Q Please state your name and business address.

A. My name is Ted Weston. My business address is, One Utah Center, Suite 2300, 201 South Main Street, Salt Lake City, Utah, 84140-2300.

Qualifications

Q. What is your current position at PacifiCorp (the Company) and your previous employment history with the Company?

A. I am currently employed as a Career Regulatory Consultant in the Revenue Requirement section of the Regulation Department. I joined the Company in 1983, and I have held various accounting and regulatory positions prior to my current position.

Q. What are your responsibilities as Regulatory Consultant?

A. My primary responsibilities include the development, calculation and justification of revenue requirement related issues supporting the Company's regulated earnings and interjurisdictional cost allocations in the Company's retail jurisdictions.

Q. What is your educational background?

A. I received a Bachelor of Science Degree in Accounting from Utah State University in 1983. In addition to formal education, I have also attended various educational, professional and electric industry related seminars during my career at the Company.

Purpose of Testimony

Q. What is the purpose of your testimony in this proceeding?

A. I will address certain normalizing adjustments contained in Exhibit UP&L___.1 (DDL-1), which is the Company's Utah Results of Operations Report for the twelve-month test period ended December 31, 1999. Specifically, my testimony explains normalizing Adjustments 4.9, 4.11, 4.12, 4.15 and 4.16 in Tab 4 (O&M expense), the incorporation of

Mr. Widmer's Net Power Cost results into the Utah results of operations as shown in Adjustment 5.1 of Tab 5 (Net Power Cost), also Adjustments 5.2 and 5.4 of Tab 5 (Net Power Costs), and Adjustments 8.10, 8.11, 8.17, 8.18 and 8.19 of Tab 8 (Rate Base). As explained by Mr. Doug Larson, the adjustments are presented in pre-tax dollars, where applicable. The tax effect of each adjustment is calculated and reflected on the summary page following each tab.

Normalizing Adjustments

Q. Please explain O&M adjustments 4.9, 4.11, 4.12, 4.15 and 4.16 contained in Tab 4.

A. **Correct Capital Surcharge Credits** (Adjustment 4.9) – During the months of April, May, and June 1999 capital surcharge credits (construction overheads) were incorrectly credited to administrative and general (A&G) expense. Capital surcharge credits are used to transfer overheads to capital projects. During the remainder of 1999, the credits were treated as offsets to appropriate operation and maintenance (O&M) costs. This adjustment reverses the credits for April through June and reclassifies them as credits to distribution O&M rather than as reductions in A&G expense. Adjustment 4.9 reduces Utah allocated expense by $79,077 due to the change in allocation factors as a result of the reclassification of the total dollars.

Customer Service Deposit (Adjustment 4.11) - The Company pays customers interest on their service deposits per Utah's - Electric Service Regulation No. 9. This adjustment is necessary for the Company to recover the interest paid on deposits. The customer service deposits are included as a rate base deduction and customer service deposit interest is recognized in cost of service as an offset to the rate base reduction. Absent this adjustment, the interest true-up (Adjustment 7.1) would nullify any recovery of service deposit interest. Adjustment 4.11 is consistent with the treatment authorized by the Commission in Docket No. 99-035-10 and increases expense by $136,096 and reduces rate base by $2,407,109.

BSIP/SAP Expense Adjustment (Adjustment 4.12) - In 1996 PacifiCorp implemented the Business System Integration Project (BSIP). The intent of this process was to review all aspects of the Company's business processes to implement more efficient means of doing business. Several changes have been implemented including reductions to inventories, staff reductions and the combination of software systems. The BSIP/SAP project includes re-engineering and training costs that were expensed in accordance with EITF 97-13, beginning in 1997. Re-engineering and training cost were incurred in 1997, 1998, and 1999. This adjustment amortizes those costs over five years, consistent with the amortization period for the associated benefits of the early retirement program. This adjustment is consistent with the treatment authorized by the Commission in Docket No. 99-035-10. Adjustment 4.12 reduces Utah expense $2,970,102, increases Utah rate base by $6,227,164 and reflects deferred tax effects.

Sales Expense Adjustment (Adjustment 4.15) – During 1999 sales expenses were inadvertently charged to the wrong FERC accounts. This adjustment transfers sales expense to correct accounts. Adjustment 4.15 has no effect on Utah revenue requirement.

Uncollectible Allocation Correction (Adjustment 4.16) – This adjustment corrects the allocation of PacifiCorp's 1999 uncollectible accounts expense from a CN factor to direct (situs) assignment. Adjustment 4.16 decreases Utah allocated expense by $50,961.

Q. Please explain the Net Power Cost adjustments summarized under Tab 5, page 5.0.

A. **Production Cost Study** (Adjustment 5.1) - Actual power costs for 1999 were $432 million. Based on the process explained in Mr. Widmer's testimony these costs are normalized and adjusted to $692 million on a total Company basis. This is an increase of normalized power costs to the State of Utah of $94.5 million. The net impact of Adjustment 5.1 is to increase Utah revenues by $571,153,307, with an offsetting increase in operating expense of $665,654,238.

Incremental Coal Discounts (Adjustment 5.2) - Wyodak, Naughton, and Bridger Plants all have contracts which provide a reduction in cost per ton when certain tonnage levels are attained. The net power cost study does not consider the tonnage level discounts, which must be considered to obtain the normalized value. This adjustment reflects tonnage discounts on normalized tons from the NPC study. Adjustment 5.2 reduces Utah expense by $607,285. This adjustment is consistent with the methodology adopted by the Commission in Docket No. 99-035-10.

Western Area Power Administration (WAPA) Wheeling Contract (Adjustment 5.4) - In Docket No. 99-035-10, the Commission imputed revenue to the below market rate for transmission services to WAPA. Adjustment 5.4 increases Utah revenues by $2,197,094.

Q. Please explain Rate Base Adjustments 8.10, 8.11, 8.17, 8.18 and 8.19 contained in Tab 8.

A. **Organization Cost** (Adjustment 8.10) - This adjustment is to conform to the agreement between the Company and the DPU proposing a method for sharing Pacific Power-Utah Power merger costs between shareholders and customers as communicated to the Commission in a letter from the DPU dated October 28, 1988. The Pacific Power-Utah Power merger costs are being subtracted from rate base, including accumulated deferred tax associated with organizational costs. This adjustment also adjusts tax expense by the shareholders' 50 percent share of merger costs. This treatment is consistent with Commission ruling in Docket No. 99-035-10. Adjustment 8.10 reduces Utah rate base by $4,350,536 and reflects deferred tax effects.

APS Combustion Turbine Payment (Adjustment 8.11) – As part of the Cholla Plant purchase agreement, the Company was obligated to participate in the development of a combustion turbine with Arizona Public Service (APS). In Docket No. 97-035-01 the Commission limited recovery of these costs. Adjustment 8.11 decreases Utah rate base by $4,967,966, consistent with the Commission's earlier decision.

Retail Marketing and Trading (RMT) Software Adjustment (Adjustment 8.17) **–** This adjustment removes the amortization of the Consolidated Sales Forecasting System software from the results of operations since it was fully amortized during 1999. The adjustment also removes 50 percent of the RMT Trade System software from test period results, since it is used for both regulated and non-regulated trading. Adjustment 8.17 reduces Utah allocated expense by $40,128 and reduces Utah allocated rate base by $442,658.

Removal of Centralia Plant and Mine (Non-Power Costs) (Adjustment 8.18) **–** This adjustment removes non-power related costs and revenues associated with the Centralia Plant and Mine from the Utah normalized and adjusted results of operations. It should be noted that Utah's share of the gain from the sale of the Centralia Plant is being amortized in this filing in accordance with the Commission decision in the Centralia sale case, Docket No. 99-2035-03. Adjustment 8.18 increases Utah revenues by $1,045,945, reduces Utah allocated expense by $5,371,839, reduces rate base for the unamortized gain by $43,145,510 and reflects deferred tax effects.

Removal of Centralia Plant and Mine Rate Base (Non-Power Costs) (Adjustment 8.19) – This adjustment removes rate base associated with the Centralia Plant and Mine from the Utah normalized and adjusted results of operations. Adjustment 8.19 reduces Utah allocated rate base by $38,910,154 and reflects deferred tax effects.

Conclusion

Q. In summary what conclusion does your testimony support?

A. My testimony demonstrates that the normalizing adjustments described above are reasonable and necessary to fairly reflect PacifiCorp's 1999 test year results of operations.

Q. Does this conclude your testimony?

A. Yes.