

TO: MULTISTATE PROCESS PARTICIPANTS

FROM: WYOMING CONSUMER ADVOCATE STAFF

DATE: MAY 10, 2002

RE: WYOMING DOCUMENTS AND COMMENTS FOR THE MULTISTATE PROCESS

Draft Statement of Principles

Wyoming Consumer Advocate Staff is not sure what purpose the principles will serve or how we will measure any other process results against them. Therefore, we are a reluctant to propound principles or limit ourselves to only those listed without knowing the underlying problems that the principles are intended to define. For example, the principles relate primarily to allocation and resource planning matters, yet the white papers to be discussed at the next meeting include a myriad of other items such as open access, special contract, and transmission issues. We are concerned about the lack of principles relative to these other items since it is not clear how they relate to the outcome of the process being developed. Therefore, our preference would be to develop problem statements to be addressed before developing the principles that will measure results for problems that have yet to be identified.

As to the specifics of the Draft Statement of Principles, we have several comments. First, item number three indicates that “State Commissions will regulate . . .” while all of the other principles are written in terms of “should”. Second, item number 9 begins, “Achieve a result that is sustainable . . .” This principle should be made into a complete sentence. Additionally, there should be a reference to the applicable subject matter, i.e.: allocation results, resource planning results, rate results, transmission results, etc. Third, item number 11 seems to presume part of the answer to one of the yet unstated problems. If costs are to be directly assigned, that changes the current allocation process. We are not willing to presume that result at this time. For instance, one might read this provision to say that costs should be directly assigned, so that all of the property tax in a particular state goes to that state, even if it is property tax on a generation resource used by other states. We would like additional clarification on the author’s understanding of this principle before we are willing to adopt it, assuming that we will be willing to adopt any of the principles without further issue identification. Fourth, there are similar potential misunderstandings that could arise from the adoption of proposed principle number 5. Various states and entities could have different definitions of cost causation. One might think that a particular state is the causer of particular cost, i.e. environmental controls, while another might think that such controls are a cost of the integrated system. How would we then measure whether this vague, undefined objective is being met? It is possible that we could spend more time arguing about the nature of the objective than the solutions to its associated problems, if and when they are finally identified and discussed.

There is clearly tension between a number of these principles. We are anxious to proceed to issue discussions to see how the tension between, for example, allocations allowing each state to pursue its own energy policy and PacifiCorp providing the least-cost integrated system energy,

is resolved. While each principle seems to have some merit on an individual basis, we are concerned about the compatibility of these objectives in a total package. Again, we fail to understand the purpose of setting such general objectives when the problem statements have yet to be defined.

Merger White Paper

Coming as a surprise to the us, Wyoming is listed as having an assignment of providing a white paper on “merger” issues. We don’t recall volunteering for this assignment, nor do we ever recall indicating that we endorsed the white paper preparation process. Rather, we have openly criticized the white paper process and are concerned that it continues to focus the process in an improper direction and use valuable time and resources that could otherwise be spent on issue identification and resolution. To this end, we have not prepared a white paper on the merger. We have, however, done some recent research on the merger and summarized much of this research in an Affidavit of Ms. Denise Parrish, dated April 18, 2002. We have attached this affidavit so that parties may be informed of our position regarding the merger.

General Comment on White Papers and Multistate Process

On May 2, 2002, the Wyoming Public Service Commission held a hearing regarding whether or not it should continue to be involved in the Multistate Process. At this hearing, the Commission solicited suggestions regarding ways to make the process more efficient and effective. At this proceeding, we expressed several concerns regarding the “white paper” process. We are concerned that the white papers are becoming the focus of the process, rather than simply being an informational tool to bring Mr. Hanfling and other parties up to speed on prior events and to provide issue background. We are extremely concerned that there was an indication by Mr. Hanfling that the parties will be required to respond to each white paper in order to build the record in this case and to present their views, rather than doing so in issue papers, testimony or simply through meeting discussions. We also concur with the Commission’s concern that the white papers may be skirting the true issues of the group. Instead of continuing to focus on white papers and respond to the positions detailed in those papers, we respectfully ask the parties to stop the madness. For these reasons we do not intend, at this time, to become part of the flurry of white papers and responses. Rather, we are asking the parties to focus on some of the issues, as we see them, many of which were discussed a the May 2nd hearing:

1. Why are the promises made by PacifiCorp at the time of the Utah Power/Pacific Power merger hearings no longer valid? What has changed that makes these promises no longer relevant or valid? Why shouldn’t shareholders continue to bear the risk of the different allocation methods as it seems was agreed to at the time of the merger?
2. What is the risk to PacifiCorp and what is the risk to the customers if the Multistate Process fails to reach agreement on a common allocation method among its six state jurisdictions? Can and has that risk been quantified?
3. What is the focus of the Multistate Process? Allocations? Resource Planning? Other? How does PacifiCorp’s alternative resource planning process coordinate

with the Multistate Process and when will a direct tie of those two processes be made?

4. What is the best process to use in order to achieve the results that the Multistate participants would like to achieve (which have yet to be identified) and do all of the participants have similar objectives regarding the Multistate Process? Should the process be facilitated or arbitrated? Should the process be formal or informal?
5. How will this process be different that the PacifiCorp Interjurisdictional Task Force on Allocations (PITA) process or should it be different? What is expected to be achieved here that was not achieved there, and why are the expectations now different?

Proposed Agendas

We have several comments regarding the proposed agenda for the May meeting and the following meetings. As to the May meeting, we don't understand the need for, the make-up of, the purpose of, or the proposed activities of the Special Contracts Committee or the Modeling and Analytical Support Council. Without additional information, it seems that the development of more and more subgroups is very limiting for what is touted to be an open process. Not only will small states have difficulty participating in so many small groups, they will be limited in their ability to voice their opinions through each of these groups. If these Committees are just being formed, what are they expected to present in the way of a Committee Report at the May meeting? Have they already been formed without our knowledge? We have earlier expressed our concern about the white paper process that seems to be taking up the bulk of the May meeting. As to the day two agenda, we don't understand the difference between a draft definition of the problem and the outline of specific issues to be resolved. We also believe that these topics would be better covered on day one, so that the white paper discussions (if they must be had) could be more focused on the identified problems.

As to the remaining meetings, we are concerned that the September meeting has us identifying resolved and unresolved problems without any scheduled discussions about the problems at prior meetings. It also seems too late in the process to not be discussing the required quantitative analysis until the September meeting. Finally, it is not clear upon what record or information the draft reports and draft recommendations will be made or by whom.

Any questions regarding this submission should be directed to Ivan Williams by return e-mail at iwilli@state.wy.us. You may also contact Denise Parrish at dparri@state.wy.us.