Q. Please state your name, occupation, and business address.

A. My name is Jeffrey K. Larsen. My business address is One Utah Center, Suite 2300, 201 South Main Street, Salt Lake City, Utah 84111.

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

A. I am currently employed as Managing Director of Regulation. I joined the Company in 1985 and I have held various accounting, compliance and regulatory related positions prior to my current position.

Q. What is you educational background?

A. I received a Master of Business Administration degree from Utah State University in 1994 and a Bachelor of Science degree in Accounting from Brigham Young University in 1985. I have also participated in the Company's Business Leadership Program through the Wharton School and an Advanced Education Program through the J.L. Kellogg School of Management at Northwestern University. In addition to formal education, I have also attended various educational, professional and electric industry related seminars during my career at the Company.

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

A. The purpose of my testimony is to rebut certain contentions and proposals made by other parties in the case and provide additional information related to the following issues:

- Bridger Coal Company fuels credit;
- PERCO insurance proceeds;

- Sarbanes-Oxley Costs;
- Affiliate Cost Allocations, and
- ScottishPower corporate cross charges to PacifiCorp.

Bridger Coal Company

Q. As a consultant for the CCS working on Utah regulatory issues, does Ms. Dismukes understand the treatment of Bridger Coal Company costs that has been used and audited for more than a decade?

A. No. It appears that Ms. Dismukes has spent considerable time preparing 16 pages of testimony on a non-issue. Ms. Dismukes' proposal to increase ratemaking net income by $16.6 million on a total Company basis and an associated Schedule M tax adjustment made by Ms. DeRonne are inappropriate and unnecessary. The alternative recommended by Ms. Dismukes to remove $31.4 million of Bridger investment costs from rate base on a Utah basis is also without merit and should also be rejected.

Q. Please explain.

A. PacifiCorp receives coal under contract from Bridger Coal Company. The contract includes a profit component in the price of the coal. In order to properly reflect coal costs for rate making purposes, the Company reduces the cost of coal to reflect the Company's share of the income earned at Bridger, i.e., the "fuels credit". In other words, the cost of fuel is restated at cost with no profit margin paid to Bridger included. The fuels credit is a ratemaking adjustment to reflect the proper treatment of the coal costs to the utility and is not part of the Bridger coal contract. The plant investment is included in rate base to earn a Commission allowed rate of return. The income included as a fuels credit in the FY06 test year is $21.8 million on a total Company basis. If her adjustment were accepted, then the fuels credit of $21.8 million would need to be removed to avoid a double counting of the same benefit. In her adjustment, Ms. Dismukes has removed the net income associated with Bridger which reduced the profit component for taxes rather than just eliminating the total profit or difference between the revenues and expenses. In order to restate it at the proper level, Ms. DeRonne in her modeling of the revenue requirement includes a schedule M deduction in income taxes to restate Ms. Dismukes adjustment at a pre-tax level. The Company's adjustment properly removes the correct amount of income at a pre-tax level to reflect the cost of coal for ratemaking purposes and no further adjustment is needed to revenues or the income tax calculation.

Q. Has the Company demonstrated that the Bridger income and the fuels credit included in the case are the same?

A. Yes. Exhibit UP&L___ (JKL-1R) compares the Bridger income with the fuels credit and reconciles the two items. As a result of the fuels credit included in the Company's direct case, the Company adjustment 8.4 in Exhibit___ (JTW-1) to include Bridger investment in Utah rate base of $31.4 is appropriate and the adjustments proposed by Ms. Dismukes to include Bridger income or to exclude the $31.4 million of Bridger rate base are inappropriate and should be rejected.

<u>PacifiCorp Environmental Remediation Company (PERCO) Insurance Proceeds</u>

Q. Does CCS witness Dismukes propose adjustments related to the Company's treatment of PERCO insurance proceeds?

A. Yes.

Q. Please describe them.

A. First, Ms. Dismukes proposes to reduce rate base on a total Company basis for two items in the amounts of $10 million and $225,000. Second, Ms. Dismukes recommends the inclusion of interest income from the earnings on the insurance proceeds in the amount of $368,201 on a Utah basis in the revenue requirement. Third, Ms. Dismukes recommends the addition of accretion to the rate base deduction in the amount of $2,905,855. Based on the CCS response to PacifiCorp Data Request 8.23 and revised Exhibit CCS 3.11, it appears that Ms. Dismukes also intends to include in the rate base deduction an amount representing accumulated interest on the total insurance proceeds in the amount of $5.4 million although it has not been addressed in her testimony. The Company believes that only a small adjustment to revenue requirement is required to properly reflect the $225,000 in PERCO. Ms. Dismukes' proposed adjustments to include interest income in operating income and to include as rate base deductions $10 million of non-utility proceeds, $3 million of liability accretion and accrued interest income are without merit and are not appropriate. These adjustments should be rejected by the Commission. I will deal with each of these adjustments in turn.

Q. Please explain the Company's position on the $10 million and the $225,000 of additional proceeds.

A. An adjustment should be made to include a reduction to rate base for the remainder of the $225,000 in the test period related to Utah. Through the test year, $141,521 of this amount has been disbursed on clean up activities. PacifiCorp agrees that the total Company rate base reduction amount on Exhibit UP&L___ (JTW-1) page 8.2 should be increased by $83,479 ($34,735 Utah basis). See Exhibit UP&L___ (JKL-2R) for the detail supporting this adjustment. The Company's position has always been that proceeds from environmental insurance settlements for which customers have paid the premiums on the insurance policies should flow through regulatory results. This was the treatment applied to $38 million of settlements that the Company received through 1998 and for which customers have received the benefit. PacifiCorp received insurance proceeds in 2002 from an additional insurer in the amount of $225,000 that were not appropriately captured as a rate base deduction in this filing and should be. However, in 1999, PERCO received additional funds in the amount of $10 million from a third party to accept their liability for clean-up costs associated with certain environmental projects. These funds are not related to the regulatory operations or in any other way related to regulated customers of PacifiCorp.

Q. Has this issue of the $10 million of third party funds been addressed in a prior case?

A. Yes. While Ms. Dismukes contends that the Company has not adequately explained why it has treated these funds as non-regulated, the CCS has not adequately educated Ms. Dismukes on this same issue from past cases, or informed her of an agreement that the CCS entered into on this issue. In Docket 01-035-01, CCS witness Ms. DeRonne raised the exact same issue and I provided rebuttal testimony explaining in detail the circumstances surrounding the $10 million of funds PERCO received from a third party. All of the revenue requirement issues except for PERCO and net power costs were resolved by stipulation on July 12, 2001 (Order dated September 10, 2001). The CCS held open the PERCO issue for possible argument before the Commission pending the responses to further information they were seeking. On August 2, 2001, the Company and the CCS entered into a letter agreement which provided assurance to the CCS that customers would remain insulated from any costs associated with PERCO activities related to the third party clean up operations and that the CCS would no longer pursue the adjustment. Exhibit UP&L___ (JKL-3R) is a copy of the agreement entered into with Dan Gimble of the CCS which was labeled Exhibit UP&L 7.2R in Docket 01-035-01. As a result of the agreement, the issue was dropped by Ms. DeRonne prior to hearings commencing on August 2, 2001. The circumstances have not changed and the adjustment to include the $10 million as a rate base deduction should be rejected.

Q. What was your rebuttal to this issue in the prior case?

A. In my rebuttal testimony I stated the following referring to the $10 million:

> This payment has nothing to do with costs incurred by the Company's regulated business. Ms. DeRonne jumps to the conclusion that this payment was "an additional insurance settlement payment", although Company Response 13.8 makes no reference to insurance. In fact, the $10 million received in 1999 does not represent working capital supplied by regulated customers. Rather, the $10 million payment in 1999 was

> received from an independent third party having no affiliation with PacifiCorp. Both PacifiCorp and the third party are successor corporations to companies that allegedly owned and/or operated former manufactured gas plants at various sites. The $10 million payment from the third party to PacifiCorp was made in settlement of all potential past, present, and future claims which might arise out of and/or relate to environmental contamination at the sites. In other words, the payment was in settlement of all alleged obligations by the third party at all sites where the two companies may have been jointly liable. The third party had $10 million in cash and a corresponding alleged environmental clean-up liability. Pursuant to a confidential settlement, both the cash and the liability were transferred to PacifiCorp. This payment was not an insurance settlement and is not related to any costs that were ever borne by regulated customers. The $10 million was paid directly to PacifiCorp Financial Services (PFS) and immediately transferred to PERCO's account. At no time was this amount ever reflected in regulated accounts. (Docket 01-035-01, Rebuttal Testimony of Jeffrey K. Larsen, page 4, line 12 to page 5, line 9.)

Q. Do you agree with Ms. Dismukes proposal to include accretion in the amount of rate base deduction?

A. No. The proposal is not appropriate and she misapplies the concept of accretion in this context. Customers should receive value for environmental insurance settlement funds received, but not yet expended. Since the inception of PERCO and the receipt of the insurance proceeds, PacifiCorp has adjusted revenue requirement to reflect an equivalent to a carrying charge earned by customers in the form of a rate base deduction for the environmental insurance settlement funds. In this docket, the Company has transferred this value to customers through the rate base deduction calculation presented in Exhibit JTW-1, page 8.2, plus the adjustment of $34,735 as a reduction to Utah rate base cited above.

Q. Please explain the concept of accretion.

A. Accretion is the difference between the actual nominal cost of remediation at a future date and the net present value of the liability today. It is an accounting device that updates the present value of future obligations on the balance sheet with the passage of time. Changes due to the passage of time increase the carrying amount of the liability because there are fewer periods remaining from the measurement date until the settlement date and, thus, the present value of the discounted future settlement amount increases. These changes are recorded as a period cost called accretion expense and, when recognized, accretion expense is debited and a liability is credited on the financial statements. PacifiCorp received approximately $38 million of cash, which covers the net present value of obligations expected to occur through 2011. The nominal amount of the obligations exceeds $38 million. Over time, this liability may be updated based on changing circumstances to properly reflect the current value of the future obligation for environmental cleanup costs. The updating of the liability does not change the balance of the cash proceeds attributable to customers.

Ms. Dismukes is proposing to treat the accretion of a liability as a type of accrued interest income to customers. They are not the same thing. The rate base deduction methodology, which has been used in all dockets since Docket 97-035-01, has been adopted by this Commission and transfers to customers the timing value of the insurance proceeds. That value should not be increased for the recognition of additional liabilities in the future that customers have not and will not provide additional funds to cover.

Q. Should customers receive the interest income earned on the insurance proceeds?

A. No, not if a deduction is already made to rate base. With the rate base deduction, customers are effectively earning on the insurance proceeds balance at a rate of return equivalent to the Company's authorized rate of return, which is a greater benefit to customers than short term interest rates. Again, customers should get credit for the funds once through a credit for the actual interest income on the funds or a rate base deduction that in effect generates a negative carrying charge to the benefit of customers. Reducing rate base and further reducing revenue requirement by the amount of interest income transfers to customers the carrying charge or investment income twice.

Q. Is it appropriate to include accrued interest as a rate base deduction?

A. No. In her Exhibit CCS 3.11 Revised, Ms. Dismukes proposes to reduce rate base by $5.4 million for accrued interest on the settlement funds. She fails to mention much less to provide a basis or evidence for this adjustment in her direct testimony. However, it makes no sense to include accrued interest as a rate base deduction. The Company has provided a rate base deduction in rates since the first proceeds were received in 1997. Customers have received the benefits annually through their rates. Reducing customer rates as well as reducing rate base in the current case for the cumulative total would be comparable to receiving annual dividend checks on an investment as well as expecting the total of the dividend checks to be added to your investment account. It is nonsensical.

Q. Why do you view Ms. Dismukes adjustment as nonsensical?

A. With the addition of the $10 million of non-utility proceeds to the existing PERCO proceeds balance, Ms. Dismukes is proposing to use the same cash proceeds to: 1) calculate interest income and provide it to customers; 2) take a rate base deduction that provides a return to customers at the Company's rate of return; 3) increase the cash proceeds balance for the future obligation of the liability for which customers have not provided additional funds and reduce this amount from rate base; and 4) reduce rate base for accrued interest on the proceeds. Her suggested adjustments are clearly inappropriate and should be rejected.

<u>Sarbanes-Oxley Costs</u>

Q. Have you reviewed the testimony and accompanying adjustment provided by Mr. Thomson of the Division of Public Utilities ("DPU") and Mrs. DeRonne of the CCS related to Sarbanes Oxley costs?

A. Yes.

Q. Do you agree with the proposals to remove Sarbanes Oxley costs?

A. No. Mr. Thomson proposes to remove expenses in the amount of $2,319,445 ($965,091 Utah allocated) from the Company's revenue requirement on the basis that the costs are non-recurring. Ms. DeRonne proposes to remove test period expenses in the amount of $1,679,987 ($699,021 Utah basis) for Ernst & Young labor costs on the basis that the forecasted labor adjustment the CCS proposes covers the labor resources needed and these costs would be duplicative. These adjustments are inappropriate and do not provide the appropriate level of cost recovery for the costs the Company is experiencing in order to comply with this significant piece of legislation. Neither Mr. Thomson nor Ms. DeRonne takes issue explicitly with the Company's efforts to comply with the Sarbanes-Oxley legislation. However, they eliminate the costs associated with supporting and carrying on the preparations to comply with the legislation.

Q. Please explain.

A. The DPU and CCS adjustments are inappropriate for multiple reasons. Sarbanes Oxley ("SOX") is not an optional cost the Company has chosen to incur. Compliance with the SOX is required by law and enforced by the SEC. The costs incurred are ongoing as it will take significant efforts from FY04 to FY06 just to prepare for the first year's audit and compliance. Qualified employees are required to sustain this work on an ongoing, annual basis from FY06 forward. Ms. DeRonne has indicated that she is trying to prevent "double-counting" these costs, refers to the testimony of Mr. Schultz for the labor adjustment, and states that the Committee's labor adjustment allows for the Company's current employee compliment plus additional employees beyond the current level. The Committee's analysis has not taken into account the needed resources to accomplish the compliance requirements of SOX.

Q. Is compliance with the SOX legislation a significant challenge and cost for Companies?

A. Yes. The requirements to comply with SOX were largely not known at the time the legislation was passed. Most public companies and CPA firms have struggled to define exactly what the particular requirements are of section 404 of the legislation dealing with the documentation and evidencing of internal controls and the level of effort needed to comply with it. During the fall of 2003, the Company estimated that it would cost approximately $4 million dollars through FY05 to document its internal controls and enhance any controls that needed improvement. The Company hired Ernst & Young ("E&Y") in the fall of 2003 to provide contract labor and prepare the initial documentation and evidence necessary to support the Company's internal controls over financial reporting because internal resources were not available in this area. E&Y completed the first phase of the initial documentation in June of 2004. Part of the consulting fees paid to E&Y was incurred in FY04 and is included in the test period base data in the amount of $1.7 million. Over the period from January to June 2004, the sheer magnitude of the work required beyond the documentation of controls became evident to not only the Company, but to SEC, U.S. corporations and major foreign corporations. The SEC has extended the compliance dates twice because of the burden being realized by companies trying to comply. The cost and resource requirements had been significantly underestimated. In an industry study provided by the Financial Executives International (FEI) in January '04, "Year One" costs were expected to be about $4.6 million for companies with over $5 billion in revenues. When a subsequent study was made in July, the estimate had almost doubled to over $8 million. The study shows that all estimates from January '04 have been underestimated by almost all companies, and as the company increases in size, the underestimates are larger.

Once the initial documentation was prepared, the Company reevaluated the ongoing requirements and cost to institutionalize the work product, improve and remediate internal controls, set up routine testing procedures and hire qualified employees that could test, monitor and maintain the Company's internal controls and evidence. Initial estimates presented to management indicated that 30.5 to 40.5 full time employees would be required throughout the Company to maintain compliance with SOX at an annual cost of approximately $3.6 million per year. The Company established a Business Controls Network throughout the Company and began hiring employees with specific qualifications into positions in late 2004 to continue the work product developed by E&Y and meet the permanent requirements of SOX compliance.

Q. What is the difference between the DPU and the CCS adjustment amounts?

A. The difference between the CCS and DPU adjustments is related to information provided in a data request that included costs through mid-April of 2004 for E&Y costs. These costs were not included in the FY04 actual results and should not be included in the DPU's analysis.

Q. Have you prepared an exhibit that compares the costs in the test period with the ongoing labor costs?

A. Yes. Exhibit UP&L___ (JKL-4R) shows that the Company had incurred $1,644,950 of E&Y costs in FY04 which equates to $1,767,279 in FY06 based on the cost escalators in FY05 and FY06. In comparison to the test period amounts, the Exhibit shows that the Company has hired 16 business control managers or analysts and is in the process of filling 5 additional vacancies. These positions were created and filled since August of last year. The total labor cost of these employees on an ongoing basis is approximately $2.5 million. The comparison of the costs in the case with the ongoing labor costs to perform SOX compliance work demonstrates that the Company's case is conservative and the ongoing costs are understated by approximately $730,498.

Q. Were the costs of these employees reflected in the manpower estimates used in the development of the forecasted test period used in this proceeding?

A. No. The number of positions that would be needed to permanently support SOX requirements was not known at the time of the development of the rate case labor forecasts, nor were positions included in the budget beyond the existing staff. A portion of the costs of the contract employees from E&Y have been included in the rate case for SOX compliance and represent the ongoing compliance costs for the work now being done by full-time employees.

Q. Has Mr. Schultz's labor adjustment captured the personnel required to perform the SOX compliance work?

A. No. His adjustment includes 80 employees hired through August plus a fraction of the additional employees the Company had forecasted for FY06, neither of which captures the internal control employees. The Company began developing the job classifications for internal control positions from June to August of '04 and then started interviewing for employees. The inclusion of the 80 actual employees hired through August does not capture the employees hired after that time to manage internal controls. Additionally, the original forecasted labor levels did not include estimates for SOX, so the subset of this number recommended by Mr. Schultz also excludes labor necessary to support compliance.

Ms. DeRonne's effort to prevent a "double-count" of new employees for Sarbanes Oxley costs has resulted in a proposal to remove the historical costs. That proposal, along with Schultz's proposal to not allow the Company the necessary funds to cover the cost of labor in the FY06 test period, results in no recovery of the expenses incurred by the Company to comply with this new legislative mandate.

Q. What additional costs are associated with SOX compliance that have not been reflected in the test period?

A. The Company estimates that the Price Waterhouse Cooper fees for the internal controls audit will be approximately $500,000 beginning in FY06. These expenses were not included in the forecast. There are also substantial costs for information technology that were not included in the initial rate case. In Fiscal Year 2006, it is expected there will be $4,921,922 in IT capital expenditures alone with an additional $1,686,641 in expense. These costs were not anticipated when the rate case was filed and are not incorporated in the filing. The amount included in the test period is conservative compared to the costs that the Company is actually incurring and any adjustment to eliminate costs to comply with government imposed standards for internal controls should be rejected. The cost levels reflected in the case represent a conservative level of ongoing expenses that the Company is and will be incurring.

<u>Affiliate Cost Allocations</u>

Q. What adjustments have been proposed regarding the allocations of costs to affiliates by Ms. Cleveland of the DPU?

A. Ms. Cleveland of the DPU proposes to update the 3-factor formula from the FY04 percentage to the more recent FY05 3-factor formula percentage of 93.94 percent. She also proposes to reduce corporate costs by $2 million (total Company) to reflect an estimate of costs to be charged by PacifiCorp to ScottishPower.

Q. What adjustments have been proposed by Ms. Dismukes of the CCS?

A. CCS witness Ms. Dismukes has similar adjustments to Ms. Cleveland to update the 3-factor formula to an FY06 level and reduce corporate costs by $2 million for ScottishPower costs. She also proposes adjustments to normalize the management fee, reduce the 3-factor formula by an arbitrary 5 percent, and reduce corporate costs by $2,883,852 (total Company) to allocate additional costs to affiliates after they have already been charged a full cost for services billed to them directly.

Q. Do you agree with the adjustments being proposed by Ms. Cleveland and Ms. Dismukes?

A. I agree in concept with the recommendation to update the 3-factor formula used in the allocation of common costs with affiliates and provide the appropriate information for that update. I disagree with the remainder of their adjustments and recommend that the Commission reject them. I will address each of their adjustments in turn.

Q. Please explain the adjustment you are recommending to the Company's revenue requirement for an updated 3-factor formula.

A. Based on projected FY 2006 affiliate activity, the percentage of common costs attributable to PacifiCorp is expected to be 92.74 percent (see Exhibit UP&L___ (JKL-5R)) and lowers the Utah test period expense by $601,230. Ms Cleveland's updated 3-factor formula percentage for FY05 is 93.94 percent. The Company's adjustment shifts additional costs to the affiliates and provides incremental value to customers beyond the DPU's adjustment. Additionally, if the CCS's 87.31 percent recommendation is adjusted to remove the arbitrary 5 percent adjustment Ms. Dismukes recommends, then the result would be 92.31 percent and comparable to the result that I am recommending.

Q. Please explain the use of the 3-factor formula.

A. In 1985, the FERC ordered[1] that the "Massachusetts Formula" was proper for allocating indirect overhead costs among affiliates. The "Massachusetts Formula" is a method for allocating indirect costs among affiliates. It has three elements; personnel, investment, and operations. PacifiCorp, like other utilities, adopted those three elements as the basis for allocating indirect common overhead costs.

Q. What concerns has Ms. Dismukes raised regarding the use of the 3-factor methodology?

A. CCS witness Dismukes questions the fairness of the use of the three-factor formula for allocating PacifiCorp common costs to affiliates and portrays it as inequitable because it is size-based. Ms. Dismukes' claims are unfounded. This Commission as well as Oregon, Washington, Wyoming and California have accepted the Company's 3-factor allocation basis for many years. Ms. Dismukes provides no evidence that the current methodology is unfair. The CCS sponsors a vague alternative. In response to PacifiCorp Data Request 8.5, Dismukes acknowledged that she has not researched the issue thoroughly and that other commissions do not adopt her unspecified allocation alternative. Dismukes also acknowledges that her unspecified alternative is based on "professional judgment" which we question absent any factual basis.

Q. Why does PacifiCorp believe the application of a 3-factor formula to allocate indirect common costs among affiliates is equitable?

A. The ideal cost allocation is based on a cause and effect relationship, yet clearly defined cause and effect relationships do not always occur with indirect costs. Speaking on this point the FERC said; "In dealing with this issue, the most impressive and inescapable fact which emerges is that when an attempt is made to look separately at the different and varying types of A&G expense which must be allocated, a myriad of situations are encountered where no one can say with confidence that the services performed in the incurrence of such expenses are all related to one factor, or to another factor, or are more related to one factor than to another. Under these circumstances, it is difficult to see how the use of a single factor formula can be regarded as practicable or satisfactory." (32 FERC ¶ 1023) PacifiCorp agrees with the FERC and has applied a multi-factor formula to allocate indirect common corporate costs, which the Utah PSC has accepted for many years.

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1. Refer to 32 FERC ¶ 61,086, 32 FERC ¶ 61,347, and 33 FERC ¶ 61,005

Q. Has the Utah Public Service Commission previously adopted size-based allocators?

A. Yes. For two decades the Utah Commission and other regulators have accepted "size-based" allocators as the basis for sharing common corporate costs. The CCS witnesses in this case attempt to rehash decisions that occurred years ago, while offering no evidence supporting a change. Almost 20 years ago, in Docket No. 84-035-02, the Commission ordered the Company to allocate common costs for which a benefit accrues to the affiliate. After the Utah Power/Pacific Power merger the affiliate cost allocation issue was revisited in Docket No. 90-035-06. The testimony of Wesley D. Huntsman, of the Division of Public Utilities, explained that PacifiCorp's three-factor formula to allocate indirect common costs was equivalent to the "Massachusetts Formula". Mr. Huntsman noted that Questar also allocates costs based on the factors cited in the "Massachusetts Formula." Elements of that docket, including ratemaking application of the three-factor formula were agreed upon with parties, including the DPU and CCS, and the stipulation was approved by the Commission. The three-factor formula was specifically mentioned and accepted in the final order in Docket No. 99-035-10 where the Commission said, "The Company uses a three-factor formula to allocate corporate overhead expense to subsidiaries and to Electric Operations."

Q. Do PacifiCorp customers benefit by allocating costs to affiliates?

A. Yes. Revenue from services to affiliates totaled more than $14 million in FY 2004. This revenue directly lowers the utility revenue requirement as it reduces the costs of the utility.

Q. What is the basis for the 5 percent adjustment to the 3-factor formula that Ms. Dismukes proposes?

A. Because of her concern with size-based allocators and her concern that some affiliates are not included in the 3-factor formula calculation and allocated costs, she recommends the Commission assign a 5 percent allocation to "other affiliates".

Q. Is Ms. Dismukes proposal to increase the affiliate cost allocation by 5 percent founded on facts?

A. No. The arbitrary increase in the allocation is not attributed to any affiliate. Neither does the increase reflect a benefit to an affiliate. The fact is that affiliates which benefit from PacifiCorp's services are either directly billed for those services or a portion of the indirect common costs are allocated to the affiliate by applying the three-factor formula. The CCS proposal to increase the affiliate cost allocation by an unsupported 5 percent, as shown in CCS Exhibit 3.8, is not backed up with facts. In response to PacifiCorp Data Request 8.19 requesting the mathematical derivation of the 5 percent, the CCS responded that "There is no numerical derivation". The 5 percent is arbitrary and should be rejected as lacking any merit.

Q. Does every affiliate in the US receive an allocation of costs from PacifiCorp?

A. No. Ms. Dismukes raises concerns over the direct subsidiaries, non-operating affiliates, like Pacific Holdings, Inc. ("PHI"), PacifiCorp Foundation and subsidiaries of PPM Energy that are not reflected in the 3-factor formula explicitly. Her concerns are unfounded. PacifiCorp does not provide direct and indirect services to every affiliate. This is particularly true for non-operating affiliates, like PHI. PHI has no employees, no operating assets, and no operating expenses. It is primarily a legal structure. Yet, the CCS seems to think non-operating companies indirectly benefit in some unnamed fashion from the general corporate activities of PacifiCorp. PacifiCorp Group Holdings and PHI are holding companies that rollup the results of operating companies like PacifiCorp and PPM. Their operating companies participate in the allocation of management fee. Since the holding companies do not have assets, expenses or employees of their own and each of their operating companies receives an allocation, no additional allocation is appropriate. Work performed for these non-operating entities is charged directly to them.

Q. Do PPM Energy and its affiliates receive an appropriate allocation through the 3-factor formula?

A. Yes. Ms. Dismukes states that only a tiny fraction of the management fee costs are allocated to the 17 PPM Energy affiliates through the 3-factor formula allocation to PPM Energy. Yet she claims that they receive significant benefits from the common costs and oversight apparently over and above what they are paying for. PPM Energy and its subsidiaries pay for direct services provided by PacifiCorp. Additionally, the totals for operating expenses, employees, and assets for PPM Energy and its affiliates are included in the amounts used to derive the 3-factor formula. So, whether the affiliates are consolidated with PPM Energy's totals or shown separately, the result would be the same, a fair allocation. An additional factor to note is that PacifiCorp is providing support services to PPM

Energy and its subsidiaries, but it does not provide management or "oversight" as Ms. Dismukes claims. PPM Energy has its own CEO and Board of Directors that report to ScottishPower.

Q. Why is the PacifiCorp Foundation excluded from the 3-factor formula?

A. The costs for the two person staff that oversees PacifiCorp Foundations activities charge all of their time and expenses below-the-line and an invoice is sent to the Foundation for these costs and any other direct costs. Due to IRS restrictions as a result of PacifiCorp providing the funds to establish the Foundation, rent and other assessments are not charged to the Foundation. Certain management personnel donate time to the PacifiCorp Foundation as members of the Board of Trustees. Customers in the Company's service territories benefit directly from the activities of the PacifiCorp Foundation.

Q. Ms. Dismukes claims that ScottishPower should also receive an allocation of PacifiCorp management fee costs. Is this correct?

A. No. Any services or activities performed by PacifiCorp's management or its employees are directly charged to internal orders that map below-the-line and excluded from ratemaking results. These costs are accumulated and billed to ScottishPower under the ScottishPower Cross Charge Agreement. Beyond these activities that are billed directly, the Company is not providing management services to its parent. Therefore, it is not appropriate to allocate ScottishPower an additional management fee beyond the services already billed to them at cost.

Q. Do you agree with the CCS proposal to allocate additional costs to affiliates for cost centers that are tracking and billing activities and services directly?

A. No. The Company has gone through tremendous efforts to identify and separate out the activities and associated costs with providing services to affiliates and create a more clear view of regulated and non-regulated activities. The Company has in place the appropriate accounting systems and service contracts for providing the services to affiliates. During FY03, the following seven management cost centers were removed from the management fee cost pool and began direct charging affiliates for any work performed for them instead of allocating their costs via a management fee: Treasury, Tax Management & Planning, Corporate Legal, Audit Services, Environmental Policy, US Energy Risk, and Group Energy Risk. In fiscal 2004 when these cost centers began direct billing, they directly charged $1,460,843 to affiliates. Direct charges posted to affiliates from these seven cost centers in fiscal05 year-to-date September are $1,197,298. The Tax Department established an additional cost center #13369 for group-wide activities that could not be billed directly and includes these costs in the management fee allocation. The remaining costs in the cost centers are electric operations related. Hence, the CCS recommendation would result in a double-count of costs being billed to the affiliates which is not appropriate or fair. The affiliates would be subsidizing electric utility operations.

Q. Is the CEO of PacifiCorp providing very valuable functions to the non-regulated companies affiliated with PacifiCorp, like PPM, as claimed by Ms. Dismukes?

A. In past years, the CEO of PacifiCorp held responsibilities for each of its subsidiaries. Recognizing that fact, CEO costs were allocated via the three-factor formula. The situation has changed. PacifiCorp no longer owns a variety of non-regulated subsidiaries. Today the subsidiaries of PacifiCorp are only regulated affiliates, like the coal mining companies. Consequently, the PacifiCorp CEO does not devote time or resources to the non-regulated subsidiaries of PHI such as PPM Energy. So, there is no logic for allocating the cost of PacifiCorp CEO activities to affiliates that receive no benefit.

Q. Do you agree with the CCS recommendation to annualize management fee revenues by annualizing expenses for part of FY05?

A. No. In Exhibit CCS 3.10, Ms. Dismukes tallies the actual cost of several PacifiCorp corporate cost centers for the six month April to September 2004 period, then annualizes that amount. The annualization proposed in Exhibit CCS 3.10 does not reflect the true levels of costs for a twelve-month period. It incorrectly assumes that all corporate costs occur on a consistent basis throughout the year. However, these costs do not occur ratably throughout the year. The best method for estimating annual costs is to capture twelve months of data, as was done when the Company calculated revenue requirement. Twelve months of actual data is available, or alternatively, 12 months of budget information is available, but both are ignored by the CCS and they instead apply an annualization of 6 months of data. This is inconsistent with the rest of the case as it was developed and the logic for doing so fails me except that it provides the CCS with a lower number. In effect for this cost item, Ms. Dismukes has presented a 6 month FY05 period multiplied by 2 to represent the FY06 test period. The CCS adjustment, based on annualized costs for 6 months is inappropriate in this situation. Furthermore, if she were to use 12 months of actual data ended September 2004 rather than annualized 6 months data, the total would be $22.9 million compared to her $20.9 million amount before escalations to FY06.

Q. Has Ms. Dismukes adjusted her calculations to reflect the significant reductions to expense already proposed by CCS witness Mr. Schultz?

A. No. Ms. Dismukes' adjustment reduces forecasted costs that are also being adjusted by Mr. Schultz for labor costs, payroll taxes, benefits, and incentive costs. The cost centers that are included in the management fee are primarily labor related. Mr. Schultz in CCS Exhibit 2.1 (page 4 of 5) adjusts labor costs in Administrative and General Expense ("A&G") accounts by a reduction of $4,540,461. Corporate labor costs are charged to the A&G expense accounts primarily. Similarly, CCS Exhibit 2.2 and CCS Exhibit 2.3 reduce A&G expense for payroll taxes and benefits, all of which would impact the amount of expense allowed in corporate cost centers. An adjustment to reduce specific cost centers while also making adjustments that reduce overall labor costs in the FERC A&G accounts is a double count and is not appropriate.

Q. Do you agree with the DPU and CCS that revenue requirement should exclude costs PacifiCorp incurs on behalf of ScottishPower?

A. Yes, in fact the Company's rate request excludes such costs. Consequently, the proposal by Ms. Dismukes and Ms. Cleveland to reduce revenue requirement by a $2.0 million estimate is inappropriate based on information from the Company's application in Docket No. 03-035-26 addressing the Corporate Cross Charge methodology. Ms. Dismukes and Ms. Cleveland's adjustments are based on the incorrect assumption that ScottishPower related costs were recorded in the utility accounts above-the-line and were consistent with the Corporate Cross Charge application dollar amount. However, the Company's accounting practices carefully separate utility and non-utility costs. PacifiCorp policy and practice is to record the cost of non-utility activities below-the-line. Since the cost of non-utility activities is already excluded from regulated results, no adjustment is required. Exhibit UP&L___ (JKL-6R) identifies the PacifiCorp costs incurred on behalf of ScottishPower that are charged below-the-line and billed to ScottishPower. The estimate in FY06 is $1,413,666 on a total Company basis. These costs were all excluded from the revenue requirement.

Q. Do you agree with Ms. Dismukes concerns about the development of a cost allocation manual?

A. To a certain extent, yes. Over the past couple of years, the Company has developed extensive information to support the affiliate transactions including policies, procedures, service contracts or agreements, routine oversight committee meetings and cost allocation "manuals" or guidelines. This information has been made available to parties to review in this Docket. Recently, the Company prepared and provided to the SEC an accounting cost allocation manual or guideline for the handling of affiliate costs. Exhibit UP&L___ (JKL-7R) is the information provided to the SEC. The Company is supportive of discussions with regulators if the current information provided in reports requires enhancement.

<u>ScottishPower Corporate Cross Charge</u>

Q. What is the relationship between the PacifiCorp management fee allocation and the costs associated with the ScottishPower Corporate Cross Charge?

A. While the issues are similar, the costs being addressed are separate and distinct. The PacifiCorp management fee allocation is for common services provided by PacifiCorp to its affiliates in the US. The ScottishPower Corporate Cross Charge addresses Group common corporate costs and the allocation of these costs to the US and UK affiliates of ScottishPower. These charges will be addressed in the following paragraphs.

Q. What issues have been raised by the parties in the case regarding the ScottishPower cross charge?

A. Ms. Cleveland recommends disallowing or recording to non-utility accounts the cost related to two elements of the cross charge. Mr. Arndt makes a number of unfounded allegations that can be characterized as a claim that PacifiCorp has not demonstrated the expense is appropriate. Consequently, he proposes to disallow the entire cross charge.

Q. Has PacifiCorp previously explained the cross charge between PacifiCorp and ScottishPower?

A. Yes. Contrary to CCS claims, PacifiCorp has provided hundreds of pages documenting the policy and practices of the Company to the Commission. The filing in Docket No. 03-035-26 was a 77-page document. Exhibits in that filing provided a copy of the Group Corporate Cost Recharge Policy, a copy of the contract between PacifiCorp and ScottishPower, and specifically cited the justification of allocation to PacifiCorp by cost center. Additionally, the filing described the type of costs, department activities, and allocation method. The application went on to provide other important information about the cross charge.

After the DPU evaluated the cross charge policy and methodology with no identified concerns, it made a recommendation to the Commission to further review the cross charge policy in the next rate case. This Commission adopted the DPU recommendation in its order dated December 18, 2003 in Docket No. 03-035-26. Attached is Exhibit UP&L___ (JKL-8R) which is a copy of the DPU recommendation.

In addition to numerous written data requests in this docket, PacifiCorp shared information informally during the DPU and CCS on-site audits. The facts have been widely disclosed. Any statements to the contrary overlook the facts.

Q. Which regulatory commissions have reviewed the ScottishPower cross charge and issued orders?

A. Three commissions have issued orders relative to the cross charge. In the spring of 2004, the Securities and Exchange Commission reviewed and approved the ScottishPower cross charge. The Oregon Public Utility Commission also reviewed and approved the methodology for the cross charge of common corporate costs in Docket No. UI-221. A copy of the approving order is attached as Exhibit UP&L___ (JKL-9R). In Utah, as mentioned above, the Commission adopted the DPU recommendations in its order to further examine the allocation methodology. See Exhibit UP&L___ (JKL-10R). This Docket is the forum for that further examination recommended by the DPU. Since making that recommendation, the DPU and CCS have acquired more details about the cross charge and have examined the invoices since ScottishPower charges began in April 2004. After a thorough evaluation, the DPU position in this case is largely supportive of the cross charge.

Q. How long has ScottishPower provided corporate services to PacifiCorp?

A. ScottishPower has provided corporate services since the merger in 1999. However, prior to March 2004, ScottishPower did not charge PacifiCorp its share of common corporate services. As a result, there are no such charges in the base period FY 2004 and the UK businesses absorbed PacifiCorp's share of these costs. Test period expense is based on corporate cost center budgets for fiscal year 2005.

Q. What common corporate services does ScottishPower provide to PacifiCorp?

A. ScottishPower charges the actual cost of corporate services. Key common corporate services are described as follows:

Corporate secretarial & shareholder services - The Corporate Secretary manages legal and stock exchange compliance and reporting, the Company's general relationship with its shareholders, and the legal and administrative aspects of shareholder services. This department oversees the Company's requirements in terms of board of director meetings and statutory filings required by publicly traded companies. The department costs include payments to a trust bank that performs shareholder register duties on behalf of ScottishPower. All publicly traded companies incur these types of activity costs. As PacifiCorp indirectly relies on equity investment from the public but does not directly incur shareholder service costs, an allocated share of these costs to PacifiCorp is appropriate.

Executive Director Services – The senior officers of ScottishPower have responsibility for managing the entire group business, including PacifiCorp and business activities in the UK. For example, the ScottishPower executive team actively manages PacifiCorp via operational & financial planning, final budget review and approval, periodically meeting with PacifiCorp officers to review operations activities and monitor financial progress, and filling fiduciary responsibilities as members of the PacifiCorp board of directors. Additionally, the ScottishPower CEO serves as the Chairman of the Board at PacifiCorp today whereas prior to the merger the PacifiCorp CEO also held the chairman role.

Production and distribution of Annual Report and accounts and quarterly results - The annual report for ScottishPower is required for US and UK regulatory compliance and provides investors with the information necessary to provide the Company and ScottishPower with access to capital and liquidity resources. Since the merger, PacifiCorp no longer has had to produce the annual report, although the Company does continue to produce statutory and regulatory filings.

Group Finance Services – This team consolidates the budgets, forecasts and actual results of each of the four divisions of Scottish Power to ensure that the results are cohesive and fulfill the reporting and governance requirements for the Group both internally and externally. They prepare all numerical analysis and financial commentary for the quarterly review (6K) and Annual Report (Form 20F), which provides the group with access to capital markets. In addition, new legislation and requirements that impact the Group's external reporting is project managed by this function, to ensure Group compliance.

Corporate Strategy (including Environment Services) – The Corporate Strategy team has two functions, being Strategic Planning and Environment. The formers role is to lead the annual business planning process to which the four divisions of ScottishPower contribute; help the ScottishPower Board and Executive team define and implement a value creating corporate strategy; provide stimulus and support to the four divisions of ScottishPower as they develop their strategies and investment projects; and lead strategic projects to develop ScottishPower's portfolio through merger, acquisition and/or divestment. The Environment department is part of Corporate Strategy and has two employees tasked with advising the Board, Executive Team and divisions on the state of compliance with environmental policy; conducting a biannual review of environmental risk; encouraging sharing of good practice and consistency of standards between the divisions.

Development of senior managers – Three years ago, the Leadership and Reward team was set up to manage Executive and Senior Management Group ("SMG") development & reward. The aim of this new area was to attract and retain high performing senior employees across the four ScottishPower divisions. The SMG consists of 250 managers in the US & UK and the Leadership and Reward team is tasked with developing this talent pool. The SMG are viewed as a Group resource and members are expected to gain experience in operational businesses and corporate functions where practicable.

Dual role Executive Team and senior managers - There are a number of departments in ScottishPower Corporate and PacifiCorp corporate that perform the same function (specific to their geographical location). Where appropriate, a dual role manager is appointed with overall responsibility for both teams to ensure best practice and adherence to overall Group objectives. These people are designated "Group" employees and each of the 4 divisions of ScottishPower takes a proportional share. This arrangement applies to specific managers within Legal, Corporate Communications, Human Resources, Tax; Internal Audit and Risk. There are currently three UK-based people and seven US-based people performing roles of this nature. PacifiCorp bills ScottishPower for the services provided by the seven PacifiCorp employees serving in Group roles. As discussed previously in rebutting the $2 million adjustment made by both Ms. Dismukes and Ms. Cleveland, the Company charges the entire cost of PacifiCorp employees that provide services to ScottishPower below-the-line. Periodically, these costs are invoiced to ScottishPower for reimbursement similar in the way we receive invoices for their services.

Long Term Incentive Plan for Executive managers – An award of common stock shares is part of key Executive managers remuneration packages, the receipt of which is dependent on the share price performance of ScottishPower.

Support costs associated with the common Corporate services - This covers occupancy charges and information technology services provided to the teams discussed above.

Q. Have you prepared an exhibit that summarizes the costs associated with these activities?

A. Yes. Exhibit UP&L___ (JKL-11R) includes a summary of these services that totals $14.4 million. The Company reduced this amount by $1.4 million and requested $13.04 million in its revenue requirement in Exhibit UP&L___ (JTW-1), page 4.15.

Q. Are all ScottishPower corporate costs considered common Corporate costs?

A. No. A Corporate department that performs services solely for the UK geographical area is excluded from the definition of common corporate costs. Additionally, costs considered to be costs of the holding company ScottishPower Plc are excluded from common corporate costs. An example of this would be the costs for Non-Executive Directors who perform a governance role for ScottishPower Group. Of the total ScottishPower corporate cost base anticipated in FY05, PacifiCorp will be cross charged 19 percent. This is because only 52 percent of the total cost base is considered common corporate costs to be allocated across the holding company and four divisions of ScottishPower using the allocation methods discussed below.

Q. How is the PacifiCorp share of common Corporate costs determined?

A. The Company has prepared a decision tree included as Exhibit UP&L___ (JKL-12R) to show the process followed in determining the assignment or allocation of costs to PacifiCorp. A direct allocation method is used where possible. An example of this is the cost of the group-wide employee magazine (replacing PacifiCorp's Network), which is directly allocated based on the number of employees. Costs for the Senior Management development and reward department are allocated based on membership of the Senior Management Group ("SMG"). Where there is not a clear direct allocation method common Corporate costs are allocated using a four-factor formula.

Q. Why is it appropriate to allocate ScottishPower indirect common corporate costs?

A. To the extent that a direct cause and effect relationship exists costs are directly charged on that relationship. However, indirect overhead costs do not lend themselves to direct assignment. Consequently, an equitable method of allocating indirect common costs is required. For that reason, a method employed in the UK by regulators similar to the 3-factor formula used by PacifiCorp is relied upon to produce a fair and equitable allocation of indirect group common costs to the organizations that benefit from the cost activity. The method includes a blend of four factors - revenue, operating profit, assets, and employee count. Since indirect costs cannot be directly assigned we allocate them based on factors that reflect the relative magnitude of services received with the objective of producing an equitable outcome. The four-factor formula results in an equitable allocation of indirect costs.

Q. Why did PacifiCorp and ScottishPower adopt a multi-factor allocation formula?

A. As I identified in the discussion of PacifiCorp's 3-factor formula previously, it is normal practice to allocate common corporate costs on a multi-factor basis where a direct cost causation factor is difficult to distinguish. The four-factor formula is approved by Scottish Power's UK regulator (OFGEM, Office of Gas & Electricity Markets) and was adopted for the "Group Corporate Cost Recharge Policy" after discussion with all internal stakeholders. The four-factor formula is almost identical to the three-factor formula used by PacifiCorp, with an additional profitability factor. By including this additional factor in the allocation methodology, a company that is asset light yet profitable will be allocated a larger share of corporate costs compared to the three-factor formula.

Q. Is the size-based allocation that results from the four-factor formula equitable?

A. Yes. Mr. Arndt's concerns regarding a size-based allocation are unfounded. Absent size-based allocators, the allocation options become difficult to calculate equitably. In fact, Mr. Arndt does not propose an allocation methodology. There is no definitive answer to allocate indirect common costs, but adopting the "industry standard" allocation based on employees, plant, and operating results is a practical solution in the absence of a clear direct allocation method. A multi-factor allocation is most likely to produce an equitable allocation of common costs, as it is based on quantifiable data.

Q. Other than PacifiCorp, which SP affiliates are also allocated a portion of SP costs?

A. Other operating affiliates which receive a share of ScottishPower Group corporate costs include PPM Energy, UK Division, Infrastructure Division and ScottishPower Plc. PPM Energy owns natural gas storage facilities and develops energy projects in North America. The UK Division generates electricity from the Group's own power stations and purchases electricity and gas for sale to customers in Scotland, England, and Wales. The Infrastructure Division, which is regulated, provides transmission and distribution in Scotland and distribution through the Manweb Company in England and North Wales. ScottishPower Plc is the group holding company. The two US and two UK businesses and Scottish Power holding company receive their pro rata share of common group corporate costs. Certain legal entities are not allocated group corporate costs, such as non-operating companies or holding companies with no operating assets. The same is true for trading companies where ScottishPower owns less than 50 percent and other minor affiliates. Neither are costs allocated to SP Insurance Limited, which only provides insurance coverage to other SP affiliates.

Q. Are controls in place to assure that costs of UK-only activities are excluded from the cross charge?

A. Yes. Controls are in place at both ScottishPower and PacifiCorp to screen costs. For example, the ScottishPower cross charge is limited to costs of departments that provide services which are common to the group. Expense details are reviewed by ScottishPower and PacifiCorp to determine that the allocation only applies to common costs.

Q. Do you agree with Mr. Arndt's logic for disallowing the ScottishPower cross charge?

A. No. Contrary to the CCS allegations, the cross charge is necessary for serving Utah customers and the allocation method produces a reasonable result. Mr. Arndt's adjustment in CCS Exhibit 4.2.1 lacks merit.

Q. Do PacifiCorp customers receive services from Shareholder Services and executive and senior management activities provided by ScottishPower?

A. Yes. After the merger, PacifiCorp dissolved its shareholder services and now it relies on the Company Secretarial department at SP for those services. PacifiCorp pays only 41.4 percent of group shareholder service costs.

Group executives and senior managers devote significant efforts to PacifiCorp issues and issues that are common to the group. PacifiCorp benefits from the management resources of group executives and managers that are focused on Group and Company matters. Group executives regularly plan, strategize, and communicate with PacifiCorp senior management. The operational and financial challenges faced by PacifiCorp have been formidable. The power crisis of 2000-2001 resulted in massive losses for the utility. Today PacifiCorp has a substantial construction plan to build new substations, install new power lines, and bring new power stations on-line at cost effective levels. Activities like these require significant operational and financial planning by senior management. The time and effort of group personnel contribute on issues such as these are not insignificant.

Q. Does the allocation of common corporate costs from SP to PacifiCorp duplicate services PacifiCorp provides to itself?

A. PacifiCorp does not have its own shareholder service department. Neither does PacifiCorp have an independent training program for senior managers. The utility relies entirely on SP for those types of services. Executive and senior management at SP and PacifiCorp work together on certain aspects of the business. In my experience, the work contributions of SP personnel are complementary, not duplicative. PacifiCorp is not a minor element within the group. PacifiCorp assets total more than half of the group assets. Group executives don't ignore PacifiCorp. In fact, they consistently engage themselves in the US utility in a way that complements the PacifiCorp team efforts.

Q. What is the test period level of ScottishPower common corporate charges in the rate case?

A. The test period level of common corporate charges is $14.4 million. As indicated above, certain elements of those charges were recorded below-the-line. The above-the-line amount was originally estimated in Mr. Weston's testimony Exhibit UP&L___ (JTW-1), page 4.4 at $13,044,000. Since then a number of facts have become more definitive. This initial estimate did not include an allocation of executive labor costs, as it was not clear at the time that the SEC permitted that cost. The SEC has jurisdiction to regulate the exchange of corporate services between a domestic utility, like PacifiCorp, and its foreign utility parent company, ScottishPower. In its 2004 audit, the SEC reviewed and approved the planned Corporate Cross Charge, including executive labor. However, the Company continues to seek an amount significantly less than this amount in this Docket.

Q. Is the Company seeking to recover all of the Corporate Cross Charge costs included in its filing?

A. No. The Company is only seeking a reasonable level of cost recovery associated with the services provided by ScottishPower. In the original request, the Company had reduced the estimated total Company cross charge amount of $14.4 million by approximately $1.4 million as an estimate to remove costs that would relate to non-regulated activities and charged below-the-line. After review of Ms. Cleveland's testimony and adjustment on this issue, the Company accepts her position as reasonable and agrees to reduce the cross charge for the Corporate Strategy Department and the costs for the Long Term Incentive Plan after taking into account the $1.4 million estimate already made by the Company. Exhibit UP&L____ (JKL11R) identifies the Company's proposed adjustment to reduce revenue requirement by the amount of $2,301,495 total Company and $957,622 on a Utah basis. This establishes a level of cross charge expense attributable to PacifiCorp customers of $10,742,505 total Company and $4,469,817 to Utah.

Q. Does this conclude your testimony?

Yes.