Q. Please state your name, business address and present position with PacifiCorp (or the "Company").

A. My name is David L. Taylor. My business address is 210 South Main, Salt Lake City, Utah, where I am employed as a Regulation Manager.

Qualifications

Q. Please briefly describe your education and business experience.

A. I received a B.S. in Accounting from Weber State College in 1979 and a M.B.A. from Brigham Young University in 1986. I have been employed by PacifiCorp since the merger with Utah Power in 1989. Prior to the merger I was employed by Utah Power, beginning in 1979. At the Company I have worked in the Accounting, Budgeting, and Pricing and Regulatory areas. From 1987 to the present I have held several supervisory and management positions in Pricing and Regulation.

Q. Have you appeared as a witness in previous regulatory proceedings?

A. Yes. I have testified on numerous occasions in Utah as well as in California, Idaho, Montana, Oregon, Washington, and Wyoming. I also sponsored testimony in the Company's Structural Realignment Proposal (SRP) and MSP proceedings.

Purpose and Summary of Testimony

Q. What is the purpose of your testimony?

A. I will describe the allocation methodology utilized in the Power Cost Adjustment Mechanism (PCAM) to apportion net power cost variances to the Company's Utah jurisdiction.

Allocation of Deferred Net Power Costs

Q. From a jurisdictional allocation perspective, what principal did the Company follow in determining Utah's share of Net Power Cost variances under the proposed PCAM?

A. The allocation procedures under the proposed PCAM are designed to ensure that the inter-jurisdictional cost allocations of Net Power Costs (NPC) variances included in Deferred Net Power Costs are in harmony with the Revised Protocol.

Q. How is Utah's allocated share of the Deferred NPC determined?

A. Utah's share of costs included in the Deferred NPC is determined using the allocation procedures employed in the Revised Protocol. These procedures include the realignment of the low costs benefits of Hydro-Electric Resources and Mid-Columbia Contracts and the additional cost of certain Existing QF Contracts via the ECD adjustments.

As described by Mr. Widmer, Deferred NPC are equal to the Utah allocated share of the difference between total Company Base Net Power Costs and total Company Adjusted Actual Net Power Costs plus a Utah retail load adjustment. The difference between Base and Adjusted Actual NPC includes not only changes in fuel costs and wholesale market prices, it also includes the NPC impacts related to changes in the production levels of resources that flow through the ECD adjustments. To accommodate this, the PCAM is designed to allocate the increases or decreases in net power costs associated with changes in the production levels of these three ECD resources in a manner that is consistent with the ultimate allocation of their costs and benefits under the Revised Protocol.

For example, if actual hydro production for a given year is lower than the level in Base NPC, the lost output is replaced through a combination of additional output from the Company's thermal plants, additional wholesale purchases and fewer wholesale sales. Stated another way, hydro costs don't go down, the cost of other resources goes up. The replacement costs associated with the variations in hydro production should be allocated to only those states that receive the low cost hydro benefit. Of course in the case of higher than projected hydro production, just the opposite happens and the reduction in NPC flows to the hydro benefited states.

Q. Why aren't the Deferred NPC allocated the same way as the NPC is base rates?

A. If you allocate the Deferred NPC in the same manner as in base rates, the cost of these replacement resources would be allocated on a system wide basis and not directed toward the states that initially received the low cost benefit of the hydro system.

Q. How is this done?

A. To be consistent with the various allocation procedures in the Revised Protocol the Deferred NPC is segregated into six categories; each with its own allocation procedure.

- Company Owned Hydro – West (Hydro-Electric Resources as defined in the Revised Protocol)
- Company Owned Hydro – East (Former Utah Power Hydro Resources)
- Mid-Columbia Contracts

- Existing Qualifying Facilities
- New Qualifying Facilities
- All Other

The net power cost changes associated with these categories are determined using GRID studies. After adjusting for the sharing ratio, the five categories are allocated to states using factors developed from the actual (not temperature normalized) load data from the most recent fiscal year. Each category is allocated as follows:

> Company Owned Hydro – West variance is allocated among states using the Divisional Generation – Pacific (DGP) factor.
>
> Company Owned Hydro – East variance is allocated among states using the System Generation (SG) factor.
>
> Mid-Columbia Contracts variance is allocated among states using the Mid-Columbia (MC) factor.
>
> Existing Qualifying Facilities variance is assigned situs to each state.
>
> New Qualifying Facilities variance is allocated among states using the System Generation (SG) factor.
>
> All Other variance is allocated on the System Generation (SG) factor.

Q. Does this conclude your direct testimony?

A. Yes.