Q. Please state your name and business address

A. My name is Matthew R. Wright. My business address is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232.

Q. By whom are you employed, and in what position?

A. I am employed by PacifiCorp (the Company) as Vice President, Regulation.

Qualifications

Q. Please summarize your education and business experience.

A. I graduated from Portsmouth University in 1986 with a first class honors degree in Geography and subsequently obtained a Chartered Institute of Marketing Diploma in 1989 and a distinction level M.B.A. from the University of Hull in 1996. I participated in ScottishPower's Business Leadership Program in 1997, facilitated by Wharton Business School, and attended external courses at Harvard Business School.

I joined Manweb in 1987 as a Commercial Graduate and worked for a number of years in the area of pricing and economics. I became Commercial Manager, Distribution in 1994 and joined the ScottishPower group in 1995 following the acquisition of Manweb. Since that time, I have worked in many of ScottishPower's business units including Southern Water, as part of the Transition Team following its acquisition in 1996, and Corporate Strategy. I became involved in ScottishPower's international project in January 1998 and was a key member of the PacifiCorp merger team. I was appointed Vice President, Regulation following merger closure in November 1999. My current responsibilities include direction of the financial regulation, pricing, and regulatory policy activities of the Company.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide an overview of the Company's case for general rate relief. I will also introduce the Company witnesses in this case and briefly discuss the issues they address.

Overview

Q. What are the Company's objectives in filing this rate case?

A. Over an unexpectedly short period of time, the Company's level of earnings in PacifiCorp's Utah jurisdiction have become insufficient to continue to provide adequate electrical service to our Utah customers and provide a fair return to our shareholders. The principal objective of this case is to seek the rate increase necessary to provide critical financial relief to the Company.

Q. Does the Company's filing include its cost of service, spread, and rate design testimony?

A. No. That testimony will be filed with the Commission by February 6, 2001.

Q. What are PacifiCorp's earnings in the State of Utah?

A. For the 12 months ended December 31, 1999, PacifiCorp earned a normalized return on equity of 4.17 percent in Utah, as described in the testimony of company witness D. Douglas Larson. This is seriously below the 11.0 percent ROE authorized by the Utah Public Service Commission (Commission) on May 24, 2000 in Docket No. 99-035-10.

Q. What revenue increase is PacifiCorp seeking in this rate application?

A. The Company is seeking an increase of $142.2 million.

Q. Why does the Company need the requested rate relief?

A. Approximately $95 million of the total $142.2 million is attributable to the cost of power purchases in the wholesale power markets. Approximately $47 million is due to increases in other costs and to load growth in Utah.

Q. What do you believe is the cause of the recent price volatility in wholesale power markets?

A. No one seems to be able to fully explain this phenomenon and we do not profess to have all the answers. However, it appears that the wholesale market in the western U.S. remains immature in that mechanisms are not in place that cause demand to appropriately respond to high prices and new generation has not been constructed within the Western Systems Coordinating Council (WSCC) area at a rate that provides an adequate cushion at times of peak demand on the system. Demand has also been growing rapidly, not least in the Salt Lake Valley, and this has narrowed the margin considerably between demand and available supply. The electric industry in the western U.S. is at an uncomfortable stage of being half regulated and half unregulated and not knowing what future changes will occur.

Q. Does the unplanned outage at Hunter Unit No. 1 affect the amount of the requested rate increase?

A. No. The Company filed an application on November 1, 2000 seeking approval for an accounting order to defer excess power costs, which would include Hunter 1 replacement power costs. If approval is granted to defer the Hunter 1 replacement power costs, those costs will be accumulated in a regulatory asset account and an amortization period will be proposed in a future proceeding. The Hunter 1 replacement power costs are not included in the revenue requirement in this filing.

Q. What actions has PacifiCorp taken to control its power costs?

A. As explained by Company witness Mark Widmer, the Company has taken prudent actions to control its power costs since market prices began to soar. In addition, the Company has implemented voluntary customer load curtailment programs and energy conservation measures at Company facilities. However, we can compensate only to a very limited extent by reducing the quantity of purchases. For the most part, substantial reduction of power costs is not possible given the extraordinary increases in wholesale market prices and rapid load growth.

Q. What steps has the Company taken to mitigate the amount of this request?

A. The Company has used a 1999 test year without adjusting for 2000 load growth. Further, the Company's filing reflects year 2000 actual power costs. Since wholesale prices did not skyrocket until May 2000, this means only seven months of increased purchased power costs are included in the revenue requirement in this filing. Annualizing year 2000 power costs would have had the effect of adding an additional five months of extreme power costs to the revenue requirement in this proceeding.

Q. Does the Company believe its proposed rate increase to be a reasonable request?

A. Yes. The Company recognizes that increases in energy costs are not easy for its customers. Setting aside current economic realities, the Company would prefer to continue the decade-long run of flat and declining electricity prices it has delivered in Utah. However, given the extreme increases in the cost of wholesale sources of supply, there is little choice but to seek increased prices to cover costs. An increase now will help secure the Company's ability to continue providing reliable service.

Q. Please review the recent history of PacifiCorp general rate changes in Utah.

A. In Docket No. 97-035-01 PacifiCorp reduced Utah rates by $85.36 million annually, effective March 1, 1999, and gave a one-time retroactive refund of $40.26 million. In Docket No. 99-035-10, PacifiCorp increased Utah rates by $17.04 million annually, effective May 24, 2000. However, the increase that became effective in May 2000 provided no relief for the extraordinary power cost increases that began that month.

Q. How do the prices proposed in this case compare with past prices?

A. In 1985, average revenue per kWh for residential customers was 8.53 cents/kWh. In the 1999 test period normalized results, the average residential price is 6.05 cents/kWh. The estimated proposed price (at $142.2 million increase overall) is 7.21 cents, a drop of 15 percent from 1985. Average residential usage is currently 8,298 kWh per year. Based on current usage, annual residential bills are: $708 in 1985, $503 presently, and estimated to be $600 with the proposed price increase.

Q. What is the Company's proposed test period for this case?

A. PacifiCorp proposes a 1999 calendar year test period updated for known and measurable adjustments. PacifiCorp witnesses. D. Douglas Larson, Daniel C. Peterson, and J. Ted Weston discuss those adjustments in their pre-filed direct testimony. The most significant adjustment is for the extraordinary increase in net power costs caused by unprecedented costs in the wholesale power market.

Introduction of Witnesses

Q. Please list the other Company witnesses and provide a brief description of their subject matter.

A. The Company witnesses in this case are:

Bruce N. Williams, Vice-President and Treasurer, will testify concerning the Company's cost of debt and preferred stock. Mr. Williams will show the Company's embedded cost of long-term debt to be 7.092% and the embedded cost of preferred stock to be 6.055%.

Samuel C. Hadaway, FINANCO, Inc., will testify concerning the Company's Return on Equity. Based on a combination of DCF (Discounted Cash Flow) and Risk Premium analysis, as well as a review of the current market, the electric utility industry, and company-specific factors, Mr. Hadaway proposes a point value for PacifiCorp's cost of equity of 11.5 percent. He will also present PacifiCorp's proposed capital structure of 49.2 percent long-term debt, 3.2 percent preferred stock, and 47.6 percent common equity.

D. Douglas Larson, Director, Regulatory Policy, will present the Company's overall revenue requirement based on 1999 normalized results of operations updated to reflect known and measurable adjustments. The allocation methodology used is the Rolled-in method. Because of the number of normalizing adjustments to 1999 actual costs, they are divided among four witnesses. Mr. Larson sponsors normalizing adjustments related to revenue, various operation and maintenance expenses, and various rate base costs.

Daniel C. Peterson, Manager, Revenue Requirement, sponsors normalizing adjustments related to uncollectible account expense, depreciation expense, taxes, cash working capital, and certain other matters.

J. Ted Weston, Career Regulatory Consultant, Revenue Requirement, sponsors adjustments related to various operation and maintenance expenses, incremental coal discount, Centralia plant and mine, and certain other matters.

Mark T. Widmer, Principal System Planner, will testify concerning the Company's net power costs. Mr. Widmer will describe the calculation of net power costs and present the Company's production cost model. He also sponsors certain normalizing adjustments related to sales for resale.

Q. Does this conclude your testimony?

A. Yes.