Q. Please state your name, business address and present position with PacifiCorp dba Utah Power & Light Company (the Company).

A. My name is A. Richard Walje. My business address is 201 South Main, Suite 2300, Salt Lake City, Utah 84111. I am the President of Utah Power.

Qualifications

Q. Briefly describe your educational and professional background.

A. I have worked in the electric utility industry since 1972. My experience includes working as a journeyman lineman, field service engineer with General Electric and as a substation design engineer for Utah Power. At Utah Power I have held numerous management and executive positions with increasing levels of responsibility in the areas of engineering, construction, transmission, and distribution operations, customer service, procurement, information technology and community affairs. I have served on PacifiCorp's Board of the Directors since 2000 and I am also currently the Chairman of the Board of the PacifiCorp Foundation for Learning. I have a Bachelor of Science in Electrical Engineering degree (1984) and a Master of Business Administration degree (1991), both from the University of Utah. I have received additional executive level instruction from the University of Michigan and management and electrical engineering theory from General Electric's Crotonville education center.

Q. What are your responsibilities as President of Utah Power?

A. My responsibility, as President of Utah Power, covers all of the Company's affairs in the State, including responsibility to assure that the Company's strategy, investments and operations contribute to the delivery of safe, reliable and affordable electric energy to the company's Utah customers.

Purpose and Summary 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 2006 Utah General Rate Case filing, and to provide the context of this rate case for other witnesses who will testify regarding our specific proposals. In outlining the Company's case, and the need for the increase, I will cover the following areas:

- How load growth and external business factors are driving substantial increases in investment and operating expense in order to ensure that we continue to provide safe, reliable power to our Utah customers;
- The Company's financial position and why using this test period, as well as an appropriate Return On Equity ("ROE"), is critical to maintaining the financial strength of the Company;
- Why a strong financial position for the company is a benefit for Utah customers;
- Steps the Company has taken to manage load growth and control costs while at the same time improving customer service and service quality;
- Utah Power's contributions to the economic vitality of the state of Utah;
- That even with these cost increases, electricity prices will remain excellent value for customers in Utah; and
- How the proposed acquisition of PacifiCorp by MidAmerican Energy Holding Company has been treated within this filing.

Finally, I introduce the Company witnesses and briefly discuss the issues they will address.

Q. Please describe PacifiCorp's presence in Utah.

A. PacifiCorp provides safe, reliable, and reasonably-priced electric service to over 725,000 Utah customers, or approximately 85 percent of all Utah's electric customers. PacifiCorp is a major employer in the state of Utah with over 2000 employees. Within the State, the Company operates ten major generation units, produces over 3.5 million tons of coal and maintains over 17,000 miles of transmission and distribution lines. Later in my testimony I will describe in more detail PacifiCorp's commitment to the environment, our communities and our customers.

Q. Please explain why the Company is filing for a requested increase to serve its Utah customers at this time.

A. The need for this increase is driven by six main cost areas: new plant investment, net power costs, generation-related operation and maintenance costs, Power Delivery program costs, an increased cost of capital, and employee labor and benefits. The filing promotes PacifiCorp's key goals of delivering safe, reliable electric service, providing excellent customer service and maintaining reasonable, competitive prices while being provided with a fair opportunity to earn a reasonable ROE. Although the magnitude of the increase is significant, the Company has carefully reviewed the development of this filing to ensure that all elements of the rate request are necessary to maintain safe and reliable service to our customers at a level they both expect and deserve. The Company believes that with the level of predicted growth, and the required investment in the system, its request is both responsible and prudent.

Q. What rate increase is the Company requesting?

A. In order to recover the costs of providing safe, adequate and reliable electric service, and have a reasonable opportunity to earn a fair return on its investments, the Company is requesting an increase of $197.2 million, or 17.1 percent, to our tariff customers, which reflects the revenue requirement adjustments described by Mr. Weston in his direct testimony. This increase includes a request for an ROE of 11.4 percent, which is, as Mr. Hadaway testifies, a realistic estimate of PacifiCorp's fair cost of equity capital. Even with the price increases proposed in this case, PacifiCorp's rates will remain very competitive when measured against other utilities within the state, across the West, and throughout the nation.

Load Growth

Q. Please explain why much of this rate increase is driven by the increased load growth in Utah.

A. The Company's Utah load growth is driven primarily by the increase in Utah's population and its associated economic activity. Over the past 5 years, the state's population has grown over 13 percent and our customer numbers by 12 percent. Several respected economists and groups are predicting that Utah's population will grow to 3.5 million by the year 2030, or approximately 40 percent. The majority of these residents will be Utah Power customers. Additionally, Utah's economy has grown strongly since 2004, with the state continuing to out perform the nation with job growth at 3.5 percent in 2005. In its report to the Governor, the State Office of Planning and Budget predicted employment growth of 3.3

percent during 2006. Each of Utah's major employment sectors grew during 2005. As a consequence of these economic drivers, the Company must plan to respond to significant continuing load growth, especially in Utah. Our load forecasts are aligned with the state economic forecasts and we anticipate our energy requirements will grow by 4 percent per year with our summer peak rising at an even faster rate. Mr. Klein explains in more detail the background to the growth in loads, and the basis for the expectation that, going forward, the growth trend will continue.

Q. In summary, what are the major components of PacifiCorp's capital investment strategy?

A. To address the load growth issue outlined above, as well as load growth in the other states we serve, the Company is in the midst of adding several new major resources. Those new resources include the Company's Currant Creek and Lakeside generation facilities and other resources. Further, the Company is both investing in maintaining its aging thermal fleet and fulfilling its environmental obligations with respect to hydro re-licensing and clean air requirements. Included within this filing, for example, is the new scrubber at the Huntington plant. These investments are further described in the direct testimony of Mr. Tallman and Mr. Cunningham.

Later, within my testimony, I will also highlight the significant investments we are making in the areas of transmission and distribution connections, reinforcement and asset replacement which are addressed in detail by Mr. Gerrard.

Q. What is PacifiCorp's current projection of capital investment?

A. The Company projects that over $2 billion of new capital investment, including $1.3 billion in Utah, will have been added to the system by the end of the test year in this rate application.

Externally Influenced Costs

Q. Please elaborate on external business factors that PacifiCorp must respond to.

A. In addition to general inflation, the Company is experiencing significant upward cost pressures in several areas such as net power costs, construction materials, fuel and certain labor related costs. As Mr. Rosborough discusses in more detail, the Company has also seen continued increases in both pension and health insurance costs. Although the Company has mitigated some of the impact of those increases with internal cost control initiatives, such as an increase in employee contributions to these benefits, those that are externally driven are largely unavoidable. Rising costs in these areas are not unique to PacifiCorp or Industry in general.

Another externally driven cost increase is in the area of net power costs. Net power costs represent about 24 percent of the Utah revenue requirement and have continued to trend upwards. Compounding this issue, and beginning with the energy crisis of 2000-2001, wholesale energy markets have become significantly more volatile. This combination of greater volatility, and higher market prices, has produced a much riskier environment for all participants in the wholesale energy market, and regulated utilities are no exception. As a result, on

November 21, 2005, PacifiCorp filed for approval of a Power Cost Adjustment Mechanism (PCAM) which would more fairly balance the risk between shareholders and customers. PacifiCorp witness Mr. Widmer will testify to the details of net power costs in this application.

Financial Strength

Q. Absent the requested price change, will the Company have a reasonable opportunity to earn its authorized rate of return in the forecasted Test Period?

A. No. At current rate levels, the Company's return on equity will drop to an estimated 3.9 percent by September 2007. Without a general rate increase, cost pressures will diminish the Company's opportunity to earn its allowed return.

Q. Is PacifiCorp in a generation and transmission "build" cycle?

A. Yes. PacifiCorp's most recent Form 10-K indicates that the Company's increasing capital expenditure program will exceed one billion dollars per year by April 1, 2006.

Q. Is PacifiCorp's credit rating especially critical when it is in a "build" cycle?

A. Yes. PacifiCorp's projected level of investment in the test period in this case will exceed $1.3 billion dollars which is double the Company's net operating income ($656 million in FY05). It is also more than three times the depreciation expense ($437 million in FY05). These levels of expenditure cannot be sustained without new financing. During 2002-04, for example, PacifiCorp was required to obtain over $1.3 billion from new equity and long-term debt. PacifiCorp's credit rating is imperative to its continued ability to access the capital markets, as well as its ability to finance its capital investments at a reasonable cost.

Q. How would the Commission's failure to address these issues affect PacifiCorp's ability to attract the capital it requires to maintain safe and reliable service to its customers?

A. Absent supportive regulatory treatment and a more reasonable earnings level, the combination of the Company's current build cycle, its chronic under-earning and credit rating position will make it more difficult for the Company to obtain the capital it needs at competitive prices.

Q. What return on equity is the Company recommending in this proceeding?

A. PacifiCorp is requesting an ROE of 11.4 percent which is, as discussed in Dr. Hadaway's testimony, a realistic estimate of PacifiCorp's cost of equity capital during the period that rates from this case will be in effect. In his testimony, Dr. Hadaway explains the quantitative model results, market and industry conditions and specific PacifiCorp financial and operating risks that provide the basis for his recommendation. I would like to emphasize that the financial and operating challenges that Dr. Hadaway discusses are real. As I explained earlier in my testimony, PacifiCorp is in an extensive build cycle and its ongoing level of investment dwarfs both its net operating income and depreciation expense. As a result, PacifiCorp requires substantial levels of new financing to fund the investment necessary to meet its customer need. Another challenge facing PacifiCorp is, as I discussed above, the combination of greater volatility and higher market prices in the wholesale energy market. While this produced a much riskier environment for all participants in the wholesale energy market, PacifiCorp, unlike other market participants, faces these risks without a power cost adjustment mechanism.

Q. How will the rate increase sought in this case contribute to PacifiCorp's financial health?

A. The rate increase will allow the Company to have an opportunity to earn its allowed rate of return. The additional revenues will provide a strong signal to the financial markets that PacifiCorp operates in a positive regulatory environment.

Cost Control Efforts

Q. What efforts has the Company made to control costs and keep prices reasonable?

A. Effective management of power and operating costs is one of the key elements within the Company's strategy. PacifiCorp has, and will, continue to achieve increased efficiencies through a wide range of productivity based initiatives, including improved call center operations, new procurement cost savings, and implementing internal process improvements. As Mr. Gerrard covers in his testimony, the Company is currently implementing measures that will allow us to minimize our long-term power delivery costs by striking a proper balance between operational expenses and preventative maintenance. Essentially this approach seeks to get maximum value for each dollar spent on maintaining and operating the growing system. While these and other initiatives are essential, they are not enough to offset the increases in cost discussed earlier.

Q. Has the company been able to continue to improve customer service and service quality while undertaking these cost management initiatives?

A. Yes. As operational efficiencies have been delivered, customer service performance levels have also improved. Many of the commitments made at the time of the merger with Scottish Power addressed improved customer service and PacifiCorp has met, or exceeded, all of these promises. For example, the Company was recently recognized for its excellent customer service. In a survey conducted by TQS Research, an independent survey group, PacifiCorp ranked number one out of 60 U.S utilities in overall satisfaction for large commercial and industrial customers. In the study 84 percent of customers with at least one megawatt of demand reported they are "very satisfied" with the level of service provided to them. Additionally, PacifiCorp's call centers received the 2005 Call Center of the Year award from the International Call Management Institute and received Service Quality Management Group's highest honor.

Q. Has the Company seen improvements in reliability?

A. Yes. PacifiCorp has continued to implement an investment strategy that is focused on both transmission and distribution asset replacement and reinforcement as a consequence of load growth and the need to replace assets close to the end of their operational lives. From 2003 through 2005, PacifiCorp has invested over $480 million on Utah transmission and distribution alone. As a result, Utah Power has seen improvements in both SAIDI and SAIFI performance and is on track to achieving its goal of a 6 percent improvement in these measures by March 2008. The MEHC transaction stipulation commits the Company to continue investment in the "Saving SAIDI Initiative" for three more years.

Q. What has the Company done to soften the impact of this rate increase on its customers?

A. I have already outlined the significant impact that load growth has on the overall level of revenue requirement for Utah. To help mitigate these increases, the Company has made concerted efforts to manage peak growth in Utah with continuation of our existing demand side management programs and the introduction of three new programs in Utah during 2005. These programs have the objective of further reducing the consumption of power and demand at peak times, therefore relieving the pressure on the existing infrastructure and limiting the need to purchase new expensive peak power. Since 2003, Utah Power has introduced, or significantly revised nine DSM programs, and is currently reviewing additional program proposals received through our 2005 DSM RFP. These DSM programs have cost effectively achieved more than 650,000 MWH of energy savings, positively benefiting participants through lower energy bills and, on a customer wide basis, slowing the need for new energy resources.

In addition, since 2003, Utah Power has built our Cool Keeper residential air conditioner load control program to over 120 MW of emergency dispatch and 60 MW of capacity clipping to assist with Utah's growing summer peak, enlisting our customers help in lowering system demands during these high load periods. Finally, PacifiCorp supports low-income households by joining in partnership with our customers and other agencies through the HELP and the Low Income Weatherization programs.

Competitive Prices

Q. What has the Company done to improve the economic health of the communities it serves?

A. The Company works closely with state and local government agencies on economic and community development and understands that its ability to provide safe reliable service at relatively low prices serves as a foundation for a healthy economy in the State of Utah.

The competitive rates that the Company provides will remain among the lowest in the nation. The Company's prices in Utah have consistently been in the lower third of EEI's national bill comparisons and in the midrange of other Utah electricity providers. In the most recent EEI survey of 177 investor-owned utilities (Summer 2005) the Company's Utah residential rates were ranked 57th lowest in the nation; commercial rates, 27^{th} lowest; and industrial rates, 17^{th} lowest. With this increase we will continue to be ranked among investor owned utilities with the lowest prices in the nation. Even taking into account the proposed increases, we believe that our future rates will still be extremely.

Q. Please describe Utah Power's current and proposed prices in an historical context.

A. Utah Power's actual prices today are lower than they were 20 years ago. Even with this requested increase, the Company's overall average price in Utah will remain lower than it was 20 years ago. When adjusted for inflation, the proposed prices in this case will be significantly less than they were 20 years ago. In light of the significant investment that PacifiCorp is making to ensure that the electrical infrastructure can cope with the rapid growth in Utah, that aging assets can be replaced and environmental obligations met, the rate increase is both very necessary and reasonable.

MEHC Acquisition of PacifiCorp

Q. Please describe the implications of MEHC's acquisition of PacifiCorp on this filing?

A. On July 15, 2005, MidAmerican Energy Holdings Company and PacifiCorp filed an Application with the Public Service Commission of Utah authorizing a proposed transaction whereby MEHC would acquire all of the outstanding common stock of PacifiCorp and PacifiCorp would thereafter become an indirect wholly owned subsidiary of MEHC. On November 15, 2005 the Company, the Division of Public Utilities, the Committee of Consumer Services and other parties filed a stipulation supporting approval of the transaction subject to 50 general and 28 Utah specific commitments. On January 27, 2006 the Commission approved the transaction, incorporating the terms of the stipulation.

As stated in commitment U 23, should the transaction close by April 30, 2006, PacifiCorp will file within fifteen days after closing, supplemental testimony by an MEHC witness to discuss and update PacifiCorp's revenue requirement in that case and to incorporate any additional adjustments that are appropriate as a result of the transaction. Additionally the suspension period in the case will be extended to December 11, 2006.

Q. How have any revenue requirement adjustments anticipated as a result of the transaction been reflected in the Company's case?

A. The revenue requirement presented by Mr. Weston in this filing is based on continued ScottishPower ownership. However, in anticipation of the closing of the MEHC transaction, the Company has included an additional adjustment that reduces the rate increase by $6.7 million. Any other revenue requirement adjustments associated with the transaction will be reflected in the supplemental filing discussed above.

Introduction of Witnesses

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

A. The Company witnesses filing direct testimony are:

Jeffrey K. Larsen, Managing Director, Regulatory Affairs, will explain why the future test year that begins on October 1, 2006 and ends on September 30, 2007 best reflects the conditions that the Company expects to experience in the rate-effective period.

Samuel C. Hadaway, FINANCO, Inc. will testify concerning the Company's return on equity. He will also describe the unique operational risks that PacifiCorp faces and why the Commission should add an ROE adjustment to account for PacifiCorp's higher risks.

Bruce N. Williams, Treasurer, will testify concerning the Company's cost of debt, preferred stock and capital structure.

Mark T. Klein, Managing Director, Planning and Analytics, will testify as to the changing load factors and load shape within Utah. He will explain how Utah's growth relates to the other states in the PacifiCorp system and how the changing underlying and peak growth in Utah is driving the overall system demand. He will also provide a view of future system growth in Utah relative to the other states.

J. Ted Weston, Revenue Requirement Manager**,** will present the Company's overall revenue requirement based on the forecasted results of operations for the test year ended September 2007. Mr. Weston will describe the sources of the forecast data and present certain normalizing adjustments related to revenue, operation and maintenance expense, net power costs, depreciation and amortization, taxes and rate base.

Mark T. Widmer, Director of Net Power Cost, will testify regarding PacifiCorp's net power costs. Mr. Widmer will describe the calculation of net power costs. Mr. Widmer will also describe the Company's production cost model and explain how input data is normalized in that model.

Darrell T. Gerrard, Vice President of Transmission and Distribution Engineering and Asset Management, will explain the reasons for the increased expenditures during the test year related to the operation and maintenance of PacifiCorp's Utah electrical distribution system. Mr. Gerrard explains these increases and the circumstances that are driving them.

Mark R. Tallman, Managing Director**,** Trading and Origination, will provide information and justification for PacifiCorp's new major resource acquisitions.

Barry G. Cunningham, Senior Vice President, Generation, will explain the reason for, and prudence of, the increased generation related overhaul and maintenance expenses for the year ended December 31, 2007 (test period). His testimony also demonstrates the prudence of constructing a flue gas de-sulfurization system (scrubber) for Huntington Unit 2.

Daniel J. Rosborough, Director of Employee Benefits will testify regarding the Company's increased pension and employee benefit costs.

Erich D. Wilson, Director of Compensation will provide an overview of, and support for, PacifiCorp's compensation plans which include base pay, and annual and long term incentive compensation.

William R. Griffith, Director of Pricing and Cost of Service, will present the Company rate spread and rate design proposals.

Karl G. Anderberg, Cost of Service Manager, will present the class cost of service study.

David L. Taylor, Manager, Regulation, will provide an overview of the Utah Cost of Service and Rate Design Task Force and explain the proposed changes in the allocation procedures used in the cost of service study.

Carole A. Rockney, Director, Customer & Regulatory Liaison in the Customer Services Department will propose changes to Utah Electric Service Schedules and Regulations.

Q. Does this conclude your testimony?

A. Yes.