

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

PacifiCorp,	)		
Complainant,	)		
	)		
v.	)		
	)		
Reliant Energy Services, Inc.	)	Docket No.	EL02-80-000
Morgan Stanley Capital Group Inc.	)		EL02-81-000
Williams Energy Marketing & Trading Co.	)		EL02-82-000
El Paso Merchant Energy, L.P.,	)		EL02-83-000
	)		
Respondents.	)	(consolidated)	

**PREPARED REBUTTAL TESTIMONY OF  
DR. RODGER WEAVER  
ON BEHALF OF PACIFICORP**

1  
2 **Q. Are you the same Dr. Rodger Weaver who has previously filed Direct**  
3 **Testimony in this proceeding?**

4 A. Yes, I am. My Direct Testimony in this proceeding is set forth in Exhibit PAC-41.

5  
6 **Q. What is the purpose of your Rebuttal Testimony?**

7 A. My Rebuttal Testimony will address the following areas:

- 8 • To clarify and correct comments in the Direct and Answering Testimony of  
9 FERC Staff witness Ms. Veronica V. Vansco, as set forth in Exhibit S-1.
- 10 • To clarify and correct comments in the Direct and Answering Testimony of  
11 FERC Staff witness Mr. Daniel L. Poffenberger, as set forth in Exhibit S-6.
- 12 • To respond to Dr. Joseph P. Kalt's assessment of the rate impacts on  
13 PacifiCorp's customers in his Direct Testimony on behalf of El Paso  
14 Merchant Energy ("EPME"), as set forth in Exhibit EMPE-1.

15  
16 **Q. Addressing Ms. Vansco's Direct and Answering Testimony, what**  
17 **clarification do you wish to make?**

18 A. In her Direct and Answering Testimony, Ms. Vansco addresses PacifiCorp's  
19 attempts to obtain relief from the Summer 2002 Contracts in its retail  
20 jurisdictions. Specifically, on page 6, lines 1-2 of her Direct and Answering  
21 Testimony, Ms. Vansco states that "The state of Washington, as well, has  
22 precluded any recovery prior to 2005." I would like to clarify this statement as it  
23 is not entirely accurate. My Direct Testimony explains that PacifiCorp has sought

1 deferral of Washington's share of the excess costs from the Washington Utilities  
2 and Transport Commission, but that the state commission has not issued an  
3 order on PacifiCorp's request. Indeed, my Direct Testimony, at lines 20-23 on  
4 page 10, and lines 1-3 on page 11, specifically states that "PacifiCorp is  
5 operating under a five-year rate plan that precludes a general rate case filing  
6 until 2005. *Nevertheless, PacifiCorp has requested that the Washington Utilities  
7 and Transport Commission ("WUTC") approve deferral of Washington's share of  
8 excess power costs incurred in July, August, and September 2002 (Docket No.  
9 UE-020417). The contracts disputed in this case fall in this period and are  
10 covered by this request. The WUTC has yet to rule on this request.*" (emphasis  
11 added.) If the recovery portion of PacifiCorp's request is granted by the WUTC,  
12 recovery will take the form of elimination of two bill credits currently on  
13 PacifiCorp's Washington customers' bill and thus recovery will begin immediately  
14 after receipt of the order.

15  
16 **Q. Addressing Mr. Poffenberger's Direct and Answering Testimony, what  
17 clarification do you wish to make?**

18 A. On page 20, lines 17-19 of his Direct and Answering Testimony, Mr.  
19 Poffenberger discusses PacifiCorp's February 2002 Official Forward Curve  
20 Prices, which were used as a benchmark in an Oregon retail rate proceeding.  
21 Mr. Poffenberger, however, states that, "It is not clear from Dr. Weaver's  
22 Testimony what purpose the benchmark prices used by PacifiCorp in the Oregon  
23 rate case have in this proceeding." Let me explain. My purpose in using the

1 Company's February Official Palo Verde Forward Price Curve was, as  
2 demonstrated in Exhibit PAC-42 (which I sponsored in connection with my Direct  
3 Testimony), to compute out-of-market costs, with this curve serving as an  
4 indicator of prices that would be available in a non-dysfunctional market. As  
5 shown in PacifiCorp's response to FERC Staff Data Request 3-1(d), attached as  
6 Exhibit PAC- 75 the February 2002 Official price curves for the months in  
7 question in this case closely track the market price projections in the three  
8 Official Price Projections produced by PacifiCorp after February 2002. This  
9 information is summarized in Exhibit PAC-76, which accompanies the Rebuttal  
10 Testimony I am sponsoring today.

11  
12 **Q. At pages 59, lines 14-17 of his Direct Testimony on behalf of EPME, Dr Kalt**  
13 **discusses the financial impact on PacifiCorp ratepayers and states that**  
14 **“many of PacifiCorp’s ratepayers are unlikely to suffer any rise in prices as**  
15 **a result of the prices in the Merchant contracts, and that any rate impacts**  
16 **on other customers are likely to be extremely small.” Do you agree with Dr.**  
17 **Kalt’s assessment of the rate impacts on PacifiCorp’s customers?**

18 **A.** No. Dr. Kalt ignores the fact that EPME's Summer 2002 Contracts are only four  
19 of the 12 such contracts PacifiCorp is complaining about in this proceeding. As I  
20 stated in my Direct Testimony, PacifiCorp's retail customers have been impacted  
21 by the extraordinarily high rates contained in the 12 contracts at issue. As set  
22 forth on page 3, lines 9-10 in my Direct Testimony, the out-of-market costs of the  
23 Summer 2002 Contracts are approximately \$53 million on a total company basis.

1        These unjust and unreasonable prices far exceed competitive prices that would  
2        have been available in a non-dysfunctional market and will be borne in some  
3        manner by PacifiCorp's ratepayers and shareholders. I do not view \$53 million  
4        as a small amount of money. Moreover, this impact will come on top of the costs  
5        of numerous other high priced transactions incurred by PacifiCorp since the  
6        period of market dysfunction began in May 2000.

7            It is also important to note that Dr. Kalt, at page 61, lines 6-7 of his Direct  
8        Testimony, concedes that "[t]he existence and extent of any retail impacts (other  
9        than for PacifiCorp's Oregon customers) is uncertain." Given this statement, I  
10       am puzzled as to how Dr. Kalt can testify that these contracts will not have an  
11       adverse impact on PacifiCorp's retail customers.

12  
13    **Q.    Dr. Kalt further maintains, on page 61, lines 12-18 of his Direct Testimony,**  
14    **that PacifiCorp's shareholders should bear the burden of these**  
15    **uneconomic contracts. Do you agree?**

16    **A.**    No, I do not agree with Dr. Kalt on this issue. Again, the unjust and  
17        unreasonable contract prices at issue are the result of a dysfunctional market.  
18        Moreover, PacifiCorp entered into the Summer 2002 Contracts for the benefit of  
19        its customers – PacifiCorp did not make and did not intend to make a profit for its  
20        shareholders on these contracts. Just as PacifiCorp's customers should not  
21        bear the burden, PacifiCorp's shareholders should not be forced to absorb the  
22        excess power costs. Instead, the Commission should reform the contracts at  
23        issue pursuant to its statutory duty to ensure just and reasonable rates.

1 **Q. Does this complete your Rebuttal Testimony?**

2 **A. Yes.**

