiCorp's Wholesale Market Activities**

18 **Q WHAT IS THE PURPOSE OF YOUR ANALYSIS OF THE COMPANY'S**
19 **WHOLESALE MARKET ACTIVITIES?**

20 **A**My purpose was to determine whether its short-term market activities provide a
21 benefit to its Utah retail customers or if, in fact, the Utah retail customers are
22 subsidizing these activities.

1 **Q WHY HAVE YOU FOCUSED YOUR ATTENTION ON PACIFICORP'S SHORT-**
2 **TERM PURCHASES AND SALES?**

3 A Because, by and large, it is not necessary for PacifiCorp to engage in these activities
4 in order to supply its customers' requirements and meet its long-term sales
5 commitments. Based on PacifiCorp's response to the Retail/Wholesale Revenue
6 Requirement Forum Item 3, for calendar year 2000, only 4,757,109 MWh of its total
7 short-term purchases of 23,313,883 MWh, about 20%, were needed to meet its
8 requirements. The remainder was used to support short-term sales transactions. For
9 calendar year 2000, the percentage of short-term purchases needed to meet
10 requirements was about 20% of total short-term purchases.

11 **Q IS IT REASONABLE FOR PACIFICORP TO MAKE ALL THESE SHORT-TERM**
12 **PURCHASES AND SALES THAT ARE NOT REQUIRED TO SERVE ITS**
13 **CUSTOMERS?**

14 A No. While it is possible that PacifiCorp could make a profit on these transactions
15 which would reduce the total costs on which retail rates are based, it is also possible
16 that PacifiCorp could lose money on them, which means that retail rates would be
17 inflated and forced to subsidize the Company's market activities. Forcing retail
18 customers to take on such market risks that are unrelated to the Company's
19 obligation to serve is never proper. Forcing them to do so when power markets in the
20 western states are at unprecedented levels and demonstrating extreme volatility is
21 intolerable.

22 **Q WHAT ARE THE CONSEQUENCES ON THE COMPANY AND ITS RETAIL**
23 **CUSTOMERS IF THE COMPANY MAKES PROFITABLE TRANSACTIONS?**

24 A If the test year results are profitable, the customers will benefit through reductions to
25 cost of service at the time rates are set. Subsequent to the test year, if the Company

1 increases its profits above test year levels, the extra profits will accrue to the
2 Company.

3 **Q WHAT WILL HAPPEN IF THE COMPANY CANNOT MAINTAIN PROFITS ON ITS**
4 **SHORT-TERM MARKET OPERATIONS AT TEST YEAR LEVELS?**

5 **A** It will file for a rate increase.

6 **Q WHICH OF THESE CIRCUMSTANCES IS MOST LIKELY?**

7 **A** Neither. The most likely circumstance is that the Company will file for a rate case
8 with a cost of service that has embedded in it a loss on short-term power market
9 transactions. This will result in retail rates that subsidize the present level of
10 marketing losses. With these rates in place, the Company will be able to keep all of
11 its future marketing profits plus the subsidy that is built into the rates. That is what
12 PacifiCorp is proposing in this case.

13 **Q IS THERE ANY WAY THAT THIS SUBSIDIZATION OF THE COMPANY'S POWER**
14 **MARKETING ACTIVITIES CAN BE AVOIDED?**

15 **A** Yes. Essentially, for rate case purposes, the Company's short-term sales activity
16 should be kept separate from its activities as a utility. This "power marketing" function
17 should be assigned all costs of purchases required to support such sales and it
18 should be assigned all revenues derived from its short-term sales, except for those
19 supported by rate-based generation or other long-term resources. The revenue
20 requirement must then be reduced to eliminate the effect of the losses.

1 **Q ARE THERE ANY PARTICULAR PRECAUTIONS THAT MUST BE OBSERVED IN**
2 **APPLYING THIS METHOD?**

3 A Yes. It is critical to avoid time-related differences in comparisons of costs and
4 revenues to be assigned to the power marketing function. For example, it would not
5 be reasonable to compare a purchase made on a summer afternoon with a price of
6 \$10 per MWh to a sale that was made on a winter night with a price of \$3 per MWh
7 and conclude that the Company lost \$7 on that pair of transactions. In fact, the
8 Company may have been selling for \$12 per MWh at the same time the \$10 per MWh
9 purchase was made, and purchasing for \$2.75 per MWh at the same time the \$3 sale
10 was made.

11 Using aggregate annual or monthly data on short-term sales and purchases
12 implicitly involve such comparisons. Specifically, if purchases tend to occur more
13 heavily during hours when market prices are high and sales tend to be made at hours
14 when market prices are low, then comparing average sales and purchase prices may
15 not give an accurate picture of whether the Company's marketing activities are
16 profitable. Nevertheless, if the Company did not provide information to allow the
17 Commission to make more accurate comparisons, the burden should be on the
18 Company to show that its operations are profitable.

19 **Q HAS PACIFICORP PROVIDED INFORMATION THAT WOULD ALLOW AN**
20 **ACCURATE DETERMINATION OF THE PROFITS OR LOSSES IT HAS MADE**
21 **FROM ITS SHORT-TERM PURCHASES AND SALES?**

22 A Yes. PacifiCorp's response to the Retail/Wholesale Revenue Requirement Forum
23 Item 3, as supplemented, provides a computer database listing of all transactions, by
24 hour, for October 1999 through December 2000. In the remainder of this testimony, I
25 will refer to this simply as the Company's database. With the use of this database, it
26 was possible to calculate the profitability of PacifiCorp's short-term transactions on an

1 hourly basis. In order to do this, however, it was necessary to develop a computer
2 model capable of dealing with the more than two million entries in the Company's
3 database.

4 **Q WHAT TIME PERIOD DID THE DATA THAT YOUR MODEL ANALYZED COVER?**

5 A We used data from the test year for the period January through September 2000. We
6 adjusted the months of October and November 1999 by substituting actual data for
7 the corresponding months in 2000. This adjustment is more precise than the
8 Company's proposed adjustments described above for several reasons. First, it
9 relies on actual prices that PacifiCorp paid or charged. Second, it used hourly data
10 rather than monthly data and, third, it reflects the Company's responses to the power
11 market price changes rather than assuming the Company would not change its
12 activities regardless of price.

13 **Q WHY DIDN'T YOU ALSO REPLACE DECEMBER 1999 THROUGH MAY 2000**
14 **WITH ACTUAL DATA FOR DECEMBER 2000 THROUGH MAY 2001?**

15 A Data for the period January through May 2001 was not available. Data for December
16 2000 was available, but reflects the outage of Hunter Unit 1 which is not
17 representative or normal activity.

18 **Q PLEASE DESCRIBE THE MODEL DATA THAT YOU WERE PROVIDED BY**
19 **PACIFICORP.**

20 A The Company's database reports each transaction using both internal and FERC
21 classification schemes. Our model separates the various entries in the PacifiCorp
22 database based on the FERC categories. The FERC defines its categories as
23 follows:

- 1) RQ - Requirements Service.
- 2) LF - Long-term firm service where "long-term" means five years or longer.
- 3) IF - Intermediate-term firm service where "intermediate-term" means longer than one year but less than five years.
- 4) SF - Short-term service for commitments of one year or less.
- 5) LU - Long-term service from a designated generating unit.
- 6) IU - Intermediate-term service from a designated generating unit.
- 7) EX - Exchanges of electricity involving a balancing of debits and credits for energy, capacity, etc.
- 8) OS - Other service which includes those services which cannot be placed in the above categories such as non-firm service.

The database assigns a positive number to power coming into the system such as purchases or generation and a negative number to power leaving the system such as sales. For each hour, the sum of these numbers represents the native load on the system.

Q PLEASE DESCRIBE THE MODEL THAT YOU DEVELOPED TO ANALYZE THIS DATA.

A A chart that depicts the operation of the model is attached, hereto, as Exhibit ____ (AC-2), Schedule 1. Our analysis begins by determining the Company's total requirements in each hour. This is equal to the native load plus long-term and intermediate-term sales commitments plus any exchange commitments or miscellaneous requirements met during that hour. The second step is to determine net requirements by subtracting generation, long-term and intermediate-term purchases, positive exchange and miscellaneous transactions from the total requirements. These net requirements could be either positive or negative but in most hours they were positive, meaning that PacifiCorp needed to make some short-term purchases to balance its system.

1 In those cases where net requirements were positive, the model looks at the
2 short-term purchases that were made and determines the cost of meeting those
3 requirements by assigning the lowest priced purchases until all net requirements are
4 met. The remaining purchases are assigned as short-term purchases in support of
5 short-term sales. These amounts are later compared to the revenues from short-term
6 sales during the hour.

7 In those cases where the net requirements are negative, this means that there
8 is company-owned generation and/or long-term purchase volumes available to be
9 sold on the short-term market after all of the Company's requirements have been met.
10 Short-term sales made from these resources are credited to the retail customers
11 because it is the retail customers that pay for these resources. These credits are
12 determined based on the average price of short-term sales during the hour.

13 **Q HOW DID YOU USE THE RESULTS OF THIS MODEL TO ANALYZE**
14 **PACIFICORP'S SHORT-TERM WHOLESALE MARKET ACTIVITIES?**

15 **A** We began by assigning all revenues from the Company's short-term sales to its
16 power marketing function. We also assigned all revenue from demand charges paid
17 under its short-term sales arrangements to this function. Next, we deducted the
18 revenue that was derived from short-term sales supported by long-term resources to
19 arrive at adjusted revenue from short-term sales. From this figure, we deducted the
20 cost of short-term purchases required to support the short-term sales. A positive
21 result indicates a profit and a negative result indicates a loss for the power marketing
22 function. We summed the result of the calculations that were made on an hourly
23 basis by both month and year.

1 **Q WHAT DID THOSE RESULTS INDICATE?**

2 **A** As shown in Table 3, during the adjusted test year PacifiCorp's power marketing
3 function lost approximately \$47 million.

TABLE 3	
	<u>(000)</u>
Commodity Revenue From Short-Term Sales	\$1,028,581
Plus: Demand Charge Revenue From Short-Term Sales	\$ 719
Less: ST Sales Revenue From LT Resources	\$ 34,438
Adjusted Short-Term Sales Revenue	\$ 994,862
ST Purchase Costs Assigned to Power Marketing Function	\$1,042,269
Profits (Losses) From Power Marketing Function	\$ (47,407)

4 These results are reported on a monthly basis in Exhibit ____ (AC-2), Schedule 2.

5 **Q WHAT IS THE SHARE OF THESE LOSSES THAT ARE DERIVED FROM THE**
6 **UTAH JURISDICTION?**

7 **A** Approximately \$17.6 million.

8 **Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS BASED ON THE TWO**
9 **ISSUES YOU HAVE ANALYZED.**

10 **A** PacifiCorp's requested revenue increase in this case should be decreased by \$37.7
11 million to remove its inappropriate adjustments to market prices, and by \$17.6 million
12 to remove the ratepayer subsidy of its power marketing function. The total of these
13 two adjustments is \$55.3 million

14 **Q DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

15 **A** Yes, it does.

Qualifications of Alan Chalfant

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Alan Chalfant. My business mailing address is PO Box 412000, 1215 Fern Ridge
3 Parkway, Suite 208, St. Louis, Missouri 63141-2000.

4 **Q WHAT IS YOUR OCCUPATION?**

5 A I am a consultant in the field of public utility regulation and am a principal in the firm of
6 Brubaker & Associates, Inc., energy, economic and regulatory consultants.

7 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8 A I hold a Bachelor's Degree in Mathematics from Northern Illinois University and the
9 degree of Master of Arts in Economics from Washington University. From 1968 to 1973,
10 I was Assistant Professor of Economics at California State University at Northridge,
11 California. Among other courses in economics and statistics, I taught courses in the
12 economics of antitrust and regulation at both the graduate and undergraduate levels. I
13 have also taught courses at both graduate and undergraduate levels at California
14 Lutheran College.

15 In 1973, I accepted a position with the Public Service Commission of Wisconsin
16 in the Utility Rates Division. While at the Commission, I designed the rates for electric
17 and natural gas utilities and aided in the preparation for cross-examination of witnesses
18 representing utilities and intervenors before the Commission.

19 I joined the firm of Drazen-Brubaker & Associates, Inc. in September 1974 and
20 became a Principal in that firm in 1988. In April 1995 the firm of Brubaker & Associates,
21 Inc. (BAI) was formed. It includes most of the former DBA principals and staff and

1 currently has its principal office in St. Louis, Missouri, with branch offices in Kerrville,
2 Texas; Plano, Texas; Denver, Colorado; and Chicago, Illinois.

3 Since 1974, I have been engaged in the preparation of studies relating to utility
4 rate matters and have participated in numerous electric and gas rate cases. In total, I
5 have participated in cases involving more than 60 electric utilities, 30 gas distribution
6 utilities and 20 interstate pipelines.

7 **Q HAVE YOU PREVIOUSLY TESTIFIED BEFORE A REGULATORY COMMISSION OR**
8 **A PUBLIC AUTHORITY?**

9 **A** I have testified before the Federal Energy Regulatory Commission and more than thirty
10 state public utility regulatory commissions including the California Public Utilities
11 Commission (CPUC). I have appeared before CPUC in 34 proceedings over the last 22
12 years. In addition, I have appeared before a number of municipal regulatory bodies and
13 courts.

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UIEC Data Request No. 6.8

Mr. Widmer's testimony at page 10 states that "prices for the period October 1999 through May 2000 were annualized to reflect prices incurred by the Company during the period June - September 2000."

- (a) Please provide a narrative description of how each price was adjusted.
- (b) Please provide a side-by-side comparison of each of the unadjusted wholesale price inputs for each month during the period October 1999 through May 2000 with the corresponding adjusted price.
- (c) Provide work papers for the comparisons in response to Item (b).
- (d) Were any adjustments made to the prices for the period June through September 2000? If so, for all such adjustments, please provide a narrative description of the adjustment including the reason for it, a comparison of the unadjusted wholesale price input for each month from June through September, 2000, and all work papers generated to perform the comparison.

Response to UIEC Data Request No. 6.8

- (a) For each Dow Jones market price index, first, calculate the 12 monthly averages from the year of inception to 1999 (MAvg).

Second, calculate the 12-month average of the above monthly averages (AAvg) and the average of June through September (JSAvg), and the ratio of June-September average over annual average (Ratio = JSAvg / AAvg).

Third, calculate the average actual prices for the period from June 2000 through September 2000 (JSAvg₂₀₀₀). The annual average price (AAvg₂₀₀₀) for 2000 is determined by dividing the ratio developed above into the JSAvg₂₀₀₀: AAvg₂₀₀₀ = JSAvg₂₀₀₀ / Ratio.

Fourth, the annualized monthly prices (MP) for the period from October 1999 through May 2000 are calculated as:

$$MP = AAvg_{2000} * Mavg / AAvg$$

- (b) For the inputs requiring market prices, the actual prices for the period from October 1999 to May 2000 are replaced by the annualized prices developed as described above. The comparisons of inputs are provided as Attachment UIEC 6.8b.
- (c) Please refer to above.

- (d) No. Actual prices were used for the period June 2000 through September 2000.

UTAH

PACIFICORP

**UIEC DATA REQUEST
ATTACHMENT UIEC 6.8(b)**

	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00
Actual Prices												
Green Mountains	71.24	55.84	42.51	36.51	55.69	38.70	45.58	90.60	175.16	141.40	147.54	184.70
Short Term Firm P	37.71	35.18	27.51	26.75	29.30	26.52	23.99	31.90	81.12	83.85	132.83	109.20
Short Term Firm Intert	41.10	34.95	29.33	32.44	32.91	32.33	30.13	55.72	181.09	190.66	215.28	173.22
Short Term Firm U	30.45	27.57	26.11	26.17	25.72	27.12	30.20	37.23	49.58	101.23	105.12	63.83
System Sales PNW	54.64	29.78	25.68	24.20	29.30	25.65	22.75	31.90	81.12	83.85	132.83	86.45
System Sales PSW	72.99	20.10	25.12	26.18	22.95	25.94	23.17	55.72	181.09	88.89	140.47	115.85
System Sales UPL	56.69	34.67	27.26	27.53	28.49	26.47	26.40	46.89	170.57	105.59	155.90	77.74
SCE Purchase	45.06	35.36	39.87	30.97								
STF Purchases PPL	36.99	31.80	29.16	28.07	25.77	26.17	23.00	27.65	62.95	89.12	110.16	100.75
STF Purchases UPL	33.25	29.55	27.21	26.21	23.58	28.62	37.15	43.47	90.17	132.15	138.86	99.68
System Purchases PPL	36.35	30.47	23.29	15.88	42.84	24.75	24.70	26.35	67.61	55.14	144.22	123.59
System Purchases UPL	34.04	22.46	24.01	25.21	25.50	33.77	32.86	38.60	77.86	76.17	103.16	95.66

	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00
Annualized Prices												
Green Mountains	146.88	123.35	128.93	98.01	83.90	89.00	113.95	97.16	175.16	141.40	147.54	184.70
Short Term Firm P	177.15	160.20	150.61	103.74	82.35	89.46	114.70	100.88	81.12	83.85	132.83	109.20
Short Term Firm Intert	177.03	151.62	136.40	99.94	86.55	91.66	116.56	96.46	181.09	190.66	215.28	173.22
Short Term Firm U	135.90	122.36	116.12	92.68	79.56	85.36	88.23	88.05	49.58	101.23	105.12	63.83
System Sales PNW	174.52	158.19	149.80	100.55	76.98	84.30	122.56	99.40	81.12	83.85	132.83	86.45
System Sales PSW	173.88	149.46	135.64	96.97	79.88	85.65	125.67	95.03	181.09	88.89	140.47	115.85
System Sales UPL	132.78	120.00	115.36	89.05	72.94	78.93	95.26	86.64	170.57	105.59	155.90	77.74
SCE Purchase	190.94	167.62	156.37	119.59								
STF Purchases PPL	176.27	148.28	134.31	99.51	86.10	90.75	102.15	103.23	62.95	89.12	110.16	100.75
STF Purchases UPL	135.10	116.55	112.37	91.09	79.84	84.66	77.11	94.25	90.17	132.15	138.86	99.68
System Purchases PPL	170.46	154.82	153.14	107.85	80.00	79.95	116.27	96.22	67.61	55.14	144.22	123.59
System Purchases UPL	127.97	116.03	118.50	97.36	76.66	73.51	89.64	83.62	77.86	76.17	103.16	95.66

PacifiCorp

COB Index Prices Index Price Comparisons

<u>Line</u>	<u>Month</u>	<u>Previous 2 Years (1)</u>	<u>Current Year (2)</u>	<u>% Change (3)</u>
1	May-00	22.60	58.99	161.0%
2	Jun	21.13	121.34	474.3%
3	Jul	32.55	169.28	420.1%
4	Aug	42.24	220.13	421.2%
5	Sept	38.67	145.57	276.5%
6	Oct	40.32	112.61	179.3%
7	Nov	33.11	153.94	365.0%
8	Dec	31.56	497.88	1477.4%
9	Jan-01	26.81	257.44	860.3%
10	Feb	25.48	312.18	1125.4%
11	Mar	24.56	275.72	1022.9%
12	Apr	28.39	307.14	981.9%
13	May	43.51	299.50	588.3%

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Revenue From Sales and Costs of Purchases of Energy with Adjusted Prices

	Total	October 1999	November 1999	December 1999	January 2000	February 2000	March 2000	April 2000	May 2000
Green Mountains	\$ 11,014,496.24	\$ 1,480,844.16	\$ 1,616,995.15	\$ 1,924,022.39	\$ 1,651,174.47	\$ 1,348,944.20	\$ 1,246,445.00	\$ 1,501,519.15	\$ 244,551.72
Short Term Firm Sales P	\$ 394,435,869.29	\$ 69,721,933.60	\$ 74,500,701.93	\$ 68,281,954.24	\$ 28,598,841.06	\$ 23,860,762.87	\$ 45,073,211.95	\$ 46,628,750.07	\$ 37,769,713.56
Short Term Firm Sales Intertie	\$ 222,131,676.14	\$ 67,504,072.18	\$ 58,924,627.03	\$ 31,620,865.49	\$ 12,339,286.83	\$ 7,780,742.61	\$ 11,260,569.86	\$ 18,099,215.39	\$ 14,602,076.75
Short Term Sales U	\$ 519,569,952.53	\$ 101,367,130.50	\$ 83,283,355.12	\$ 77,331,159.08	\$ 58,649,942.96	\$ 50,466,737.88	\$ 60,645,377.76	\$ 46,690,521.93	\$ 41,135,727.30
System Sales PPL	\$ 964,180.29	\$ -	\$ -	\$ 126,374.88	\$ -	\$ -	\$ 14,887.03	\$ 636,177.54	\$ 186,740.85
System Sales UPL	\$ 5,727,889.53	\$ -	\$ -	\$ -	\$ 5,127,520.73	\$ -	\$ -	\$ 600,368.80	\$ -
Total Adjusted Sales Revenue	\$ 1,153,844,064.03	\$ 240,073,980.44	\$ 218,325,879.23	\$ 179,284,396.08	\$ 106,386,766.06	\$ 83,457,187.56	\$ 118,240,491.60	\$ 114,156,552.89	\$ 93,938,810.17
SCE Purchase	\$ 6,757,401.92	\$ 2,691,490.24	\$ 3,228,193.58	\$ 516,021.00	\$ 321,697.10	\$ -	\$ -	\$ -	\$ -
Short Term Firm Purch PPL	\$ 799,005,283.17	\$ 171,626,871.93	\$ 183,044,542.56	\$ 123,557,812.95	\$ 62,346,099.81	\$ 58,631,861.40	\$ 60,019,146.00	\$ 47,983,838.85	\$ 91,795,109.67
Short Term Firm Purch UPL	\$ 267,201,379.27	\$ 52,246,142.20	\$ 32,958,358.65	\$ 29,729,618.53	\$ 27,528,035.63	\$ 22,546,895.84	\$ 35,965,769.16	\$ 20,766,956.76	\$ 45,459,602.50
System Purchase PPL	\$ 177,470,547.39	\$ 37,830,883.67	\$ 32,134,458.88	\$ 19,320,920.64	\$ 25,798,835.13	\$ 11,001,470.57	\$ 15,721,628.99	\$ 16,753,157.40	\$ 18,909,192.10
System Purchase UPL	\$ 23,679,845.39	\$ 7,217,885.88	\$ 260,388.63	\$ 9,849,680.69	\$ -	\$ 3,477,762.59	\$ 1,406,773.47	\$ -	\$ 1,467,354.12
Total Adjusted Purchase Costs	\$ 1,274,114,457.14	\$ 271,613,273.92	\$ 251,625,942.31	\$ 182,974,053.81	\$ 115,994,667.67	\$ 95,657,990.41	\$ 113,113,317.62	\$ 85,503,953.01	\$ 157,631,258.39

PacifiCorp

Impact of Differences Between Actual and Proposed Adjusted Prices

	October 1999	November 1999	December 1999	January 2000	February 2000	March 2000	April 2000	May 2000
Total	\$ 6,048,762.12	\$ 884,988.59	\$ 1,289,645.66	\$ 1,036,090.50	\$ 453,560.38	\$ 704,451.50	\$ 900,911.49	\$ 16,511.52
Green Mountains	\$ 289,839,754.56	\$ 58,140,310.58	\$ 55,809,764.07	\$ 21,224,463.19	\$ 15,371,141.11	\$ 31,711,468.37	\$ 36,876,145.76	\$ 25,826,277.17
Short Term Firm Sales P	\$ 162,028,421.65	\$ 45,342,036.47	\$ 24,821,467.81	\$ 8,334,019.02	\$ 4,822,172.54	\$ 7,288,780.38	\$ 13,420,686.23	\$ 6,167,205.13
Short Term Firm Sales Intertie	\$ 375,185,480.15	\$ 64,518,055.18	\$ 59,942,969.59	\$ 42,088,991.22	\$ 34,151,950.32	\$ 41,377,539.84	\$ 30,708,953.73	\$ 23,742,392.52
Short Term Sales U	\$ 755,471.24	\$ -	\$ 102,970.74	\$ -	\$ -	\$ 10,357.35	\$ 518,088.12	\$ 124,055.03
System Sales PPL	\$ 3,976,321.45	\$ -	\$ -	\$ 3,542,336.61	\$ -	\$ -	\$ 433,984.84	\$ -
System Sales UPL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Sales Revenue Adjustment	\$ 847,834,211.17	\$ 168,885,390.82	\$ 141,966,817.87	\$ 76,225,890.54	\$ 54,798,824.35	\$ 81,092,597.44	\$ 82,858,770.17	\$ 55,876,441.37
SCE Purchase	\$ 5,226,357.62	\$ 2,547,195.34	\$ 384,450.00	\$ 238,387.80	\$ -	\$ -	\$ -	\$ -
Short Term Firm Purch PPL	\$ 609,073,862.40	\$ 143,788,988.96	\$ 96,732,216.75	\$ 44,759,374.64	\$ 41,083,161.42	\$ 42,711,145.44	\$ 37,179,841.85	\$ 67,207,927.82
Short Term Firm Purch UPL	\$ 181,077,356.96	\$ 24,602,121.00	\$ 22,530,696.04	\$ 19,607,190.16	\$ 15,887,890.26	\$ 23,807,249.04	\$ 10,761,867.36	\$ 24,492,717.40
System Purchase PPL	\$ 136,846,337.56	\$ 25,810,101.81	\$ 16,382,535.88	\$ 22,000,174.94	\$ 5,110,183.08	\$ 10,854,708.19	\$ 13,194,174.10	\$ 13,730,879.78
System Purchase UPL	\$ 17,233,336.75	\$ 209,985.04	\$ 7,853,877.46	\$ -	\$ 2,320,927.92	\$ 760,511.19	\$ -	\$ 790,005.77
Total Purchase Cost Adjustment	\$ 949,457,251.29	\$ 196,958,372.15	\$ 143,883,876.13	\$ 86,605,127.54	\$ 64,402,152.68	\$ 78,133,613.86	\$ 61,135,883.31	\$ 106,221,530.77
Cost Adjustment less Revenue Adjust	\$ 101,623,040.11	\$ 28,072,981.33	\$ 1,917,058.26	\$ 10,379,237.00	\$ 9,603,328.33	\$ (2,958,983.57)	\$ (21,722,886.86)	\$ 50,345,089.40
Utah Allocation Factor	\$ 0.37144							
Allocation to Utah	\$ 37,746,862.02							

