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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of
PACIFICORP for an Investigation of
Interjurisdictional Issues

DOCKET NO. 02-035-04

**UTAH COMMITTEE OF CONSUMER SERVICES PETITION FOR LEAVE TO FILE A POST-HEARING
RESPONSE AND RESPONSE**

The Utah Committee of Consumer Services (“Committee”) petitions the Public Service Commission of Utah (“Commission”) for leave to file the following Response with the Commission in this matter. In that regard, the Committee states as follows:

PETITION FOR LEAVE TO FILE RESPONSE

1. The Commission asked parties, during the July 19, 2004 hearing to consider ratification of the Revised Protocol and Stipulation, whether they had considered how the revenue requirement impacts resulting from use of the Revised Protocol and Stipulation would be applied to, or apportioned among, customer classes in Utah.
2. PacifiCorp Witness David Taylor and Division of Public Utilities Witness George Compton responded to the question, but Committee Witness Nancy Kelly did not.
3. The Stipulation is silent on the matter, and no party filed written testimony or offered unsolicited oral testimony on how the revenue requirement impact of converting from a Rolled-in method to a Revised Protocol method should be applied to, or apportioned among, customer classes in Utah. However, in further considering the question after the hearing, the Committee has concluded that the matter is of critical importance and relevance to the

Commission's deliberations, and therefore petitions for leave to file this post-hearing Response.

RESPONSE

4. As made clear by Committee Witness Nancy Kelly in her pre-filed testimony as well as orally at the hearing, the Committee's support of the Revised Protocol hinges on implementation of the Rate Mitigation Caps set forth in the Stipulation. While the focus of the negotiations that resulted in eventual agreement among Utah signatory parties on the Revised Protocol and Stipulation was Utah's revenue requirement and how it would be calculated, and not the determination of rate spread within Utah, it is fundamental to the Committee's support of the Stipulation that nothing in the Commission's Order prevent the Rate Mitigation Caps from achieving their intended purpose of equitably limiting the rate increase which any Utah customer class must bear, as a result of using the Revised Protocol to calculate Utah's revenue requirement for fiscal years 2006-2014, to those identified and capped ceilings.

5. Aside from properly allocating any increase that may result from conversion to the Revised Protocol method, it will also be necessary for the Commission to allocate among customer classes the balance of any other changes in Utah revenue requirement. The particular method used to apportion costs among customer classes may be, but does not have to be, the same method used to calculate the jurisdictional revenue requirement.

6. At the class cost-of-service level, rates are presently set using a Rolled-in method, because the Commission previously determined that method best reflects cost causation and produces a just and reasonable allocation result. In contrast, and as discussed at some length in Committee Witness Nancy Kelly's testimony, the Revised Protocol method reflects a negotiated package of cost elements which, in some important instances, are not inter-jurisdictionally allocated on a cost-causation basis. In particular, the costs of the utility's hydro resources and the current treatment of seasonal resources are allocated in a manner that deviates from cost causation.

7. PacifiCorp Witness David Taylor seemed to suggest that a cost of service study based upon the Revised Protocol should be used to spread rates among classes. In that event, the great majority of Utah customers could be subjected to rate increases greatly exceeding those that the Committee anticipated in supporting the Stipulation. The Committee does not agree with Mr. Taylor's view. It would be an anomalous and unfortunate result if the Commission

was persuaded to apply a cost-of-service method and rate spread in a future rate case that defeat the rate mitigation safeguards the Utah parties secured in a long and difficult negotiation in exchange for their support of an MSP settlement.

8. In converting from the existing Rolled-in method to Revised Protocol, it is the Committee's position that not only Utah's revenue requirement, but its spread across customer classes, needs to be subject to the applicable Rate Mitigation Cap. The appropriate way to obtain this result is to limit the rate increase of an individual class resulting from use of the Revised Protocol to the Rolled-in benchmark plus the applicable Rate Mitigation Cap. The Commission should ensure the protections afforded to Utah customers by the Rate Mitigation Caps are met each time it sets new rates through fiscal year 2014.

9. The Rolled-in cost-of-service method is the Commission's policy standard and its continued use remains necessary to affect the negotiated Rate Mitigation Cap safeguards. PacifiCorp has agreed to provide a Rolled-in cost of service study in the rate case it filed on August 4, 2004 (Docket No 04-035-42). The Committee recommends that the Commission: (a) require PacifiCorp to include a Rolled-in cost of service study in all future rate case filings; and (b) rely on a Rolled-in cost of service study as the starting point for consideration of any rate spread alternatives.

10. Since the record regarding rate spread has not been fully developed in this proceeding, the Committee recommends that the Commission Order in this Docket not address how the revenue requirement impacts resulting from use of the Revised Protocol and Stipulation be applied to, or apportioned among, customer classes in Utah.

Submitted this 18th Day of August, 2004.

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of Consumer Services

CERTIFICATE OF SERVICE

I certify that I caused to be mailed or hand-delivered this **UTAH COMMITTEE OF CONSUMER SERVICES PETITION FOR LEAVE TO FILE A POST-HEARING RESPONSE AND RESPONSE** on this 18th day of August, 2004 to:

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