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October 12, 2020

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem, OR 97301

Re: In the Matter of PACIFICORP, dba PACIFIC POWER,
Request for a General Rate Revision
Docket No. UE-374

Dear Filing Center:

Please find enclosed the Opening Brief of Klamath Basin Water Users Protective Association DBA Klamath Water Users Association and the Oregon Farm Bureau Federation in this proceeding.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

Paul Simmons
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Enc.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UE 374**

In the Matter of

PACIFICORP, dba PACIFIC POWER

Request for a General Rate Revision

**OPENING BRIEF OF KLAMATH BASIN
WATER USERS PROTECTIVE
ASSOCIATION DBA KLAMATH
WATER USERS ASSOCIATION AND
OREGON FARM BUREAU
FEDERATION**

OPENING BRIEF

Pursuant to the Prehearing Conference Memorandum issued by the Public Utility Commission of Oregon (Commission) in this case on March 6, 2020, Klamath Basin Water Users Protective Association DBA Klamath Water Users Association (KWUA) and Oregon Farm Bureau Federation (OFBF) hereby submit their Opening Brief.

I. INTRODUCTION

On February 14, 2020, PacifiCorp d/b/a Pacific Power (“PacifiCorp” or the “Company”) filed a request for a general rate revision, requesting an increase in rates of approximately \$78 million to go into effect on January 1, 2021. As part of its February 14 rate filing, the Company proposed to increase the Schedule 41 base rates that are applicable to agricultural pumping and drainage customers by an average of +10.0%.¹

¹ UE 374 - PAC/1410/Meredith/1.

In its opening testimony and its rebuttal testimony, PacifiCorp requested a return on equity (ROE) of 10.2%.² In its surrebuttal testimony filed on August 14, 2020, PacifiCorp reduced its requested ROE to 9.8%, which is its currently authorized ROE in Oregon.³

On August 17, 2020, the parties to this docket filed a Partial Stipulation that settled all of the issues related to rate design and rate spread. KWUA and OFBF supported the Partial Stipulation and were signatories thereto. The Commission conducted a hearing remotely on September 9-11, 2020, regarding the remaining open issues of PacifiCorp's Cost of Capital and its Revenue Requirement.

KWUA's opening testimony addressed ROE and certain rate design/rate spread issues associated with PacifiCorp's Schedule 41 rate tariff. As a result of the Partial Stipulation, KWUA's and OFBF's key remaining issue is the ROE.

II. POSITION

Electricity is one of the most significant operating costs for agricultural customers who are highly dependent upon the use of pumping and sprinkler equipment to deliver water to their crops. In addition, electrically-driven drainage pumps are utilized to increase irrigation project operational efficiencies, such as through water re-circulation and re-use, and to provide other societal benefits such as returning water to river channels and lakes. As noted in KWUA's opening testimony,⁴ many agricultural customers in Oregon are facing severe economic pressures associated with the current COVID-19 epidemic. Producers of food are, of course, essential, but agriculture has been severely challenged by disrupted supply and distribution chains, a critical need to protect the health of employees and their families, and uncertainties. In

² UE 374 - PAC/400/Bulkley/4; UE 374 - PAC/2200/Bulkley/2.

³ UE 374 - PAC/3500/Bulkey/16.

⁴ UE 374 - KWUA/100/Reed/8-9.

addition, during the 2020 irrigation season, agricultural customers located in the Upper Klamath River Basin endured the worst drought conditions of the last 20 years.⁵ (In fact, the ultimate irrigation water supply for producers in the Klamath Project was the second worst in over 100 years. The late summer brought wildfires that destroyed forage and feed, with smoke retarding plant growth and quality of products, and requiring special protections for employees.) Increasing electricity costs for these customers – as currently proposed by PacifiCorp – will only exacerbate an already dire situation.

Pursuant to ORS 756.040, the Commission represents the customers of PacifiCorp and the public generally.⁶ The Commission is to protect PacifiCorp’s customers and the public generally from unjust and unreasonable exactions and practices and to obtain for them adequate service at fair and reasonable rates.⁷ The interests of PacifiCorp’s shareholders and its customers must be balanced by the Commission in establishing fair and reasonable rates.⁸ Based on these requirements, the Commission should thoroughly and carefully consider the impact on the PacifiCorp customers that it represents and the public generally when establishing the Company’s allowed ROE in this case.

In its Opening Brief, PacifiCorp notes that from “January 2018 through May 2020, the average authorized return for vertically integrated utilities was 9.7 percent, with a median of 9.73 percent.”⁹ In addition, the “median ROE for vertically integrated utilities like PacifiCorp for the first quarter of 2020 was 9.75 percent.”¹⁰ While the authorized ROEs established for

⁵ *Id.*

⁶ ORS 756.040(1).

⁷ *Id.*

⁸ *Id.*

⁹ UE 374 - PacifiCorp Op. Br. at 15.

¹⁰ *Id.* at 16.

other vertically integrated utilities may provide a benchmark (or range of benchmarks) to help define a “zone of reasonableness” for PacifiCorp’s Oregon ROE, the Commission should also take into account that PacifiCorp’s affiliation with a large and diverse energy company conglomerate – Berkshire Hathaway – may act to reduce its overall business risk relative to the other vertically integrated utilities that the Company included as comparables in its ROE analyses.

III. CONCLUSION

Based on the foregoing, KWUA and OFBF ask that when establishing a fair and reasonable ROE for PacifiCorp’s shareholders that the Commission consider the impacts of increasing electricity costs to Oregon agricultural customers who are already reeling under the economic consequences of the COVID-19 epidemic and recent drought and wildfire conditions.

DATED: October 12, 2020

SOMACH SIMMONS & DUNN

s/ Paul S. Simmons

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