

1 **Q. Are you the same Andrea L. Kelly who submitted direct testimony in this**  
2 **proceeding?**

3 A. Yes.

4 **Purpose and Overview of Testimony**

5 **Q. What is the purpose of this testimony in support of the agreement?**

6 A. My testimony describes and supports the agreement filed on June 27, 2011  
7 (Agreement) among PacifiCorp dba Rocky Mountain Power (Company), the Utah  
8 Division of Public Utilities (Division), the Utah Office of Consumer Services  
9 (Office), and the Utah Association of Energy Users (UAE) (referred to  
10 individually as a Party or collectively as the Parties). This Agreement resolves  
11 PacifiCorp's September 15, 2010 Application for Approval of Amendments to  
12 Revised Protocol Allocation Methodology (Application).

13 **Q. Have all parties to this docket joined in the Agreement?**

14 A. No. The Utah Industrial Energy Consumers and Nucor Steel are not Parties to  
15 this Agreement, but are parties to this docket. Nucor Steel has authorized the  
16 Company to represent that Nucor Steel does not oppose the Agreement.

17 **Background**

18 **Q. Please briefly describe the Company's request in this proceeding.**

19 A. On September 15, 2010, the Company filed an Application requesting that the  
20 Public Service Commission of Utah (Commission) adopt the use of the 2010  
21 Protocol for purposes of inter-jurisdictional cost allocations for all rate cases filed  
22 prior to December 31, 2016. The Company filed similar applications with the  
23 commissions in Idaho, Oregon, and Wyoming. The 2010 Protocol contains

24 limited amendments to the Revised Protocol that were the result of extensive  
25 discussions among the states that began in November 2008.

26 In the Application, the Company proposes that, for the duration of the  
27 2010 Protocol, a fixed dollar amount per year adjustment would be applied to  
28 Utah's revenue requirement under the Rolled-In allocation methodology as set  
29 forth in the 2010 Protocol. The adjustment is composed of two parts associated  
30 with the Regional Resources category (as defined in the 2010 Protocol), namely:  
31 (1) the Hydro Endowment adjustment, comprised of the Owned Hydro Embedded  
32 Cost Differential Adjustment and the Mid-Columbia Contract Embedded Cost  
33 Differential, and (2) the Klamath Surcharge adjustment, a situs adjustment  
34 associated with the reallocation of the surcharge imposed under the Klamath  
35 Hydroelectric Settlement Agreement (KHSA) to Oregon and California with a  
36 corresponding credit to the other states. The combined effect of these adjustments  
37 for Utah is a credit of approximately (\$1.0) million per year. A detailed  
38 description of the amendments to the Revised Protocol is included in the direct  
39 testimony of Company witness Mr. Steven R. McDougal.

40 **Q. How did the Parties arrive at the Agreement?**

41 A. The parties to this docket convened a settlement conference on January 4, 2011 to  
42 explore approaches for reaching settlement. All parties to this docket were  
43 invited to participate. A telephone conference was held on January 13, 2011 to  
44 discuss and further understand changes to allocation factors under the Rolled-In,  
45 Revised Protocol and 2010 Protocol allocation methodologies. A technical  
46 conference was held on February 15, 2011, to discuss the KHSA. Additional

47 settlement discussions were held on February 23, 2011, March 22, 2011, April 13,  
48 2011 and May 17, 2011.

49 **2010 Protocol**

50 **Q. What have the Parties agreed with respect to the use of the 2010 Protocol?**

51 A. Under the facts and circumstances described in the Agreement, the Parties request  
52 that the Commission issue an order approving for use in Utah, other than as  
53 specified in the Agreement, the terms and conditions of the 2010 Protocol as  
54 reflected in Exhibit RMP\_\_\_(ALK-1) attached to my direct testimony, including  
55 Appendices A to F, as corrected by the Errata Sheet to Exhibit RMP\_\_\_(ALK-1),  
56 and as further described in detail in Exhibits A and B to the Agreement. The  
57 Parties request that the use of the 2010 Protocol begin with Docket No. 10-035-  
58 124, the Company's general rate case filed January 24, 2011, and remain in effect  
59 for all Company filings made on or before December 31, 2016. The use of the  
60 2010 Protocol is also reflected in the settlement agreement in Docket No. 10-035-  
61 124, which was approved by the Commission on August 11, 2011.

62 **Q. Please describe the information provided in Exhibit A to the Agreement.**

63 A. Exhibit A is a table identifying the allocation factors to be applied to each  
64 component of PacifiCorp's revenue requirement calculation when using the 2010  
65 Protocol and Rolled-In allocation methodologies. It also provides a comparison  
66 column related to the allocation factors under the Revised Protocol.

67 **Q. Please describe the information provided in Exhibit B to the Agreement.**

68 A. Exhibit B provides the algebraic derivations of the 2010 Protocol allocation  
69 factors, as listed in Exhibit A.

70 **Q. Do the Parties request additional provisions in the Commission's order?**

71 A. Yes. The Parties request two additional provisions. First, the Parties request that  
72 the order provide that, for purposes of any use of the 2010 Protocol, the Hydro  
73 Endowment and Klamath adjustments described above will be deemed to net to  
74 zero for ratemaking purposes in Utah. Second, the Parties request that the order  
75 provide that the Rolled-In allocation methodology, as explained and illustrated in  
76 Exhibits A and B to the Agreement, or as hereafter modified by the Commission,  
77 will continue to be the benchmark and starting point for allocating inter-  
78 jurisdictional costs to Utah for ratemaking purposes.

79 **Q. How will this second provision impact the Company's ratemaking filings in**  
80 **Utah?**

81 A. Unless and until the Commission directs to the contrary, all Company filings in  
82 Utah ratemaking proceedings will be based on the Rolled-In allocation  
83 methodology, and will include calculations showing the 2010 Protocol results,  
84 including the Hydro Endowment and Klamath adjustments.

85 **Q. Do any disputed issues remain among the Parties on the agreement to use the**  
86 **2010 Protocol?**

87 A. Yes. While agreeing that the Commission may authorize the use of the 2010  
88 Protocol, certain factual and/or legal disputes of the Parties are not compromised,  
89 settled or resolved. The Parties expressly reserve the right to raise issues in  
90 connection with the inclusion, timing or allocation to Utah of costs related to the  
91 Klamath facilities, including but not limited to the Klamath Rate Impacts as  
92 defined in Section 5 of the Agreement, in a separate proceeding. As the

93 Commission finally resolves issues relating to the Klamath Rate Impacts for Utah  
94 ratemaking purposes, the Company shall reflect such resolutions in future filings.  
95 The Parties also agree that any Commission disallowance of costs related to the  
96 Klamath Rate Impacts shall result in adjustments to the calculation of rates under  
97 both Rolled-In and 2010 Protocol.

98 **Allocation Methodology Post-2016**

99 **Q. What have the Parties agreed with respect to the allocation methodology to**  
100 **be used in Utah after the term of the 2010 Protocol expires?**

101 A. There is no agreement among the Parties regarding the inter-jurisdictional  
102 allocation methodology that should be used in Utah after the term of the 2010  
103 Protocol expires.

104 **Reporting Requirements**

105 **Q. What have the Parties agreed to with regard to the Company's reporting of**  
106 **results of operations in Utah?**

107 A. The Parties agree that PacifiCorp will file its semi-annual results of operations  
108 using the Rolled-In allocation methodology, and the calculation of the 2010  
109 Protocol Hydro Endowment and Klamath Surcharge adjustments using test period  
110 data in sufficient detail to allow the Parties to compare the two methodologies for  
111 the six-year effective period of the 2010 Protocol.

112 **Q. When will the first report be filed?**

113 A. The first semi-annual results of operations report filed after the Agreement has  
114 been approved by the Commission will include the detail described above.

115 **Class 1 Demand-Side Management Programs**

116 **Q. Please describe the provision in the Agreement related to Class 1 demand-**  
117 **side side management (DSM) programs.**

118 A. The MSP Standing Committee is currently working toward an agreeable  
119 resolution of issues related to the allocation treatment of Class 1 DSM programs.  
120 Parties acknowledge that the emerging issues related to the inter-jurisdictional  
121 allocation of Class 1 demand-side management programs should not be  
122 considered in this phase of the proceeding. Additional analysis and discussion of  
123 these issues is being undertaken in the Standing Committee workgroups and the  
124 Company may make a subsequent Application to modify the allocation of some or  
125 all Class 1 DSM resources.

126 **Reservations of Rights**

127 **Q. What have the Parties agreed with respect to reservations of rights?**

128 A. Any Party may request that the Commission rescind, alter, or amend its order  
129 entered in connection with this Agreement or the 2010 Protocol if the Party  
130 concludes that the Agreement no longer produces results that are just, fair,  
131 reasonable, or in the public interest, due to unforeseen or changed circumstances.  
132 In addition, the Agreement does not impact any Parties' existing commitments to  
133 participate in the Standing Committee workgroups.

134 **Status of 2010 Protocol Proceedings**

135 **Q. What is the status of the 2010 Protocol proceedings in the other states?**

136 A. In Wyoming, an all-party settlement was reached with Wyoming parties to adopt  
137 the use of the 2010 Protocol with two modifications: (1) the Hydro Endowment

138 adjustment and Klamath Surcharge adjustment are to be based on test period cost  
139 elements, and (2) a rate protection cap will be applied to the difference between  
140 revenue requirement under the 2010 Protocol compared to the Revised Protocol.  
141 The all-party stipulation with supporting testimony was filed with the Wyoming  
142 Public Service Commission on March 25, 2011. The Wyoming commission's  
143 written order, adopting the 2010 Protocol, as amended by the terms of the all-  
144 party stipulation, was issued July 7, 2011.

145 In Oregon, an all-party settlement was reached with Oregon parties to  
146 adopt the use of the 2010 Protocol with two similar modifications: (1) the Hydro  
147 Endowment adjustment and Klamath Surcharge adjustment are to be based on test  
148 period cost elements; (2) a rate protection cap will be applied to the difference  
149 between revenue requirement under the 2010 Protocol compared to the Revised  
150 Protocol. The all-party stipulation was filed with the Public Utility Commission  
151 of Oregon on April 22, 2011, and supporting testimony was filed with the Oregon  
152 commission on April 25, 2011. The Oregon commission issued an order adopting  
153 the 2010 Protocol, as amended by the terms of the all-party stipulation, on July 5,  
154 2011.

155 In Idaho, the Idaho Public Utilities Commission adopted a modified  
156 procedural schedule that provided for written comments in lieu of formal  
157 testimony with no need for a hearing. Comments were filed by Idaho commission  
158 staff and the Monsanto Company on March 30, 2011. The Company's reply  
159 comments were filed on April 15, 2011. On July 11, 2011, the Idaho commission  
160 held a decision meeting, which included the deliberation on the 2010 Protocol

161 application. The Company awaits the Idaho commission's decision on the 2010  
162 Protocol application.

163 **Conclusion**

164 **Q. What action do you recommend the Commission take with respect to the**  
165 **Agreement?**

166 A. The Company recommends that the Commission find that the Agreement is in the  
167 public interest and requests that the Commission adopt the Agreement and include  
168 the Agreement's terms and conditions in its order in this proceeding.

169 **Q. Does this conclude your testimony?**

170 A. Yes.