

**BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING**

IN THE MATTER OF THE APPLICATION OF )  
PACIFICORP FOR AUTHORITY TO )  
INCREASE ITS RETAIL ELECTRIC UTILITY )  
SERVICE RATES IN WYOMING, )  
CONSISTING OF A GENERAL RATE )  
INCREASE OF APPROXIMATELY \$30.7 )  
MILLION PER YEAR, A THREE-YEAR RATE ) Docket No. 20000-ER-02-184  
SURCHARGE FOR PREVIOUS POWER ) Record No. 7475  
COSTS TO RECOVER \$60.3 MILLION, AND )  
AN ADDITIONAL THREE-YEAR RATE )  
SURCHARGE TO RECOVER POWER COSTS )  
OF \$30.705 MILLION PER YEAR RELATED )  
TO THE HUNTER NO. 1 GENERATING UNIT )

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**TESTIMONY OF RONALD J. BINZ  
ON BEHALF OF AARP**

**CONCERNING HUNTER UNIT 1 ISSUES**

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## DIRECT TESTIMONY OF RONALD J. BINZ

1 **Q. What is your name and address?**

2 A. My name is Ronald J. Binz. My business address is 333 Eudora Street, Denver,  
3 Colorado 80220-5721.

4 **Q. On whose behalf are you testifying in this case?**

5 A. I am testifying on behalf of AARP, a nonprofit, nonpartisan membership  
6 organization for people aged fifty and over. AARP provides information and resources;  
7 advocates on legislative, consumer, and legal issues; assists members to serve their  
8 communities; and offers a wide range of products and services to its members.  
9 Nationally, AARP has over thirty-five million members, including more than 84,000  
10 members in Wyoming.

11 **Q. What is your occupation?**

12 A. I am President of Public Policy Consulting, a firm specializing in energy and  
13 telecommunications regulatory matters. I provide consulting services to a variety of  
14 public-sector and private-sector clients in the energy and telecommunications industries,  
15 primarily in the regulatory arena. My consulting practice dates to 1979, except for the  
16 years 1984-1995 when I served as Colorado Consumer Counsel.

17 I am also the President of the Competition Policy Institute (CPI) in Washington,  
18 D.C. CPI is a non-profit organization that I founded in March 1996 and describe as a  
19 combination consumer group and “think tank.” CPI’s activities have included advocacy

1 before regulators and lawmakers, education, research and working with other consumer  
2 organizations. We recently suspended our federal advocacy work, focusing our efforts on  
3 the educational role of the organization, with plans to continue hosting symposia for state  
4 regulators and legislators on telecommunications and energy policy issues.

5 **Q. Please summarize your experience in utility regulation.**

6 A. For eleven years prior to Public Policy Consulting and CPI, I was Consumer  
7 Counsel for the State of Colorado. In that role, I represented the interests of residential  
8 and small business consumers of telecommunications and energy before the Colorado  
9 Public Utilities Commission, the Federal Communications Commission (FCC), the  
10 Federal Energy Regulatory Commission (FERC), the courts and legislative bodies.

11 During my tenure as Consumer Counsel I served as the President of the National  
12 Association of State Utility Consumer Advocates (NASUCA) for two years and chaired  
13 the organization's Telecommunications Committee for three years. In those roles (and at  
14 CPI) I have testified numerous times before Congressional committees on energy and  
15 telecommunications matters.

16 Prior to my work with the Office of Consumer Counsel, I was a consulting utility  
17 rate analyst. I have testified before regulatory commissions, courts and arbitration panels  
18 in Colorado and in other western states on behalf of a variety of clients. These include  
19 consumer organizations, senior citizen groups, agricultural utility consumers,  
20 homebuilders, telecommunications resellers and local governments.

1 I am a frequent speaker and presenter at industry, regulatory and legislative  
2 conferences and symposia. I am a member of the Harvard Electricity Policy Group and  
3 recently served on two advisory commissions to the Federal Communications  
4 Commission. My resume is attached as Appendix A to this testimony.

5 **What is your educational background?**

6 A. I received a B.A. in Philosophy from St. Louis University in 1971. I received  
7 M.A. in Mathematics from the University of Colorado in 1978. I entered the Masters  
8 Program in Economics in 1980 and completed 27 hours of graduate work. I was  
9 researching my Masters Thesis on Regulated Industries in 1983 when I was appointed to  
10 the Public Utilities Commission by Colorado Governor Lamm.

11 **Q. What is the purpose of your testimony in this case?**

12 A. I was asked by AARP to review the three related rate requests filed by PacifiCorp  
13 in this application. PacifiCorp is requesting an increase of \$30.7 million in base rates;  
14 recovery of \$60.3 million in excess net power costs; and recovery of \$30.7 million in net  
15 power costs triggered by the outage at the Hunter Unit 1 steam generation plant in Utah.  
16 This first portion of my testimony addresses only the Company's request to recover  
17 excess net power costs associated with the outage of the Hunter plant. Other issues in the  
18 case will be discussed in a subsequent testimonial filing.

19 **Q. How is your testimony organized?**

20 A. First, I present an introduction to the testimony and a summary of my findings

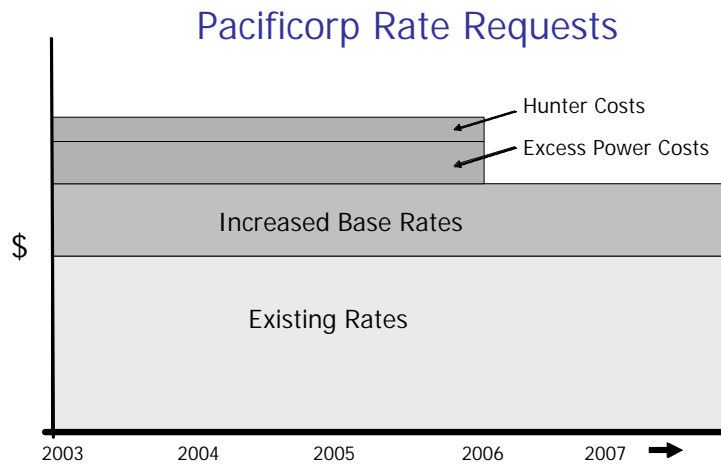
1 and recommendations. Second, I identify and discuss the appropriate regulatory  
2 principles that the Commission should use in evaluating the Company's application for  
3 recovery of the Hunter-related costs. Next, I review some of the facts surrounding the  
4 Hunter outage and discuss the details of an amortization of any Hunter-related costs the  
5 Commission finds to have been prudently incurred. Finally, I conclude with  
6 recommendations to the Commission.  
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**I. INTRODUCTION AND SUMMARY OF TESTIMONY**

**Q. Please summarize the Company’s request in this case.**

A. PacifiCorp is requesting three changes in overall rate levels: i) a permanent increase in annual base rates of \$30.7 million; ii) a three-year amortization of \$60.3 million in increased net power costs with carrying costs accrued during the period November 30, 2000 to March 30, 2002; and iii) a three-year amortization of \$30.7 million in excess net power costs incurred due to the Hunter plant outage from November 24, 2000 to May 8, 2001. The following graph shows how these three rate requests relate to each other:



10 In addition to these changes in overall rate levels, the Company is proposing to  
11 change the cost allocation methodology used to assign distribution system costs to the  
12 various customer classes. As I will develop in testimony filed separately in this case, the  
13 change in cost allocation methodology, while revenue-neutral, causes a sharp increase in

1 rates for residential customers.

2 **Q. Mr. Binz, why is this case important to AARP members in Wyoming?**

3 A. PacifiCorp is proposing a significant increase in its electric rates in Wyoming.  
4 The combined effects of the three parts of the Company's proposal will add more than  
5 \$8.00 to the monthly bill of the average residential customer in Wyoming—about \$100  
6 per year.

7 An increase of this size for an essential service like electricity can be a significant  
8 burden for persons on a fixed income. The increase equates to about 18% -- much  
9 higher than the rate at which the prices of other commodities are rising. For example, the  
10 annual inflation rate as measured by the Consumer Price Index is only about 1.5% at the  
11 present time. Many of AARP's members have fixed incomes that grow slowly, if at all.  
12 For that reason, AARP members are very concerned about the quality of their utility  
13 service and the fairness of rates. In a recent survey of Wyoming AARP members, 91%  
14 of those surveyed thought that the Wyoming PSC should make quality utility service and  
15 affordable rates either the "top priority" (55%) or a "high priority" (36%).

16 **Q. What is the impact of the rate increase on low-income customers?**

17 A. An increase of this magnitude poses a special hardship for low-income  
18 households. Fully one-fifth of Wyoming households have incomes below 150% of the  
19 Federal poverty guidelines, the eligibility standard used by the Wyoming Department of  
20 Family Services for heating assistance. This means that a two-person household with

1 income at this level earns only \$17,910; a four-person household only \$27,150.

2           While 20.8% of all Wyoming households – almost 40,000 households – have  
3 incomes below 150% of the federal poverty guidelines, the situation is even worse for  
4 households headed by persons over 65 years of age. More than 26% of senior households  
5 in Wyoming have incomes below 150% of the federal poverty guidelines. Exhibit RJB-1  
6 details these statistics for persons and households in Wyoming and includes the current  
7 federal poverty guidelines. I have also prepared exhibit RJB-2 which shows the effects  
8 of each portion of this combined case on average monthly residential bills.

9           The increase should also be viewed in the context of the Wyoming economy.  
10 While the state’s economy expanded during the 1990s, the current recession has taken its  
11 toll on jobs in Wyoming. Unemployment, which had declined steadily since 1992, began  
12 to trend upward beginning in 2001. Job growth has tailed off, with the result that the  
13 unemployment rate in Casper, for example, has exceeded 4% in recent months. Since  
14 unemployment is a usually “trailing indicator” in the economy, it is possible that  
15 unemployment will worsen even after a national economic recovery begins. We know  
16 from research that low-income consumers tend to pay their utility bills before other bills  
17 (because of the threat of shutoff) so that an 18% increase in electric costs goes right to the  
18 bottom line for low-income persons. This forces them to make difficult choices among  
19 essential family expenditures, including food, healthcare and heat.

20 **Q. Please summarize your conclusions and recommendations to the**

1 **Commission.**

2 A. After reviewing extensive amounts of testimony, discovery responses and  
3 previous commission orders in this and related cases, I have the following conclusions  
4 and recommendations about the appropriate treatment of the costs associated with the  
5 Hunter plant outage:

- 6       ▪ Before the Company is eligible to recover any Hunter-related costs,  
7       PacifiCorp's application must clear three legal and policy hurdles.  
8       These include i) whether the PSC's deferred accounting order covers  
9       the Hunter costs; ii) whether the Company acted prudently in  
10      managing the plant and handling the outage; and iii) whether the full  
11      amount of the purchased power costs are correctly attributed to the  
12      outage. The burden is on PacifiCorp to show these hurdles have been  
13      met.
- 14      ▪ A decision to grant recovery of Hunter-related costs has important  
15      implications for the incentives faced by PacifiCorp. The Commission  
16      should carefully examine those incentives when deciding whether to  
17      grant recovery of a portion of the Hunter-related costs.
- 18      ▪ If the Commission determines that some of the costs were prudently  
19      incurred, it should limit recovery of net power costs in this phase of  
20      the case to those purchases needed to serve native load. Any  
21      additional replacement power costs should be relegated to the balance  
22      of the case in which excess net power costs are calculated.
- 23      ▪ If the Commission permits recovery of some of the Hunter-related  
24      costs, they should be recovered over an appropriate time period.  
25      Instead of the three-year recovery period proposed by the Company,  
26      any allowed costs should be amortized over the remaining useful life  
27      of the Hunter plant, with an appropriate carrying cost paid to the  
28      Company. This recovery period will match the extraordinary costs of  
29      the replacement power (nearly equal to the capital cost of a new power  
30      plant) with the ratepayers who will benefit from the repair of the plant.

## **II. THE APPROPRIATE REGULATORY TREATMENT OF THE HUNTER OUTAGE**

### **1 Q. Please review the relevant circumstances of the Hunter outage.**

2 A. On November 24, 2000 Unit 1 of the Company's Hunter steam generation plant  
3 was removed from service following a catastrophic failure of the generator. The  
4 magnetic field (which permits the unit to generate electricity) was lost following a series  
5 of abnormalities signaled by system alarms. These included temperature spikes, out-of-  
6 range vibrations measured at the bearings and electrical arcs and smoke observed by the  
7 operators. Subsequent investigation revealed extensive damage to the stator core, the  
8 portion of the generator inside which the generator's rotor turns. The damage included a  
9 channel melted into the core iron extending the entire length of the stator core and  
10 damage to the windings caused by molten iron that poured out of the channel. The  
11 proximate cause of the damage was overheating in the stator core, apparently due to a  
12 breakdown of insulation between the laminated plates that form the stator core.  
13 PacifiCorp has not determined finally the root cause of the failure.

14 The damage to the stator core was severe enough to require a complete rebuilding  
15 of the core. Disassembly and repair efforts began shortly after the failure occurred and  
16 were completed in April 2001. After testing, the plant was returned to service on May 8,  
17 2001.

18 During the five month period in which the unit was out of service, PacifiCorp  
19 purchased additional power in the regional power market to meet its retail and wholesale  
20 load obligations. The outage coincided with some of the highest prices ever observed in

1 the U.S. power markets. The Company is now requesting that the Commission permit it  
2 to recoup the net power costs (purchased power costs less fuel savings) incurred to  
3 replace the lost output of the damaged unit.

4 **Q. How has the Company computed the net power cost requested in this case?**

5 A. To calculate the cost of the power purchased to replace the missing Hunter  
6 generation, the Company first assumed that the plant would have produced power at its  
7 historic operating profile (430 MW @ 90.3% availability) and then valued that lost power  
8 at the market prices that prevailed during the outage period. This total was then reduced  
9 by the value of the fuel that was saved by not operating the plant. The result, summed  
10 over the 165 days of the outage, is the increase in net power costs calculated by the  
11 Company in conjunction with the outage. On a total company basis, this totals  
12 \$270.1 million. Wyoming's allocated share of the total is \$39.4 million, or 14.6% of the  
13 Company total.

14 To calculate the amount requested in this filing, the Company limited its claim to  
15 the period beginning November 30, 2000, the effective date of the Commission's  
16 accounting order that permitted PacifiCorp to establish deferred accounting for excess net  
17 power costs (unrelated to the outage). This limitation reduces the total to \$38.4 million.  
18 Lastly, a 20% "sharing" amount is deducted, yielding a net request of \$30.7 million,  
19 which the Company proposes to recover over a three-year period.

20 **Q. What must the Company show before this request is considered?**

1 A. The Company's rate request for recovery of the purchased power costs raises  
2 numerous legal and policy issues. There are at least three threshold conditions that the  
3 Company must establish:

- 4       ▪ That the amount sought for recovery is properly included in the scope  
5       of the deferred accounting order in Docket No. 20000-ER-00-160,  
6       issued by the Commission on December 1, 2000;
- 7       ▪ That the Company acted prudently in its management of the plant and  
8       its handling of the outage, including adherence to appropriate  
9       monitoring, inspection and maintenance procedures;
- 10       ▪ That the amount sought has been calculated correctly and represents a  
11       cost the Company was not able to avoid. (Further, that the  
12       replacement power costs linked to the Hunter outage be tied to the  
13       requirements of the Company's native load.)

14 **Q. What additional policy issues should the Commission consider in deciding**  
15 **this case?**

16 A. In addition to requiring satisfactory responses to the three issues identified above,  
17 I recommend the Commission consider two additional questions:

- 18       ▪ What effect will this decision have on incentives faced by PacifiCorp?
- 19       ▪ If the Commission approves any portion of the Hunter-related costs for  
20       recovery, what is the appropriate recovery period?

21 Of course, the bottom line question facing the Commission is the correct balance  
22 of interests between the Company and its ratepayers. As developed below, the  
23 Commission has a large amount of discretion in how it decides this case; its decision

1 should be shaped by both equity considerations and by the Commission's regulatory  
2 goals.

3 **Q. Please discuss each of the threshold issues you identified.**

4 A. At the outset, the Company must successfully show that the Commission's  
5 deferred accounting order applies to the purchases required to replace the lost output  
6 from the Hunter plant. In its application, the Company appears simply to assume that the  
7 Commission's accounting order covers this expense. However, there are at least two  
8 reasons to question whether the order properly covers the cost of replacement power for  
9 Hunter.

10 First, the plant outage occurred three weeks *after* the Company filed its  
11 application for an accounting order and within days of the effective date of the order.  
12 This means that the application did not contemplate the plant failure and the attendant  
13 costs. The Commission's order does not note the plant failure, referring only to the  
14 higher market rates experienced by the Company. The Company did not file an  
15 application to address the anticipated additional cost caused by the Hunter outage nor did  
16 the Company modify its then-pending application.

17 The upshot is that the Commission did not have an opportunity to make its  
18 decision concerning deferred accounting with all the facts in hand. It is perhaps not  
19 productive to speculate what the decision might have been, but it is clear the process  
20 would have been significantly improved if the Commission had actually ruled on the

1 issue. It is equally clear that the application and the deliberation did not concern the  
2 outage at the Hunter plant.

3           Second, because the application for deferred accounting treatment did not  
4 anticipate a major plant outage, the amount projected to be deferred was substantially  
5 understated in the Company's application and in the Commission's order. In its  
6 application, the Company estimated that the 2001 Wyoming power costs could be as  
7 much as \$26 million. As it turned out, the Wyoming portion of the Hunter-related costs  
8 *alone* exceeded that estimate. The total recovery sought under the accounting order for  
9 2001 is \$90,062,515—three and one-half times the amount discussed in November 2000.  
10 (An additional \$986,000 in carrying costs accrued in 2002.)

11           Requiring a showing that the accounting order applies to the power purchased to  
12 replace power lost during the Hunter outage is no mere technical requirement. A  
13 deferred accounting order represents a significant departure from standard ratemaking  
14 practice and there are strong policy reasons why utilities and their regulators tread with  
15 caution around such issues. Utility rates are designed to compensate utilities for costs  
16 incurred in the future periods during which the rates are in effect. As the Commission  
17 knows, utility law and standard practice do not permit a commission to set future rates to  
18 recover past costs.

19           Although the public perception of utility regulation is often that it is “cost-plus,”  
20 this is technically incorrect. In cost of service regulation, past costs are not “recovered,”  
21 they are used as a guide to the future costs that new rates must recover. Deferred

1 accounting for certain expenses creates an exception to that principle.

2           Deferred accounting for an expense item changes several things about the  
3 regulatory structure. First, it essentially inoculates a future rate request of a utility from a  
4 claim of retroactive ratemaking with respect to the subject costs. When adopting a  
5 deferred accounting order, the Commission is essentially notifying the public that certain  
6 classes of costs are potentially approved for recovery in future rates in advance of their  
7 occurrence.

8           Second, deferred accounting and expense recovery dulls the utility's incentives to  
9 efficiency. It does this by short-circuiting regulatory lag and speeding up rate changes.  
10 Normally, changes in costs between rate cases (either increases or decreases) are borne  
11 directly by the Company's shareholders. This arrangement produces a sharp incentive to  
12 efficiency and cost containment. For obvious reasons, variances in costs are of much less  
13 concern to a utility if their recovery is relatively assured in advance, even if a "prudence  
14 review" is promised after-the-fact.

15           Third, deferred accounting treatment isolates one category of expenses and treats  
16 it differently than all others. This defeats a very important matching principle that is  
17 central to cost of service regulation. When setting rates, regulators attempt to consider  
18 the whole picture: all of a utility's revenues and all of its costs. To allow a utility to  
19 recover a particular increased expense dollar-for-dollar in isolation defeats this purpose.  
20 The balance of revenue and costs at any point in time (or in an adjusted test period) may  
21 yield earnings that are above or below a target rate of return (functioning as a market

1 surrogate). When allowing a pass-through of a particular cost outside the context of the  
2 utility's total operations, the regulators are essentially "flying blind" on this issue.

3 **Q. What are the Commission's regulatory obligations and prerogatives under**  
4 **its accounting order?**

5 A. AARP was not a party to the proceeding in which the Commission issued  
6 the accounting order now relied on by PacifiCorp. Perhaps only the Commissioners can  
7 answer the question of how they would have ruled on the deferred accounting order if  
8 they had been told that the actual costs would be 346% of the estimate that was contained  
9 in the application and discussed in deliberations. If the Commission determines that the  
10 accounting order was not intended to address the costs triggered by the Hunter outage,  
11 then this expense, like any other utility expense, should be relegated to a test period, and  
12 then accepted (or not) with adjustments as being representative of the period in which  
13 new rates are in effect. In other words, the Hunter-related costs would be treated like  
14 any other utility expense.

15 By issuing its accounting order, the Commission approved a regulatory process in  
16 which certain future excess power costs *may* legally be included in rates, without a  
17 requirement that they *must* be awarded. Indeed, the Commission wisely included a  
18 significant caveat in its order:

19 This is an accounting order only, and nothing herein shall  
20 be construed as either a decision by the Commission or any  
21 commitment by the Commission to make any particular  
22 decision on any ratemaking issue whatsoever which may  
23 come before it concerning the deferred excess power costs,

1 or their inclusion or recovery in whole or in part in  
2 PacifiCorp's electric utility rates applicable to Wyoming.

3 *Notice and Interim Order*, Docket No. 20000-ER-00-160,  
4 Record No. 6235, issued December 1, 2000.

5 If the Commission determines that the accounting does not apply to the Hunter-  
6 related costs, then they should be excluded from the case. If the Commission determines  
7 that the accounting order properly applies to the Hunter-related costs, then another branch  
8 of analysis begins.

9 **Q. What is the second threshold question?**

10 A. The second threshold question is whether the Company acted prudently in the  
11 events that lead up to the Hunter plant outage and in its handling of the outage. This  
12 entails the questions of whether the Company prudently followed recommended  
13 inspection and maintenance procedures, whether the plant operators acted prudently in  
14 handling the problem, and whether the Company chose a reasonable solution to address  
15 the shortage caused by the generator failure.

16 In this case the Commission will be presented with expert testimony from the  
17 Wyoming Industrial Energy Consumers (WIEC) and the Consumer Advocate Staff  
18 (CAS) on the question of whether the Company acted prudently. On behalf of AARP, I  
19 will not contribute to the technical record here. However, AARP stresses the importance  
20 of this prudence review, both to the fairness of the Commission's decision and also to the  
21 future regulatory incentives provided to the Company.

1 **Q. Why is the prudence issue important?**

2 A. Simply put, utility ratepayers have a reasonable expectation that utility managers  
3 act prudently. After all, consumers pay rates that compensate the Company for its costs  
4 in building, financing, maintaining and operating power plants. They pay the salaries of  
5 the plant's managers and the Company's executive management. As part of the  
6 regulatory bargain, regulators must hold utilities to a standard of prudent behavior.

7 A slightly different analysis relies on another characterization of regulation. It is  
8 often said that regulation should try to achieve the outcomes of a competitive market, to  
9 substitute for missing market forces. (This is a useful, if not complete, description of  
10 what regulators try to do.) Now suppose a firm in a competitive market raises its costs by  
11 imprudent actions. Since firms in competitive market are price-takers, this imprudence  
12 would not be forgiven: the firm would face a competitive market price and could not  
13 raise prices to recoup its higher costs. In other words, the firm would suffer reduced  
14 profits owing to the imprudent behavior. Analogously, when the Commission acts as a  
15 substitute for the missing market, it should not permit a utility to recover costs associated  
16 with imprudent behavior.

17 There is, of course, a competing principle operating with monopoly regulation.  
18 While ratepayers have a right to fair prices that follow from prudent behavior, they do not  
19 necessarily want to subject their energy provider to the life and death judgments that a  
20 marketplace might make, at least not until there are alternative suppliers.

21 This means the Commission must strike a balance. It should not reward utilities

1 for imprudent behavior, but neither should it impair a company's ability to serve, so long  
2 as alternative suppliers are not available. In this case, the Company essentially had a  
3 contract (tariff) to provide customers with service at a regulated price. To the extent  
4 that the Commission finds that PacifiCorp acted imprudently in the Hunter outage, it  
5 should not permit the Company to recover the costs caused by its action, unless the  
6 Company's ability to serve its customers is impaired by the disallowance.

7 **Q. Can the Commission find that the Company is partially responsible for the**  
8 **outage at the Hunter plant?**

9 Yes. Even assuming that the Commission's accounting order applies to the costs  
10 incurred in the outage, the Commission does not have an obligation to award the  
11 Company cost recovery. Ratemaking is a legislative function, designed ultimately to  
12 produce fair outcomes. Since the Commission has no obligation to award the Company  
13 anything at all, *a fortiori*, the Commission could sustain a reasoned decision to apportion  
14 responsibility for the outage and permit only partial recovery of the costs.

15 Cost disallowances and partial disallowances have a long history in electric utility  
16 regulation. During much of the 1980s and part of the 1990s, the regulatory world was  
17 embroiled in debates about the prudence of high cost of (mainly nuclear) generating  
18 capacity built by electric utilities. Advocates for consumers argued that the high costs  
19 signaled imprudence on the utilities' part; the companies argued that external causes  
20 drove costs higher and they had a right to recover their costs. Of course, each of them  
21 could be correct, depending on the facts in a case. As it turned out, regulators disallowed

1 about \$19 billion in utility investment, by explicitly excluding amounts from rate base, by  
2 lowering the allowed return on imprudent investment, or by phasing-in increased  
3 investment (with or without a carrying cost on the deferral). These same policy options  
4 apply here.

5 When discussing the prudence of the Company's behavior with respect to the  
6 Hunter plant, it is useful to consider just how large the replacement power costs actually  
7 are. The Company calculates that it spent \$270.1 million in purchased power costs  
8 during the Hunter outage. The plant is rated at 430 MW and PacifiCorp owns 93.75% of  
9 the plant – the equivalent of 403125 kilowatts of capacity. Dividing \$270 million by the  
10 plant's KW capacity yields a cost of \$670 per installed KW.

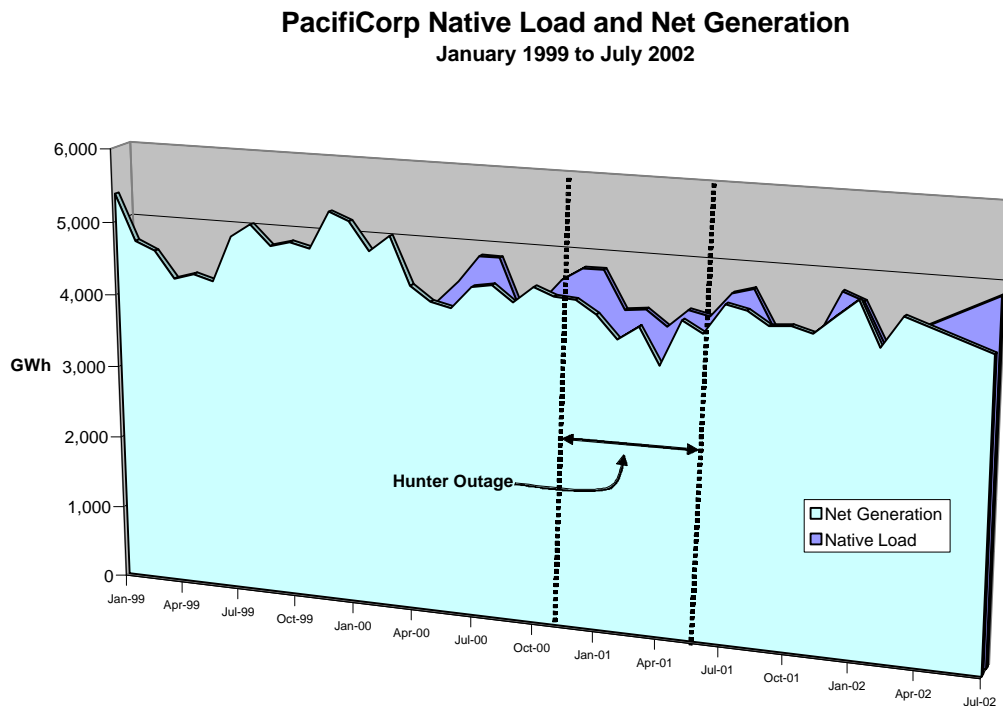
11 This is quite a remarkable number. In 1978 when the Hunter plant was built, the  
12 cost of a base load coal-fired steam plant was in the range of \$1000-\$1100 per installed  
13 KW. In other words, the cost of replacement power triggered by this five month outage  
14 was more than 60% of the capital cost of a new power plant that would be expected to  
15 run for at least 45 years. This analysis underscores the significance of the plant failure  
16 and the importance of the Commission's prudence review.

17 **Q. What is the third threshold question?**

18 A. The third threshold issue is whether the Company correctly calculated the value of  
19 the lost Hunter output. When examining this question, it is useful to review the  
20 relationship between the Company's load and resources: system (native) load, generation,

1 total purchases and sales for resale.

2 Exhibit RJB-3 contains a table that shows the MWhs generated, sold and  
3 purchased by PacifiCorp in the period January 1999 to July 2002. Following the table are  
4 two charts. The first chart compares native load and generation; the second chart allows  
5 a visual comparison of system load, generation, purchases and wholesale sales for the  
6 42-month period. For convenience, here is a reproduction of the first chart:



7 By inspection, one can see that the Company's own generation (thermal plants  
8 and hydroelectric resources) matches or exceeds the system load for nearly all of the  
9 period before the Hunter outage. However, during the outage period of November 2000  
10 to May 2001, the generation resources consistently fell short of the demand of native

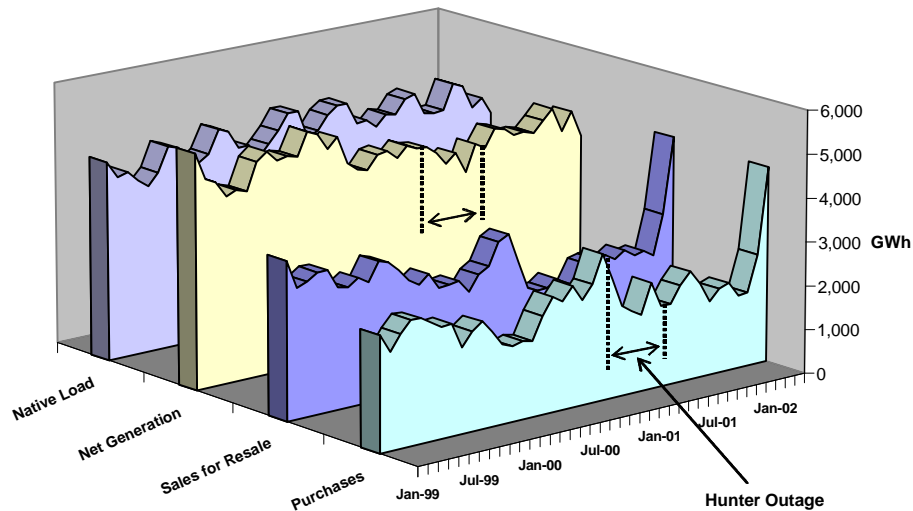
1 load. This is consistent with the loss of the Hunter output and poor hydro conditions.  
2 The gap between generation and system load is sometimes larger than the Hunter output  
3 would have been during this period, so it is logical that the Company would have had to  
4 purchase additional power in the range of lost the Hunter output in addition to its other  
5 purchases to meet its load requirements *unless the Company was able to adjust its other*  
6 *purchase and wholesale obligations.*

7 It is important to note that these load and generation data are aggregated into  
8 monthly MWh totals. In actual fact the relationship between native load and generation  
9 is more complex and a full analysis requires hourly comparisons. Later in my testimony I  
10 discuss how this added complexity should affect the calculation of the eligible Hunter-  
11 related losses.

12 **Q. What was the status of wholesale sales and power purchases during this same**  
13 **time period?**

14 A. Exhibit RJB-3, page 3 of 3 shows graphically the level of purchases and  
15 wholesale sales during the 1999-2002 time frames, in addition to system sales and  
16 generation. For convenience, the chart is reproduced below (although the larger version  
17 in the exhibit may be easier to examine).

## PacifiCorp Loads and Resources 1999-2002



1           The *Native Load* portion of the graph shows the regular, relatively predictable  
2   pattern of the Company's system load. Owing to the diversity of nearly equal winter and  
3   summer peaks, PacifiCorp's system load has a relatively high annual load factor of 93%,  
4   computed using average monthly demands. Referring to the *Net Generation* portion of  
5   the chart, we can observe the decline in generation during the period November 2000 to  
6   May 2002 as observed in the previous chart. The *Sales for Resale* graph shows  
7   PacifiCorp's wholesale sales comprise a large and relatively more volatile fraction of  
8   total MWh sales. Finally, the *Purchases* graph shows the relatively large dependence on  
9   purchased power during the period (averaging 55% of the size of generation resources or  
10  35% of total resources). The graph also demonstrates that purchases and wholesale sales

1 are closely coordinated.

2 **Q. What are the implications for the correct regulatory treatment of the**  
3 **Hunter-related costs?**

4 A. First, I repeat a caveat. There are serious questions about the prudence of the  
5 Company's management of the Hunter plant. The Commission should permit recovery  
6 only if, and to the extent that, PacifiCorp acted prudently.

7 Second, the Commission should permit recovery of the associated purchase power  
8 costs in this portion of the case only to the extent that the purchases were necessary to  
9 serve native load. As shown on the monthly load and resource graphs above, *on average*  
10 the full output of the plant would have been needed to serve native load for the five  
11 month period. However, an hourly comparison of native load and generation would  
12 likely show that this level of purchases of 364 MWh per hour (403 MW @ 90.295%  
13 equivalent availability) was not needed to serve native load in some hours. The  
14 replacement power costs in any hour should be the lesser of 364 MWh or the shortfall  
15 between system load and system resources.

16 Of course, this may mean that some of the costs of power actually purchased to  
17 replace the lost Hunter output are excluded from this portion of the Company's case.  
18 Any such uncaptured net power costs should be relegated to the other portion of this net  
19 power case. It is necessary to make this distinction because the Hunter outage costs that  
20 are unrelated to the requirements of native load should be considered in the context of the

1 Company's wholesale sales. It is possible that different standards will be applied to the  
2 portion of the Hunter replacement costs required to serve native load versus those that are  
3 included in the pool of purchase that serve the wholesale load and proposed to be  
4 recouped under the accounting order.

5 Because of data and resource limitations, AARP has not calculated this hourly  
6 purchased power requirement. However, it is a straightforward calculation that can be  
7 made by the Company, based on hourly load and resource data. Later in this testimony, I  
8 will show how this calculation should be factored into the computation of the Hunter-  
9 related costs that are appropriate for recovery. For purposes of that illustration, I will  
10 assume that 10% of the Hunter-related purchases are removed from this portion of the  
11 case and relegated to the other portion of the case.

12 **Q. Please turn to the additional policy questions that the Commission should**  
13 **consider. Why should the Commission be concerned about the effects of this**  
14 **decision on the incentives faced by the Company?**

15 A. It is often said that utility regulation continuously provides incentives that shape  
16 the behavior of regulated companies and their customers. In many ways, regulation may  
17 have its greatest effect through the incentives it creates. It is important in this case to  
18 consider some of the signals that will emanate from the Commission if it approves  
19 PacifiCorp's request.

20 The Commission is undoubtedly aware of the major debates that have played out

1 over the years about the incentives that regulation provides. These range from the  
2 academic and formal (the Averch-Johnson effect: *rate regulated companies have an*  
3 *inefficiently high ratio of capital to labor*) to the common-sense (*price cap regulation can*  
4 *induce companies to reduce quality of service*) to the near-political (*electric utilities have*  
5 *a bias against conservation or TELRIC pricing depresses broadband investment*).

6 For better or worse, the presence of regulation in a market shapes the behavior of  
7 the market participants. While regulators might want to limit their role to being a  
8 substitute for competition that is missing in parts of certain industries, it is rarely possible  
9 to limit regulation's effects that way. The question is usually not how to eliminate stray  
10 incentives in decisions but, instead, which ones to accept.

11 PacifiCorp has operated in Wyoming without a fuel cost adjustment mechanism  
12 for many years. As I will discuss more fully in other testimony filed in this case, such an  
13 arrangement presents a desirable risk/reward proposition for consumers and for the  
14 Company. Defeating this incentive by permitting recovery of past changes in fuel and  
15 purchase power costs lessens the effectiveness of this aspect of cost of service regulation.  
16 This is especially true if the Commission sends the signal that it is willing to modify the  
17 rule whenever a utility experiences higher costs, whatever their origin. For consumers,  
18 this is a true heads-you-win, tails-I-lose outcome.

### III. AMORTIZATION OF HUNTER-RELATED COSTS

1 **Q. If the Commission decides that some portion of the Hunter-related excess**  
2 **power costs are prudent and should be recovered in rates, what is the appropriate**  
3 **recovery period?**

4 A. The Hunter-related excess power costs were caused by a plant outage that  
5 PacifiCorp describes as an extraordinary event. The Commission, too, should view this  
6 outage (and the associated replacement power costs) as once-in-a-plant-lifetime events.

7 These costs were incurred at one point in time so that the utility could serve its  
8 load while (re)building a long-term resource. As such, these costs are similar to the  
9 capital costs incurred at the beginning of a plant's life. Another analogy would be the  
10 allowance for funds used during construction ("AFUDC"), which costs are recovered  
11 over the life of a plant. Similarly, regulators typically spread the costs of storm damage  
12 over a suitably long period that recognizes the infrequent nature of those events. In his  
13 testimony, PacifiCorp witness Doug Larsen describes the outage as a "random event" that  
14 is "statistically inevitable". This suggests a final analogy: insurance premiums paid over  
15 a long period of time to spread the risk of a loss incurred at a single point in time. The  
16 unforeseen Hunter-related costs (to the extent they were prudently incurred) are similar to  
17 the costs in these situations and should be handled similarly.

18 PacifiCorp estimates that the Hunter plant will be in service an additional 22  
19 years, until 2025. I recommend that the Commission amortize the excess power costs

1 over this time, permitting PacifiCorp a carrying cost on the unamortized balance equal to  
2 its weighted cost of capital. This allowance of a carrying cost permits the Company to  
3 recover its cost over a longer period and remain financially indifferent to the longer  
4 recovery period.

5 If the Commission instead accepts the Company's proposal to amortize the excess  
6 power costs over only three years, the current generation of customers will bear almost  
7 the entire cost of the outage, even though the repair means that the plant will likely  
8 generate power for the next twenty-two years. This would not be fair to current  
9 ratepayers.

10 **Q. Please illustrate how you calculated the annual revenue requirement for the**  
11 **amortization.**

12 A. Exhibit RJB-4 shows an illustrative calculation of the amortization of allowed  
13 excess power costs over 22 years. The exhibit incorporates three assumptions: ii) the  
14 percentage of excess net power costs determined to be prudent; ii) the Company's cost of  
15 capital; iii) the portion of the Hunter replacement power costs unrelated to serving native  
16 load. I recommend that the Commission use this general approach to establish the  
17 amortization, recognizing that the numbers will be adjusted depending on the  
18 Commission's findings on these three issues.

19 Two other aspects of the illustrative calculation require explanation: i) the  
20 application of a 20% sharing percentage; and ii) the absence of a carrying charge for the

1 first three years of the 22-year amortization.

2 **Q. Is it appropriate to apply the sharing percentage if the Commission also**  
3 **disallows a portion of the costs as being imprudent?**

4 A. Yes. The Company has proposed to share 20% of the excess net power costs  
5 associated with the Hunter outage. My proposal retains this feature by applying the 20%  
6 sharing to the *prudent* excess net power cost associated with the Hunter outage. The  
7 same logic that applies to the Company's full request should apply to the portion of the  
8 request found to be prudent by the Commission. In other words, the sharing percentage  
9 should not be an offset or tradeoff for a prudence disallowance.

10 **Q. Why is it appropriate to exclude a carrying cost for the first three years of**  
11 **the amortization?**

12 In its application, the Company did not request a carrying cost during the three-  
13 year recovery of the Hunter-related costs. While it may be appropriate to include  
14 carrying costs for the 22-year amortization in my proposal, it is not necessary to award  
15 the Company more than it asked for. Therefore, my proposal compensates the Company  
16 for the amortization beyond the three year period it sought, but does not include carrying  
17 costs for the first three years. Mathematically, the net present value of the two  
18 approaches (using cost of capital as the discount rate) is the same.

19 **Q. What is the effect of the amortization schedule you are recommending?**

20 A. The Company is seeking recovery of \$10.25 million each year for three years.

1 Amortizing the same amount over twenty-two years reduces the annual revenue  
2 requirement to \$2.66 million. If the Commission disallows costs as being imprudent, this  
3 number will be reduced accordingly. Finally, the Hunter-related annual revenue  
4 requirement will be reduced further if the Commission accepts my recommendation to  
5 move the replacement power costs unrelated to serving native load to the other portion of  
6 the case. Exhibit RJB-4 illustrates the outcome if the Commission disallows 50% of the  
7 power costs for imprudence and finds that 10% are not related to native load  
8 requirements. Under these two assumptions, and using a 22-year amortization, the  
9 annual revenue requirement is reduced from \$10.25 million to \$1.20 million, as shown in  
10 the exhibit.

#### IV. RECOMMENDATIONS

11 **Q. Mr. Binz, please summarize your recommendations for the Commission.**

12 A. PacifiCorp is seeking a very large increase in its rates in this case. With respect to  
13 the power purchased caused by the Hunter outage, the Commission must hold PacifiCorp  
14 to three threshold showings: i) that the Commission's deferred accounting order covers  
15 the Hunter costs; ii) that the Company acted prudently in managing the plant and  
16 handling the outage; and iii) that the full amount of the purchased power costs are  
17 correctly attributed to the outage. The burden is on PacifiCorp to show these hurdles  
18 have been met.

19 The Commission has substantial discretion in how it decides this case. If it finds that the

1 Company acted imprudently, it should disallow all or a portion of the replacement power  
2 costs. The amount of the disallowance should be driven by several considerations. These  
3 include the implications of the Commission decision on incentives facing PacifiCorp; the  
4 right of consumers to demand prudent behavior and the impact of a disallowance on the  
5 Company's ability to serve its customers in the future.

6 If the Commission determines that some of the Hunter-related costs were  
7 prudently incurred, two other steps should be taken. First, the recovery should be limited  
8 to those purchases that were actually needed to serve the Company's native load.  
9 (Purchases not needed to serve native load should be considered in the other portion of  
10 this case.) Second, the Commission should adopt an amortization of costs over the  
11 remaining life of the Hunter plant in the fashion recommended in this testimony.

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

13 A. Yes.

**Ronald J. Binz**  
**333 Eudora Street**  
**Denver, Colorado 80220**  
**303-355-7528 (H) 303-393-1556 (O)**

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Employment History

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**1995-present President, Public Policy Consulting**

Public policy consultant, specializing in energy and telecommunications issues. Assignments include strategic counsel to clients and research and testimony before regulatory and legislative bodies. Since 1995, a wide range of clients has included: consumer advocate offices, rural electric utilities, senior citizen advocacy groups, industrial electric users, homebuilders, telecommunications resellers, an incumbent local exchange company, low-income advocacy organizations, and municipal utilities.

**1996-present President and Policy Director, Competition Policy Institute**

Competition Policy Institute is an independent non-profit organization that advocates state and federal policies to bring competition to energy and telecommunications markets in ways that benefit consumers. Duties include: determining the organization's policy position on a wide range of telecommunications and energy issues; conducting research, producing policy papers, presenting testimony in regulatory and legislative forums, hosting educational symposia for state regulators and state legislators.

**.1984-1995 Director, Colorado Office of Consumer Counsel**

Director of Colorado's first state-funded utility consumer advocate office. By statute, the OCC represents residential, small business and agricultural utility consumers before state and federal regulatory agencies. The office has been a party to more than two hundred legal cases before the Colorado Public Utilities Commission, the Federal Communications Commission, the Federal Energy Regulatory Commission and the courts. Annual office budget is \$1 million.

Managed a staff of eleven, including attorneys, economists, and rate analysts who conduct economic, financial and engineering research in public utility matters.

Testified as an expert witness on subjects of utility rates and regulation. Negotiated rate settlement agreements with utility companies. Regularly testified before the Colorado general assembly and spoke to professional business and consumer organizations on utility rate matters. Consulted with advisory board of consumer leaders from around the state.

Leadership role in National Association of State Utility Consumer Advocates. Member of high-level advisory boards to Federal Communications Commission (Network Reliability Council) and Environmental Protection Agency (Acid Rain Advisory Council). Frequent witness before congressional committees and invited speaker before national industry and regulatory forums.

**1977-1984 Consulting Utility Rate Analyst**

Represented clients in public utility rate cases and testified as an expert witness in more than twenty utility cases before regulatory commissions in Utah, Wyoming, Colorado and South Dakota. Clients included state and local governments, low income advocacy groups, irrigation farmers and consumer groups. Testimony spanned topics of telephone rate design, electric cost-of-service studies, avoided cost valuation of nuclear generation, electric rate design for irrigation customers and municipal water rate design.

**1975-1984 Instructor in Mathematics**

Taught mathematics at the University of Colorado, Denver and Boulder campuses. Nominated three times for outstanding part-time faculty member.

**1971-1974 Manager, Blue Cross and Blue Shield**

Managed major medical claims processing department. Responsibilities included budgets, hiring, training, managing supervisors, and coordinating with medical peer review committee.

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Other Business Interests

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**1994-present Managing Partner, Trail Ridge Winery**

Partner and Secretary/Treasurer of Trail Ridge Winery. Trail Ridge is a Colorado winery located in Loveland, Colorado, producing a variety of wines from Colorado-grown grapes. Duties include service on board of directors; duties of corporate secretary/treasurer; development of business plans; legislative, regulatory and other external affairs; assistance in winery operations and tasting room; assistance in public relations and marketing.

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Education

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M.A. (Mathematics) 1977. University of Colorado. Course requirements met for Ph.D.

Graduate courses toward M.A. in Economics 1981-1984. University of Colorado. Twenty-seven hours including Economics of Regulated Industries, Natural Resource Economics, Econometrics.

Advanced Course in Utility Regulation 1986. National Association of Regulatory Utility

Commissioners.

B.A. with Honors (Philosophy) 1971. St. Louis University.

Diploma 1967. Catholic High School, Little Rock, Arkansas.

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### Professional Associations and Activities

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Colorado Legislative Task Force on Information Policy, Gubernatorial Appointee 2000-2001

National Association of State Utility Consumer Advocates  
President 1991-1992, Vice-President 1990, Treasurer 1987-1989  
Chair, Telecommunications Committee 1992-1995

Network Reliability Council to the Federal Communications Commission

North American Numbering Council to Federal Communications Commission, Co-Chair

Harvard Electric Policy Group, John F. Kennedy School, Harvard University

Denver Mayor's Council on Telecommunications Policy

Exchange Carriers Standards Association Network Reliability Steering Committee

Colorado Telecommunications Working Group, Gubernatorial Appointee

Colorado Energy Assistance Foundation, Board Member, Past President

Legislative Commission on Low-Income Energy Assistance, Past President

Colorado Public Interest Research Foundation, Board Member

Colorado Common Cause, Board Member

Acid Rain Advisory Council to the Environmental Protection Agency

Outreach Committee, Western States Coordinating Council Regional Planning Committee

Total Compensation Advisory Council to the State of Colorado Department of Personnel

New Mexico State University Public Utilities Program, Faculty and Advisory Council

Aspen Institute for Humanistic Studies, Telecommunications Policy Meetings 1986-1997

Who's Who in Denver Business

Council on Economic Regulation, Past Fellow

Colorado Wine Industry Development Board, Chairman

American Vintners Association, Executive Committee, Membership Chair

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### Legislative and Congressional Testimony

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United States House of Representatives Judiciary Committee, November 1999. Testimony concerning H.R. 2533, The Fairness in Telecommunications License Transfer Act of 1999.

United States Senate Judiciary Committee; Antitrust, Business Rights and Competition Subcommittee, April 1999. Testimony concerning S.467, The Antitrust Merger Review Act.

United States Senate Commerce Committee, Telecommunications Subcommittee, May 1998. Testimony in oversight hearings concerning the performance of the Common Carrier Bureau of the Federal Communications Commission.

United States Senate Judiciary Committee, Washington, D.C., September 1996. Presented testimony on behalf of the Competition Policy Institute on the competitive impact of proposed mergers of Regional Bell Operating Companies.

United States House of Representatives Subcommittee on Telecommunications and Finance of the Committee on Commerce, May 1995. Testimony presenting NASUCA's position on H.R. 1555 by Representative Fields.

United States Senate Subcommittee on Antitrust, Washington, D.C., September 1994. Testimony presenting NASUCA's position on S. 1822 by Senator Hollings.

United States House of Representatives Subcommittee on Telecommunications and Finance of the House Energy and Commerce Committee, Washington, D.C., February 1994. Presented testimony on H.R. 3636.

United States House of Representatives Subcommittee on Economics and Commercial Law, Washington, D.C., October 1992. Supplemental testimony presenting NASUCA's position on legislation concerning the Modified Final Judgment introduced by Representative Brooks.

United States House of Representatives Subcommittee on Telecommunications and Finance, Washington, D.C., October 1991. Testimony on RBOC entry into telecommunications manufacturing and information services.

United States House of Representatives Subcommittee on Economics and Commercial Law, Washington, D.C., August 1991. Testimony presenting NASUCA's position on possible federal

legislation concerning the Modified Final Judgment.

United States Senate Subcommittee on Energy Regulation and Conservation, Denver, Colorado, April 1991. Testimony presenting NASUCA's position on federal legislation concerning regulation of the natural gas industry, introduced by Senator Wirth.

United States Senate Communications Subcommittee, Washington, D.C., February 1991. Testimony on behalf of NASUCA concerning S.173, telecommunications legislation introduced by Senator Ernest Hollings.

United States Senate Communications Subcommittee, Washington, D.C., July 1990. Testimony on behalf of NASUCA concerning S.2800, telecommunications legislation introduced by Senator Conrad Burns.

United States House of Representatives Subcommittee on Telecommunications and Finance, July 1988. Testimony on the FCC Price Cap proposal.

Georgia State Legislature Interim Committee on Natural Gas Competition. Fall 1996. Testimony on the consumer impacts of restructuring the natural gas industry in Georgia.

Iowa General Assembly, Des Moines, Iowa, November 1992. Testimony on legislation concerning incentive regulation.

American Legislative Exchange Council, November 1999. "The Changing Role of Public Utilities Commissions"

American Legislative Exchange Council concerning Rights-of-Way and Competition in Telecommunications, July 1998.

American Legislative Exchange Council Committee on Rights of Way. May 1998. Testimony on rights of way policies, taxation and telecommunications development.

Colorado State Senate and Colorado House of Representatives 1984-1995. Frequent witness on variety of energy and telecommunications issues.

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## Recent Regulatory Testimony and Presentations

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Since 1977, Mr. Binz has participated in more than 150 regulatory proceedings before the Federal Energy Regulatory Commission, the Federal Communications Commission, State and Federal District Courts, the 8<sup>th</sup> Circuit and D.C. Circuit Courts of Appeal, the U.S. Supreme Court and state regulatory commissions in California, Colorado, Georgia, Maine, New York, South Dakota, Texas, Utah, and Wyoming. He has filed testimony in approximately fifty proceedings before these bodies.

His testimony and comments have addressed a wide variety of technical and policy issues in telecommunications, electricity, natural gas and water regulation. Following is a sample of recent testimony and presentations before regulatory bodies.

### **Testimony**

Before the Colorado Public Utilities Commission.. Comments on behalf of the Colorado Energy Assistance Foundation. Docket No. 02R-196G. In the Matter of the Proposed Repeal and Reenactment of the Rules Regulating Gas Utilities. (November 2002)

Before the Colorado Public Utilities Commission.. Testimony on behalf of Colorado Energy Assistance Foundation and Catholic Charities of the Archdiocese of Denver. Docket No. 02A-158E. In the Matter of the Application of Public Service Company of Colorado for an Order to Revise its Incentive Cost Adjustment. (April 2002)

Before the Idaho Public Utilities Commission. Testimony on behalf of Astaris, in the matter of Case No. IPC-E-01-43 concerning the buy back rates under an electric load reduction program. (January 2002)

Before the Colorado Public Utilities Commission. Testimony in matter of the investigation of Advice Letters 579 and 581 of Xcel Energy on behalf of Homebuilders Association of Denver. Dockets 01S-365G and 01S-404G. (January 2002)

Before the Colorado Public Utilities Commission. Testimony in the formal complaint case of the Homebuilders Association of Metropolitan Denver against Public Service Company. Docket 01F-071G. (August 24, 2001)

Before the Colorado Public Utilities Commission. Testimony in the matter of the investigation and suspension of Advice Letter No. 566 of Xcel Energy on behalf of the Homebuilders Association of Metropolitan Denver. Docket No. 00S-422G. (November 2000)

Before the American Arbitration Association. In the Matter of Univance Telecommunications, Inc. v. Venture Group Enterprises, Inc. Arbitration No. 77 Y 147 00099 00 (November 2000)

Testimony of Ronald Binz at FCC Public Forum on SBC/Ameritech merger (May 6, 1999)

Docket No. 97-106-TC -- Testimony of Ron Binz before New Mexico State Corporation Commission on Investigation Concerning USWest's Compliance with Section 271(c) of the Telecommunications Act (July 27, 1998)

Before the Colorado Public Utilities Commission. Testimony Concerning the Investigation of Telephone Numbering Policies. (March 26, 1998)

Docket No. 6717-U — Testimony before the Georgia Public Service Commission Concerning the Service Provider Selection Plan of Atlanta Gas Company. (January 10, 1997)

Case 96-C-0603 and Case 96-C-0599--Testimony of Ronald J. Binz on behalf of CPI before the New York State Public Service Commission concerning the Bell Atlantic/NYNEX Merger (November 25, 1996)

Docket No. 96-388 - Direct Testimony of Ronald J. Binz, CPI, On Behalf of the Office of the Public Advocate (October 15, 1996) State of Maine, Public Utilities Commission Joint Petition of New England Telephone and Telegraph Company and NYNEX Corporation for Approval of the Proposed Merger of a Wholly-Owned Subsidiary of Bell Atlantic Corporation into NYNEX Corporation.

Application No. 96-04-038 - Direct Testimony of Ronald J. Binz, CPI, On Behalf of Intervener, Utility Consumers Action Network (September 30, 1996) Before the Public Utilities Commission of the State of California. In the Matter of the Joint Application of Pacific Telesis Group (Telesis) and SBC Communications (SBC) for SBC to Control Pacific Bell (U 1001 C), Which Will Occur Indirectly as a Result of Telesis' Merger With a Wholly Owned Subsidiary of SBC, SBC Communications (NV) Inc.

Presentation to Federal-State Joint Board on Universal Service (April 12, 1996)

Testimony before the Texas Public Utility Commission on the Integrated Resource Planning Rule (March, 1996)

### **Presentations**

"Section 271: Is it a '10' for Consumers?" Presentation to the National Association of State Utility Consumer Advocates. Chicago, Illinois. November 2002

"CLEC Market Share--What do the Numbers Say?" Presentation to the Regional Oversight Committee of Qwest state regulators. Santa Fe, New Mexico. April 2002

"Public Utility Regulation and Low Income Issues," Presentation of Ron Binz before the Colorado Public Utilities Commission on behalf of the Colorado Energy Assistance Foundation, December 5, 2001.

"Some Natural Gas Issues," Presentation by Ron Binz for the Western Conference of Public Service Commissioners, June 14, 2000.

"Consumer Issues in Natural Gas Unbundling" -- Presentation of Ron Binz before the National Association of Regulatory Utility Commissioners (November 9, 1999)

Ron Binz Presentation to the 25th Annual Rate Symposium on Competition for small customers in natural gas markets (April 27, 1999)

"Best Practices in Telecommunications Regulation"; Presentation before NARUC Communications Committee and National Regulatory Research Institute at NARUC Winter Meeting (February 1999)

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Comments before the Federal Communications Commission

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On behalf of the Competition Policy Institute, Mr. Binz has written (or supervised the preparation of) numerous sets of comments on matters pending before the Federal Communications Commission.

**2000**

Reply Comments (July 10, 2000)

CC Docket No. 98-147 Deployment of Wireline Services Offering Advanced Telecommunications Capability

CC Docket No. 96-98 Implementation of the Local Competition Provisions of the Telecommunications Act of 1996

CC Docket No. 98-141 Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Ameritech Corporation, Transferor to SBC Communications Inc., Transferee

NSD-L-00-48 Common Carrier Bureau and Office of Engineering and Technology Announce Public Forum on Competitive Access to Next-Generation Remote Terminals

Comments (June 23, 2000)

CC Docket No. 98-147 Deployment of Wireline Services Offering Advanced Telecommunications Capability

CC Docket No. 96-98 Implementation of the Local Competition Provisions of the Telecommunications Act of 1996

CC Docket No. 98-141 Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Ameritech Corporation, Transferor to SBC Communications Inc., Transferee

NSD-L-00-48 Common Carrier Bureau and Office of Engineering and Technology Announce Public Forum on Competitive Access to Next-Generation Remote Terminals

CC Docket 00-65 Comments in the Matter of the Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Texas Second Application by SBC Communications For Authorization to Provide In-Region InterLATA Services in Texas (May 19, 2000)

CC Docket No. 98-184 Further Comments in the Matter of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer of Control (May 5, 2000)

CC Docket 00-65 Comments in the Matter of the Application by SBC Communications Inc.,

Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Texas Second Application by SBC Communications For Authorization to Provide In-Region InterLATA Services in Texas (April 26, 2000)

Reply Comments of the Competition Policy Institute On the Revised CALLS Proposal (In the Matter of Access Charge Reform, CC Docket No. 96-262 Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1 Low Volume Long Distance Users, CC Docket No.99-249 Federal-State Joint Board on Universal Service, CC Docket No. 96-45) (April 17, 2000)

CC Docket 98-146 Reply Comments of the Competition Policy Institute In the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable And Timely Fashion, and Possible Steps To Accelerate Such Deployment Pursuant To Section 706 of the Telecommunications Act of 1996 (April 4, 2000)

Comments of the Competition Policy Institute On the Revised CALLS Proposal (In the Matter of Access Charge Reform, CC Docket No. 96-262 Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1 Low Volume Long Distance Users, CC Docket No.99-249 Federal-State Joint Board on Universal Service, CC Docket No. 96-45) (April 3, 2000)

DA 00-633 Comments in the Matter of Streamlining FCC Review of Applications Relating to Mergers (March 28, 2000)

CC Docket 00-4 Reply Comments in the Matter of Application by SBC Communications Inc., Southwestern Bell Telephone Company, and southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Texas (February 22, 2000)

CC Docket No. 98-184 Reply Comments in the Matter of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer of Control (February 22, 2000)

CC Docket No. 92-297 Reply Comments on Rulemaking to Amend Parts 1, 2, 21 and 25 of the Commission's Rules to Redesignate the 27.5-29.5 GHz Frequency Band, to Reallocate the 29.5-30.0 GHz Frequency Band, to Establish Rules and Policies for Local Multipoint Distribution Service and for Fixed Satellite Services (February 11, 2000)

## **1999**

CC Docket No. 99-301, Reply Comments on the FCC's Local Competition and Broadband Reporting NPRM (December 20, 1999)

CC Dockets No. 99-249, 96-262, 96-45 and 94-1, Reply Comments on the CALLS Petition (December 3, 1999)

CC Dockets No. 99-249, 96-262, 96-45 and 94-1, Comments on the CALLS Petition (November 12, 1999)

CC Docket No. 99-295, Reply Comments on the Bell Atlantic New York 271 Application (November 8, 1999)

CC Docket No. 99-295, Comments on the Bell Atlantic New York 271 Application (October 19, 1999)

CC Docket No. 99-207, Calling Party Pays; Comments (September 17, 1999)

WT Docket No. 99-217, Comments on Promotion of Competitive Networks in Local Telecommunications Markets ("Building Access")(August 27, 1999)

CC Docket Nos. 96-98, 95-185; Reply Comments on Second Further Notice of Proposed Rulemaking (June 10, 1999)

CC Docket Nos. 96-98, 95-185; Comments on Second Further Notice of Proposed Rulemaking (May 26, 1999)

CC Docket No. 94-129; Reply Comments on MCI Worldcom, et al.'s Joint Petition for Waiver and Joint Petition for Extension of Effective Date of Rules or, in the Alternative, for a Stay (April 26, 1999)

CC Docket No. 94-129; Comments on Joint Petition of MCI Worldcom, et al. for Waiver and Joint Petition for Extension of Effective Date of Rules or, in the Alternative, for a Stay (April 16, 1999)

RM-9474 -- Comments on Requested Amendment of the Commission's Rules Concerning the Development of a National Framework to Detect and Deter Backsliding to Ensure Continued Bell Operating Company Compliance with Section 271 of the Communications Act Once InterLATA Relief is Obtained (March 8, 1999)

## **1998**

CC Dockets 98-184 -- Reply Comments on the Proposed Merger of GTE and Bell Atlantic (December 23, 1998)

CC Dockets 98-141 -- Reply Comments on Applications of SBC Communications, Inc. and Ameritech Corp. for Consent to Transfer Control Licenses (November 16, 1998)

CC Dockets 96-265, 94-1, 97-250, RM 9210 -- Comments in Response to Public Notice FCC 98-252 (October 26, 1998) Petition for Rulemaking by Consumer Federation of America et al.

CC Docket No. 98-147 -- Comments on Deployment of Wireline Services Offering Advanced Telecommunications Capability (September 25, 1998)

CC Docket No. 98-84 -- Comments on Petition for Preemption of NE PSC Decision Permitting Withdrawal of Centrex Plus Service by USWest Communications, Inc. (September 24, 1998)

CCBPOL Docket No 98-4 -- Reply Comments on the Petition for Declaratory Rulings on the Realistic Choice Standard for Implementing the Public Interest Test in Section 271 of the Communications Act of 1934 -- Joint filing by CPI, AARP, IA Department of Consumer Advocate, ME Office of Public Advocate, SC Department of Consumer Affairs and UCAN. (September 16, 1998)

Docket No. 98-121 -- Comments on the Second Application by BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance Inc. for Provision of In-Region, InterLATA Services in Louisiana (August 4, 1998)

Docket No. 98-84 -- Reply Comments on the McLeodUSA Petition for Preemption (July 27, 1998)

Petition for Declaratory Rulings on the Realistic Choice Standard for Implementing the Public Interest Test in Section 271 of the Communications Act of 1934 -- Joint filing by CPI, AARP, IA Department of Consumer Advocate, ME Office of Public Advocate, SC Department of Consumer Affairs and UCAN. (July 20, 1998)

CC Docket Nos. 96-45, 97-160, DA 98-715 -- Reply Comments on Proposals to revise the Methodology for Determining Universal Service Support (May 29, 1998)

CC Docket Nos. 96-45, 97-160, DA 98-715 -- Comments on Proposals to revise the Methodology for Determining Universal Service Support (May 15, 1998)

CC Docket No. 98-1 -- Reply Comments of the USTA, OPASTCo, WRTA and CPI (April 9, 1998)

CC Docket Nos. 98-26, 98-32, 98-11 -- Comments in the Matter of Petitions of Ameritech Corp., USWest Communications, Inc., and Bell Atlantic Corporation for Relief from Barriers to Deployment of Advanced Telecommunications Services (April 6, 1998)

CC Docket No. 98-5 -- Comments in the Matter of Petition of LCI Telecom Corp. for Declaratory

Rulings (March 23, 1998)

Case 97-C-0271 -- Comments on the Draft Pre-Filing of Bell Atlantic Pursuant to Section 271 of the Telecommunications Act of 1996 (March 23, 1998)

CC Docket No. 96-262, 94-1, 91-213, 95-72 -- Comments in Support of the Petition for Rulemaking of CFA, ICA & NRF (January 30, 1998)

**1997**

CCBPol 96-13, 14, 16 & 19 -- Reply Comments on SWBT's Petition for Partial Reconsideration (December 23, 1997)

CCBPol 96-13, 14, 16 & 19 -- Opposition to SWBT's Petition for Partial Reconsideration (December 8, 1997)

CCBPol 96-13, 14, 16 & 19 -- Ex Parte Response to SWBT's November 26 Ex Parte Submission concerning Centrex Resale (December 3, 1997)

CC Docket 97-231 -- Comments on BellSouth Provision of In-Region, InterLATA Services in Louisiana (November 25, 1997)

CCBPol 96-13, 14, 16 & 19 -- Ex Parte Response to SWBT's November 19 Ex Parte Submission concerning Centrex Resale (November 21, 1997)

CC Docket 97-208 -- Reply Comments on Application by BellSouth for Provision of the In-Region, InterLATA Services in South Carolina (November 14, 1997)

CC Docket 97-137 -- Comments on the Petitions for Reconsideration and Clarification of BellSouth and USWest (October 9, 1997)

CC Docket 96-128 -- Ex Parte Communication: Remand issues in the Payphone proceeding (October 6, 1997)

CC Docket 96-128; 97-1673 -- Reply comments on Remand Issues in the payphone Proceeding (September 9, 1997)

CC Docket 96-3321 and consolidated cases -- Joint petition for Rehearing with ALTS, WinStar, NCTA, Nextlink, ICG, and ACSI (August 29, 1997)  
In the Matter of Iowa Utilities Board v. FCC.

CC Docket No. 96-128 -- Competition Policy Institute's Comments on Remand Issues in the

Payphone Proceeding (August 26, 1997)  
In the matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996.

CC Docket No. 96-262 Competition Policy Institute's Partial Support and Partial Opposition to the Petitions for Reconsideration and Clarification (August 18, 1997)  
In the matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure & Pricing, End User Common Line Charges, and Federal-State Joint Board on Universal Service.

Competition Policy Institute's "Realistic Choice" Approach to the Public Interest Standard Concerning RBOC 271 Applications (August 4, 1997)

DA 97-1211 Reply Comments of the Competition Policy Institute. (July 30, 1997) In the matter of Petition for Expedited Rulemaking to Establish Reporting Requirements and Performance and Technical Standards for Operations Support Systems

CC Docket 97-100 Reply Comments of the Competition Policy Institute. (July 22, 1997)  
In the matter of Petition for Expedited Declaratory Ruling Preempting the Arkansas Telecommunications Regulatory Reform Act of 1997 pursuant to Sections 251, 252, and 253 of the Communications Act of 1934, as amended

DA 97-1211 Comments of the Competition Policy Institute. (July 10, 1997)  
In the matter of Petition for Expedited Rulemaking To Establish Reporting Requirements and Performance and Technical Standards for Operations Support Systems

CC Docket 97-137 Reply Comments of the Competition Policy Institute. (July 8, 1997)  
In the Matter of Application by Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934 to Provide In-Region, InterLATA Services in Michigan

CC Docket 97-100 Comments of the Competition Policy Institute. (July 7, 1997)  
In the Matter of Petition for Expedited Declaratory Ruling Preempting Arkansas Telecommunications Regulatory Reform Act of 1997 pursuant to Sections 251, 252 and 253 of the Communications Act of 1934, as amended

CC Docket 97-137 Comments of the Competition Policy Institute. (June 10, 1997)  
In the matter of Application by Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934 to Provide In-Region, InterLATA Services in Michigan

NSD L-97-6 Opposition of the CPI and the Minnesota Department of Public Service on the Application for Review of the Arizona Corporation Commission (June 5, 1997) In the Matter of Petition for Declaratory Ruling Regarding USWest's Petitions to Consolidate LATAs in Minnesota

and Arizona

NSD L-97-6 Comments of the Competition Policy Institute and the Minnesota Department of Public Service on the Petition for Reconsideration of Clarification of USWest Communications, Inc. (June 4, 1997) In the Matter of Petition for Declaratory Ruling Regarding USWest's Petitions to Consolidate LATAs in Minnesota and Arizona

CC Docket No. 97-121 - Reply Comments of the Competition Policy Institute on the Application of SBC Communications to Provide InterLATA Service in Oklahoma (May 27, 1997)

CC Dockets No.97-121 - Comments of the Competition Policy Institute on the Application of SBC Communications to Provide InterLATA Service in Oklahoma (May 1, 1997)

CC Dockets No.97-121 - Comments of the Competition Policy Institute on the Motion to Dismiss and Request for Sanctions (April 28, 1997)

CC Dockets No.96-45 and 96-262-- Ex Parte Communication Concerning Access Charge Reform and Universal Service Funding (April 18, 1997)

CC Docket No. 96-254 - Reply Comments of the Competition Policy Institute (March 26, 1997) In the Matter of Implementation of Section 273 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996

DA 97-480/NSD-L-97-6 Reply Comments of the Competition Policy Institute and the Minnesota Department of Public Service (March 24, 1997) In the Matter of Petition for Declaratory Ruling Regarding US West's Petitions to Consolidate LATAs in Minnesota and Arizona

CC Docket No. 96-115 - Further Comments of the Competition Policy Institute (March 17, 1997) In the Matter of the Implementation of the Telecommunications Act of 1996: Telecommunications Carriers' Use of Customer Proprietary Network Information and Other Customer Information Pursuant to Public Notice DA 97-385

CC Docket Nos. 96-262, 94-1, 91-213,96-263 Comments of CPI (January 29, 1997) In the Matter of Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Transport Rate Structure and Pricing; Usage of the Public Switched Network by Information Service and Internet Providers

CC Docket No. 96-45--Reply Comments of CPI on the Recommended Decision (January 10, 1997) In the Matter of the Federal-State Joint Board on Universal Service Public Notice DA 96-1891

**1996**

CC Docket No. 96-45--Comments of CPI on the Recommended Decision (December 19, 1996)  
In the Matter of the Federal-State Joint Board on Universal Service Public Notice DA 96 1891

GN Docket No. 96-228--Comments of CPI (December 4, 1996) Amendment of the Commission's  
Rules to Establish Part 27, the Wireless Communications Service ("WCS")

Tracking No. 960221 - Petition to Impose Conditions (September 23, 1996) Applications of Bell  
Atlantic Corporation and NYNEX Corporation for Consent to  
Transfer Control of Certain Licenses and Authorizations

Case No. 96-3321 RTC-31 — Briefing Report and Motion Concerning the Petitions for Review filed  
by Incumbent Local Exchange Carriers and State Regulatory Bodies (September 18, 1996)

CC Docket 92-297 - Reply Comments (August 22, 1996)  
Rulemaking to Amend Parts 1,2,21, and 25 of the Commission's Rules to Redesignate the 27.5-29.5  
GHz Frequency Band, to Reallocate the 29.5-30.0 GHz Frequency Band, to Establish Rules and  
Policies for Local Multipoint Distribution Service for Fixed Satellite Services

CC Docket No. 92-297 - Comments (August 12, 1996)  
Rulemaking to Amend Parts 1,2,21, and 25 of the Commission's Rules to Redesignate the 27.5-29.5  
GHz Frequency Band, to Reallocate the 29.5-30.0 GHz Frequency Band, to Establish Rules and  
Policies for Local Multipoint Distribution Service for Fixed Satellite Services

CCBPol No. 96-14 - Reply Comments (July 18, 1996)  
Petitions Concerning the Texas Public Utility Regulatory Act of 1995

CCBPol No. 96-14 - Comments (July 3, 1996)  
Petitions Concerning the Texas Public Utility Regulatory Act of 1995

CC Docket No. 96-98 - Reply Comments (May 30, 1996) Telecommunications Carriers' Use of  
Customer Proprietary Network Information and Other Customer Information. Implementation of  
the Local Competition Provision in the Telecommunications Act of 1996

Petition for Preemption Under Section 253 of Certain Certification and Resale Provisions In Effect  
in the State of Texas (May 20, 1996)

CC Docket No. 96-98 - Comments (May 16, 1996)  
Implementation of the Local Competition Provision in the Telecommunications Act of 1996

CC Docket No. 96-45 - Reply Comments (May 7, 1996)  
Federal-State Joint Board on Universal Service

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Publications

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Mr. Binz is the co-author of two major reports on electric industry restructuring:

***Navigating a Course to Competition: A Consumer Perspective on Electric Restructuring***

and

***Addressing Market Power: The Next Step in Electric Restructuring.***

In the telecommunications area, Mr. Binz recently completed a major discussion paper entitled ***Qwest, Consumers and Long Distance Entry: A Discussion Paper.***

These publications are available at the Public Policy Consulting website: [www.rbinz.com](http://www.rbinz.com).

**Poverty Status in Wyoming – Persons**

Age Category	Below 100% of Poverty		Above 100% of Poverty		Total Population	
0-17	20,201	15.3%	111,636	84.7%	131,837	100%
18-64	30,313	10.2%	268,093	89.8%	298,406	100%
65+	4,471	7.6%	54,100	92.4%	58,571	100%
All Persons	54,984	11.2%	433,829	88.8%	488,814	100%
Age Category	Below 125% of Poverty		Above 125% of Poverty		Total Population	
0-17	27,915	21.2%	103,921	78.8%	131,837	100%
18-64	39,648	13.3%	258,757	86.7%	298,406	100%
65+	8,759	15.0%	49,812	85.0%	58,571	100%
All Persons	76,323	15.6%	412,491	84.4%	488,814	100%
Age Category	Below 135% of Poverty		Above 135% of Poverty		Total Population	
0-17	31,734	24.1%	100,103	75.9%	131,837	100%
18-64	46,364	15.5%	252,042	84.5%	298,406	100%
65+	10,200	17.4%	48,371	82.6%	58,571	100%
All Persons	88,298	18.1%	400,515	81.9%	488,814	100%
Age Category	Below 150% of Poverty		Above 150% of Poverty		Total Population	
0-17	38,276	29.0%	93,560	71.0%	131,837	100%
18-64	56,314	18.9%	242,091	81.1%	298,406	100%
65+	12,685	21.7%	45,886	78.3%	58,571	100%
All Persons	107,276	21.9%	381,537	78.1%	488,814	100%

Source: U.S. Department of Commerce, Bureau of the Census, Current Population Survey (CPS), March 2001  
Unit of analysis: Persons; Base: All Persons in Wyoming  
Prepared by AARP Public Policy Institute

**Poverty Status in Wyoming – Households**

Age Category	Below 100% of Poverty		Above 100% of Poverty		Total Population	
0-17			290	100%	290	100%
18-64	15,458	10.1%	137,154	89.9%	152,612	100%
65+	3,770	9.7%	35,185	90.3%	38,954	100%
All Households	19,228	10.0%	172,628	90.0%	191,856	100%
Age Category	Below 125% of Poverty		Above 125% of Poverty		Total Population	
0-17			290	100%	290	100%
18-64	20,984	13.8%	131,628	86.2%	152,612	100%
65+	6,930	17.8%	32,024	82.2%	38,954	100%
All Households	27,915	14.5%	163,941	85.5%	191,856	100%
Age Category	Below 135% of Poverty		Above 135% of Poverty		Total Population	
0-17			290	100%	290	100%
18-64	24,487	16.0%	128,125	84.0%	152,612	100%
65+	8,084	20.8%	30,870	79.2%	38,954	100%
All Households	32,572	17.0%	159,284	83.0%	191,856	100%
Age Category	Below 150% of Poverty		Above 150% of Poverty		Total Population	
0-17			290	100%	290	100%
18-64	29,617	19.4%	122,995	80.6%	152,612	100%
65+	10,264	26.3%	28,691	73.7%	38,954	100%
All Households	39,880	20.8%	151,976	79.2%	191,856	100%

Source: U.S. Department of Commerce, Bureau of the Census, Current Population Survey (CPS), March 2001  
Unit of analysis: Persons; Base: All Households in Wyoming  
Prepared by AARP Public Policy Institute

## 2002 Health and Human Services Poverty Guidelines

Size of Family Unit	Annual Income 48 Contiguous States and D.C.	Annual Income 150% of Guideline (WY LIHEAP)
1	\$8,860	\$13,290
2	11,940	17,910
3	15,020	22,530
4	18,100	27,150
5	21,180	31,770
6	24,260	36,390
7	27,340	41,010
8	30,420	45,630
For each additional person, add	\$3,080	\$4,620

**SOURCE:** *Federal Register*, Vol. 67, No. 31, February 14, 2002, pp. 6931-6933.

**Proposed Tariff Changes  
Wyoming East**

		<b>Existing</b>		<b>Proposed</b>
Res Sched 2				
Basic Charge	\$	8.00	\$	8.00
Energy Charge	\$	0.054740	\$	0.062570
Excess Power Cost rider	\$	-	\$	0.002835
Hunter rider	\$	-	\$	0.001444
Res Sched 3				
Basic Charge	\$	12.00	\$	11.00
Energy Charge				
First 800 Kwh	\$	0.054740	\$	0.062570
Add'l Kwh	\$	0.044950	\$	0.055640
Excess Power Cost	\$	-	\$	0.002835
Hunter	\$	-	\$	0.001444

**Effect on Monthly Bills**

Kwh/mo	Schedule 2	Schedule 3	Schedule 2	Schedule 3	Schedule 2	Schedule 3	Schedule 2	Schedule 3
	Existing Bills		New Bills		Pct Change		\$ Change	
0	8.00	12.00	8.00	11.00	0.0%	-8.3%	0.00	-1.00
100	13.47	17.47	14.68	17.68	9.0%	1.2%	1.21	0.21
300	24.42	28.42	28.05	31.05	14.9%	9.3%	3.63	2.63
500	35.37	39.37	41.42	44.42	17.1%	12.8%	6.05	5.05
739	48.46	52.46	57.41	60.41	18.5%	15.2%	8.95	7.95
1000	62.74	64.78	74.85	76.46	19.3%	18.0%	12.11	11.68
1500	90.11	87.26	108.27	106.42	20.2%	22.0%	18.16	19.17
2000	117.48	109.73	141.70	136.38	20.6%	24.3%	24.22	26.65
3000	172.22	154.68	208.55	196.30	21.1%	26.9%	36.33	41.62

PacifiCorp Monthly Native System Load, Net Generation, Purchases and Sales for Resale  
Jan 1999 -- Jul 2002

**Native System Load**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	4,548,015	4,161,010	4,233,479	3,998,303	3,812,942	4,077,610	4,633,490	4,548,222	4,019,257	4,101,033	4,266,431	4,785,154
2000	4,687,324	4,267,272	4,274,036	3,940,521	4,214,583	4,478,634	4,834,799	4,836,057	4,172,921	4,297,291	4,609,304	4,780,609
2001	4,785,775	4,278,520	4,308,523	4,107,142	4,345,880	4,289,241	4,611,328	4,691,003	4,185,094	4,148,343	4,170,918	4,747,362
2002	4,640,398	4,097,364	4,274,147	3,884,111	4,019,359	4,274,220	4,842,717					

**Net Generation**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	5,374,784	4,749,236	4,632,629	4,267,223	4,356,315	4,276,813	4,904,647	5,089,657	4,825,818	4,892,646	4,831,399	5,344,304
2000	5,234,645	4,854,984	5,079,718	4,437,305	4,242,843	4,182,668	4,491,854	4,534,526	4,325,820	4,558,027	4,446,732	4,430,565
2001	4,254,852	3,954,316	4,148,043	3,662,277	4,273,610	4,124,753	4,528,579	4,470,022	4,292,566	4,316,290	4,243,411	4,490,404
2002	4,720,779	4,135,003	4,556,481	3,950,482	4,144,676	3,724,914	4,174,982					

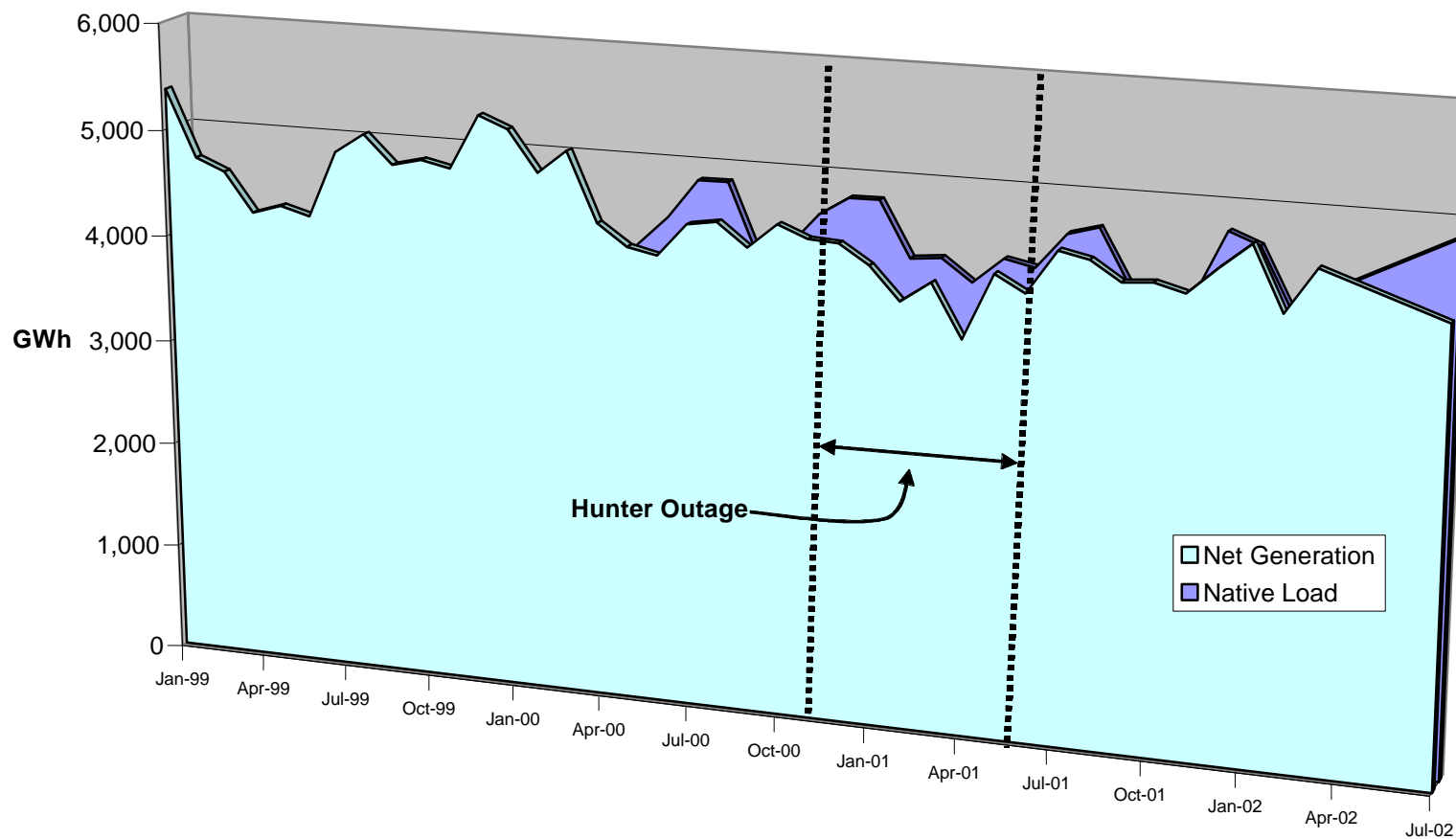
**Total Purchases**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	2,620,020	2,202,537	2,552,504	2,805,134	2,791,030	2,645,301	2,495,965	2,524,609	1,937,647	2,240,089	2,412,693	2,134,768
2000	1,802,237	1,696,918	1,768,204	1,711,720	2,228,876	2,603,380	2,450,841	2,748,107	2,374,698	2,683,350	3,320,470	2,709,428
2001	2,041,903	1,879,296	1,740,377	2,417,838	1,844,407	1,825,139	2,205,132	2,471,477	2,144,997	1,691,914	1,929,114	2,011,185
2002	1,670,478	1,682,281	2,506,411	4,466,431	5,173,186	4,362,606	3,592,510					

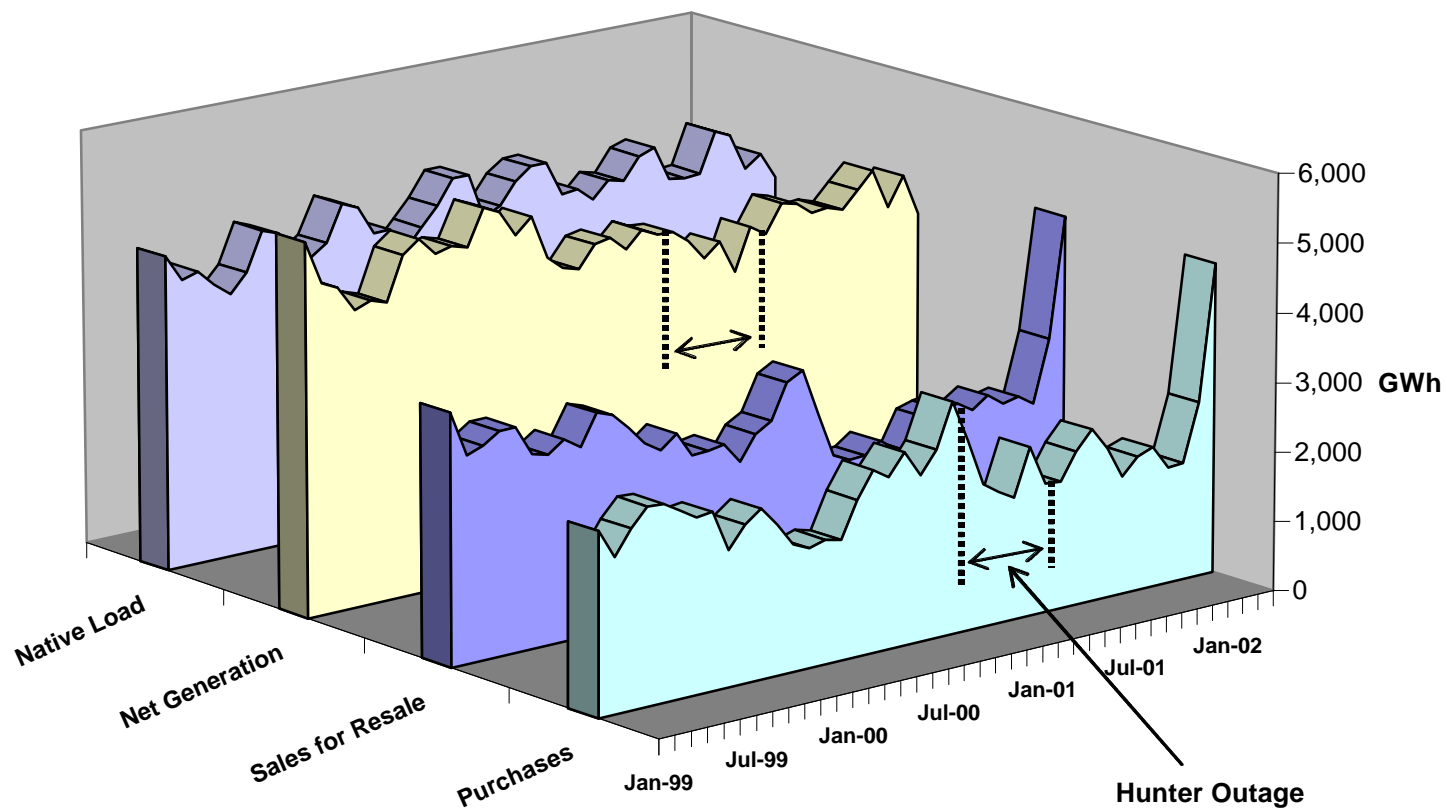
**Sales for Resale**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	3,605,730	2,950,244	3,039,137	3,199,484	3,200,752	2,766,173	2,710,962	2,878,456	2,722,693	3,154,550	3,075,580	2,841,318
2000	2,569,541	2,418,770	2,609,161	2,245,473	2,257,599	2,296,817	2,001,165	2,347,957	2,487,530	2,990,219	3,111,577	2,435,762
2001	1,789,683	1,667,641	1,679,663	1,845,328	1,674,371	1,577,824	2,032,195	2,095,653	2,139,596	1,996,803	2,157,454	1,984,845
2002	2,038,188	1,885,698	2,785,138	4,521,427	5,199,495	3,754,722	2,771,081					

### PacifiCorp Native Load and Net Generation January 1999 to July 2002



### PacifiCorp Loads and Resources 1999-2002



## Amortization of Hunter-related net power costs Illustrative Calculation

(1)	Wyoming Allocated Replacement Cost	\$	39,390,459
(2)	Amount prior to November 30, 2000	\$	957,115
(3)	Wyoming Deferred Amount line(1) - line(2)	\$	38,433,344
(4)	Percent Prudent (illustrative)		50%
(5)	Prudent Amount line(3) x line(4)	\$	19,216,672
(6)	Ineligible Portion (illustrative)		10%
(7)	Ineligible Amount line(5)*line(6) (transferred to other part of case)	\$	1,921,667
(8)	Eligible Hunter-related costs before sharing	\$	17,295,005
(9)	Sharing Amount line (8) x 20%	\$	3,459,001
(10)	Recoverable Hunter-related costs line(8) - line (9)	\$	13,836,004
(11)	Carrying Cost equal to Cost of Capital (illustrative)		8.45%
(12)	NPV of 3-year amortization of line(10) w/o Carrying Cost	\$	11,790,189
(13)	Recovery Period in Years		22
(14)	Annual Revenue to Achieve Same NPV with Carrying Cost	\$	<u>1,197,037</u>

**Carrying Cost for Amortization of Hunter-related net power costs**  
**Illustrative Calculation**

	Ratio	Cost	Weighted Cost
Debt	<b>51.30%</b>	<b>6.55%</b>	<b>3.36%</b>
Preferred Equity	<b>3.00%</b>	<b>5.83%</b>	<b>0.17%</b>
Common Equity	<b><u>45.70%</u></b>	<b>10.75%</b>	<b><u>4.91%</u></b>
	<b>100.00%</b>		<b>8.448%</b>