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.

Purpose and Summary of Testimony

Q. What is the purpose of your testimony?

A. In my testimony I give a brief overview of the work of the Cost of Service and Rate Design Taskforce that was established in the last rate case. I then describe and give the reasons for the seasonally weighted generation and transmission demand factor (F10) and the monthly allocation factors (F85 – F96) for the net power costs components in the cost of service study.

Cost of Service and Rate Design Taskforce

Q. Please describe the work of the Utah Cost of Service and Rate Design Taskforce.

A. As part of the stipulation in the last general rate case (Docket No. 04-035-42), the parties in the case agreed to the formation of a task force to discuss generation-related cost of service and cost allocation issues, customer charge and rate design issues raised but not resolved in the case. The task force involved eleven interested parties who met numerous times over seven months to discuss the assigned issues and other issues proposed by task force participants. The task force provided an opportunity to revisit the appropriateness of the current Utah cost of service methodologies, which have been established over a number of years. Eleven issues were discussed and nine specific proposals were made during the course of the taskforce work. While the task force was unable to reach consensus on most issues, the parties were able to achieve a general consensus that we should explore a cost of service methodology that better reflects seasonal and time differentiated load and cost differences. A report on the task force activities and results was filed with Utah Commission on December 15, 2005.

Q. Is PacifiCorp's seasonal allocation methodology proposed in this case consistent with the Company's proposal in the task force?

A. Yes. The Company's recommendation in this case is the same as discussed in Proposal Number 9 in the task force report.

Q. Why is the Company proposing a change to the generation and transmission allocation procedures?

A. Over the past several years, the Company's retail loads have grown faster during the summer than during other times of the year. As a result, the Company's load profile is becoming more seasonal in nature. This is particularly true for the state of Utah. This issue was one of the primary concerns that led to the establishment of the Cost of Service and Rate Design Task Force. As I previously mentioned, there was a general consensus among task force participants that we should explore a cost of service methodology that better reflects seasonal and time differentiated load and cost differences. Additionally, PacifiCorp currently has seasonal differences in our prices for most customers. Incorporating seasonal differentiation into the cost of service more closely aligns the allocation of costs with the seasonal pricing.

Seasonally Weighted Demand Factor

Q. How have generation and transmission fixed costs been allocated in the past?

A. From 1989 through 2004, the demand component of generation and transmission costs was allocated using a twelve coincident peak (12CP) allocation. Under this method, each class's contribution to the twelve monthly system peaks was added together and reflected as a percent of the total 12CP for all classes. In essence, each monthly peak kW was given an equal weight, a weighting of one. A kilowatt ("kW") during the peak hour of March has the same effect on the cost allocation as a kW during the peak hour in July.

Prior to 1989, Utah Power allocated generation and transmission fixed

costs using an eight coincident peak (8CP) methodology. Under this approach loads during four months of the year (March, April, May, and October) were excluded in the calculation of the allocation factor. Or, in other words, eight months were given a weighting of one and four months were given a weighting of zero.

Q. Please describe the Company's proposed seasonally weighted demand allocation factor?

A. PacifiCorp recommends that the 75 percent demand 25 percent energy classification be retained for Generation fixed costs, but that the following modifications be made to the allocation of Generation fixed costs: Rather than assigning all monthly loads an equal weight, or applying a weighting of one in some months and a weighting of zero in other months, the demand related component of Factor 10 is developed using a relative monthly peak demand weighted 12 CP allocation factor. Each monthly CP has a different weighting factor greater than one applied. The monthly CP weightings are calculated by dividing each month's system coincident retail peak by the annual system retail peak. For example, for the twelve months ending September 2007, the system retail peak is forecasted to be 9,123 MW during July 2007. Therefore, the month of July receives a weighting of 1.00 (9,123/9,123). The forecasted system retail peak in October 2006 is 6,793 so it receives a weighting of 0.7446 (6,793/9123). The twelve monthly class coincident peaks are then multiplied by the monthly weighting factors and summed to calculate the weighted generation allocation factor.

The complete details of calculation of the weighted F10 are detailed in the workpapers included with Mr. Anderberg's testimony.

Q. Is the concept of applying a monthly weighting component to class loads already used in the used in the development of other allocation factors in the cost of service study?

A. Yes. The concept is not new. The process just described for applying a monthly weighting factor to class coincident peaks is similar to the process used to development of the Weighted Distribution Peaks Factor (F20) that has been used in the cost of service study for nearly twenty years.

Monthly Net Power Costs

Q. Please describe the Company's recommendation for the monthly allocation of Net Power Costs (NPC)?

A. PacifiCorp recommends that fuel and other net power cost components be allocated on a monthly basis. Monthly class CP and energy loads are already included in the cost of service study and net power costs are also calculated and summarized by month in the NPC study for the test period. The allocation works as follows: The monthly value for each major component of system net power costs (Firm and Non-firm Wholesale sales, Firm and Non-Firm Purchases, and Fuel) is multiplied by the appropriate Utah interjurisdictional allocation factor (SE, SG, etc). Utah's share of this monthly amount is then allocated to customer classes using a factor based on that month's energy usage, or combined CP and energy in the case of firm purchases and sales. The process is repeated for each month of the test period and the monthly values summed for the year. The annual

summation for each class would then be used to calculate the allocation factor for that component of NPC in the cost of service study.

Q. Did you also look at an hourly allocation of fuel and other NPC components?

A. Yes. As part of our work with taskforce we explored the possibility of developing and using an hourly allocation method for the net power costs components. Drawing upon the analysis from the Industrial Rate Design Task Force (Docket No. 04-035-11, we found that: 1) the amount of data required do develop hourly allocations of costs was enormous; 2) some components of NPC, such as the fixed charges associated with purchases are not differentiated by hour; and 3) the impact on class cost of service results was minimal. For all of these reasons, PacifiCorp does not recommend that fuel and other NPC components be allocated on an hourly basis.

Q. Do you feel the Company's proposed modification to the allocation procedures are a better reflection of cost causation?

A. Yes. PacifiCorp feels that these modifications represent a good start toward meeting the objective of reflecting seasonal load and cost differences in the cost of service study.

Q. What are the impacts of proposed allocation procedures of cost of service results?

A. The following table shows the class cost of service impacts of the proposed seasonally weighted demand factor and the monthly NPC allocation. The information in the table is based on the cost of service study provided by Mr. Anderberg in his testimony. Column "C" reflects the percent rate increase needed

achieve the target rate of return using the pre-MSP, non-seasonal, class allocation factors. Column "D" reflects the percent increase needed using the allocation procedures proposed by the Company in this case. Column "E" shows the change in cost of service results associated with the proposed allocation method.

PacifiCorp
Cost Of Service By Rate Schedule
State of Utah
12 Months Ending September 2007
Impact of Proposed Change in Allocation Factors
8.48% = Target Return on Rate Base

A	B	C	D	E
		Percent Change from Current Revenues		
Schedule No.	Description	Rolled-In Factors	Weighted Factors	Impact of Wtd Factors
1	Residential	16.25%	17.20%	0.95%
6	General Service - Large	12.14%	11.72%	-0.42%
8	General Service - Over 1 MW	17.37%	16.54%	-0.83%
7,11,12,13	Street & Area Lighting	24.95%	25.05%	0.10%
9	General Service - High Voltage	21.13%	19.92%	-1.20%
10	Irrigation	22.29%	29.70%	7.41%
12	Traffic Signals	24.67%	23.89%	-0.79%
12	Outdoor Lighting	-38.94%	-39.49%	-0.55%
21	Electric Furnace	-21.18%	-26.30%	-5.13%
23	General Service - Small	13.64%	14.11%	0.47%
25	Mobile Home Parks	25.78%	26.66%	0.87%
SpC	Customer A	27.06%	25.32%	-1.75%
SpC	Customer B	30.17%	24.76%	-5.41%
SpC	Customer C	51.32%	49.44%	-1.88%
	Total Utah Jurisdiction	16.47%	16.47%	0.00%

Q. Does this conclude your direct testimony?

A. Yes.