Q. Please state your name, business address, position and company.

A. My name is Donald S. Roff and I am President of Depreciation Specialty Resources. My business address is 2832 Gainesborough Drive, Dallas, Texas 75287-3483.

Q. Are you the same Donald S. Roff who submitted direct testimony in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address the topic of depreciation and the proposals presented by Mr. Jacob Pous on behalf of the Committee of Consumer Services ("CCS") and by Mr. Charles W. King on behalf of the Division of Public Utilities, Utah Department of Commerce ("DPU"). I will demonstrate that their proposals regarding an appropriate level of depreciation expense are inadequate and unfair, have been developed on the basis of misleading conclusions, and result in significant intergenerational customer inequity, in particular the treatment of the cost of removal component of depreciation expense recommended by Mr. King. In fact, his proposal is a violation of accounting principles and should be rejected.

Q. Have you prepared any exhibits?

A. Yes. Exhibit RMP___(DSR-1R) has been prepared to summarize the impact on annual depreciation expense of each of the proposals in this proceeding on a Utah jurisdictional basis. Also, I have prepared Exhibit RMP___(DSR-2R) to illustrate the flaw in Mr. Pous' treatment of third-party reimbursements. It will be

discussed later in my rebuttal testimony. Exhibit RMP___(DSR-3R) has been prepared to illustrate the deferral in Mr. King's present value net salvage calculation, and will be discussed later in my rebuttal testimony.

Q. Were these exhibits prepared by you or under your supervision?

A. Yes.

Q. What does Exhibit RMP___(DSR-1R) show?

A. Exhibit RMP___(DSR-1R) shows that the approved, existing depreciation rates produce a level of annual depreciation expense of approximately $161.4 million on a Utah jurisdictional basis. My recommended depreciation rates produce a level of annual depreciation expense of approximately $151.7 million on a Utah jurisdictional basis, or a reduction of $9.7 million, or 6.0 percent. The primary driver for this decrease is longer life spans associated with Steam Production Plant. The depreciation rates recommended by Mr. Pous produce a level of annual depreciation expense of approximately $124.4 million on a Utah jurisdictional basis, or a reduction of $37.0 million, or 22.9 percent. The primary drivers for this decrease are even longer life spans for Production Plant and reduced negative net salvage for Steam Production, Transmission and Distribution Plant. The depreciation rates recommended by Mr. King produce a level of annual depreciation expense of approximately $121.2 million on a Utah jurisdictional basis, or a reduction of $40.4 million, or 25.0 percent. The primary drivers for this decrease are longer life spans for Production Plant and reduced negative net salvage for Production Plant, Transmission and Distribution Plant, as well as certain average service life adjustments for four asset categories. More

significant, however, is the approach that Mr. King is proposing to be utilized for depreciation expense associated with cost of removal.

Q. What are the issues associated with these depreciation expense adjustments?

A. There are several issues associated with these depreciation expense adjustments. The issues are:

- Power Plant Life Spans;
- Terminal Net Salvage for Power Plants;
- Interim Additions Associated with Power Plants;
- Average Service Lives for Certain Asset Categories; and
- Net Salvage for Transmission, Distribution and General Plant.

Power Plant Life Spans

Q. What is the issue associated with power plant life spans?

A. The issue is what the appropriate life spans are for Steam and Other Production Units. This topic will be addressed in the rebuttal testimony of Company witness Mr. Mark C. Mansfield. There seems to be no issue with respect to the life spans and retirement dates utilized for the Hydraulic Production Plant function.

Terminal Net Salvage for Power Plants

Q. What is the issue with respect to terminal net salvage for power plants?

A. My depreciation study developed an estimate of current cost terminal net salvage for the coal units of $50/kW, based upon a collection of site-specific cost estimates that I have accumulated. The studies were provided to the CCS and DPU in a data request. This estimate produced a total steam plant terminal net salvage amount of $319 million. It should be noted that the existing, approved

depreciation rates for Steam Production Plant include a terminal net salvage estimate of $25/kW based upon a settlement agreement which was reached in the last case where the Company also recommended $50/kW. The settlement was reached based upon agreement that a joint study be completed before the next depreciation rate filing.

Q. What is the recommendation of Mr. Pous with respect to terminal net salvage for steam production plant?

A. Mr. Pous recommends retaining the existing $25/kW terminal net salvage estimate. He claims that I have doubled the existing amount and further asserts that my estimate is based on a "fatally flawed analysis".

Q. How did Mr. Pous arrive at his recommended level of $25/kW?

A. Mr. Pous took the results of my summary and identified eight high cost estimates as outliers. Eliminating these eight estimates reduced the average figure to $46/kW. Mr. Pous did NOT eliminate any low cost estimates. Mr. Pous asserts that I inappropriately escalated the studies to a current price level. He stated that I ignored any potential change in productivity, any change or inconsistencies in any internal assumption made within any study, any change in the level of asbestos that may have been removed, or the fact that cost of removal and gross salvage may have changed at different rates during this period. He also claims that I failed to recognize that 17 generating units are in Canada and the changing value of the Canadian dollar has an impact. Finally, he asserts that current scrap prices for copper and steel reduces the results of my calculation.

Q. What is your reaction to these assertions?

A. With respect to the elimination of outliers, it would seem that if certain high cost estimates were deemed to be outliers, then certain low cost estimates should be eliminated for the same reason. Twelve of the high cost outliers were for units with a capacity of less than 100 mW. If the eight lowest cost estimates are eliminated in order to be consistent and symmetrical, the average cost becomes $52/kW, quite consistent with the aggregate average. If the Canadian plants are eliminated, the average is also $52/kW. With respect to current scrap prices, I will admit that I can offer no speculation as to what scrap prices will be when the Rocky Mountain Power units will be demolished or dismantled some 20 to thirty years from today. In addition, Mr. Pous states that I ignored any potential change in productivity, any change or inconsistencies in any internal assumption made within any study, any change in the level of asbestos that may have been removed, or the fact that cost of removal and gross salvage is inconsistent with the facts. I have reviewed these items and have determined that the assumptions used are consistent with the multiple outcomes which may occur for each plant at the Company. I agree that each plant being retired, will have varying characteristics, so a broad average cost makes the most sense at this point in time. To me, that is an insufficient reason to retain the existing $25/kW figure. It would be equally uncertain to speculate as to what additional environmental requirements might be in place in the future. I believe my estimate of $50/kW produces a fair and reasonable level of depreciation expense based on current values. This cost will continue to increase over time based on normal inflation, as

well as changes in legal, environmental and regulatory requirements.

Q. What is Mr. King's proposal with respect to terminal net salvage for production plant?

A. Mr. King proposes a present value approach for all negative net salvage. I will address this topic later in my rebuttal testimony.

Interim Additions for Power Plants

Q. What is the issue with respect to interim additions for power plants?

A. In developing the depreciation rates for power plants, a number of factors influence the depreciation rate. These include the depreciable balance, the accumulated depreciation balance, interim activity, interim net salvage and terminal net salvage. Because we are developing a depreciation rate that will be applied for some period of time, generally five years, the time period between depreciation studies, in effect, a regulatory lag occurs. In an effort to mitigate the effect of always increasing depreciation rates at subsequent studies, due to interim replacements, an attempt was made to recognize this fact in the depreciation rate. There is no dispute that the interim retirements have an impact on average service life, and it is therefore appropriate to recognize this effect in calculating depreciation rates. It can also be demonstrated that when a retirement occurs, a replacement is most often required. Moreover, this replacement exceeds the retirement amount. Thus, every time a replacement occurs, and the endpoint of the life of the plant is fixed, an upward adjustment to the depreciation rate is required. This is because the new asset has a shorter total life than the total life of the plant/unit.

Q. Why should interim additions and retirements be included in the calculation of depreciation rates for production plant?

A. Interim retirements occur over the life of a production unit as items are replaced or retired. This is clearly evident from a review of historical investment experience. Recognition of the effect of these interim retirements in the depreciation rate calculation is necessary to ensure that these interim retirements are fully depreciated by the time they occur. Similarly, interim additions occur over the life of a production unit as items are replaced or new items are installed. This activity is also clearly evident from a review of historical investment experience. Recognition of the effect of these interim additions in the depreciation rate calculation is necessary because the estimated retirement dates cannot be achieved without the replacement activity, and the estimated retirement dates assume this activity will occur. In fact, if the interim additions are not made, the expected useful life can not be attained. There are few (if any) mechanical components at a generating station that can be retired and removed without replacement.

Q. What treatment of interim additions have you proposed?

A. The treatment of interim additions that I have proposed is to recognize interim additions equal to interim retirements over the period 2007 through 2011. This amount is extremely conservative since normal replacement of retirements occurs at levels two to three times the cost of the original investment. I have not included any additions for periods beyond which I have anticipated the new depreciation rates will be applied.

Q. Have you quantified this level of interim additions?

A. Yes. For the total Production Plant function (Steam, Hydraulic and Other Production), the estimated interim additions that I have included in the depreciation rate calculation is $121.8 million. This represents an annual depreciation expense of $4.5 million.

Q. How does this compare with PacifiCorp's construction budget?

A. For 2007 alone, the estimated construction budget for Production Plant is over $190 million, excluding construction of new facilities for clean air and new wind generation.

Q. What is the treatment of interim additions proposed by Mr. Pous and Mr. King?

A. Mr. Pous and Mr. King propose to eliminate interim additions from the depreciation calculation, although it should be noted that Mr. Pous' testimony and exhibits show no change to the Company's proposed depreciation rate for Hydro Production.

Q. What is the basis for this exclusion?

A. Mr. Pous claims that interim additions are inappropriate because they reflect the estimation of potential additions to plant-in-service that currently do not exist and are not used and useful in providing service. He further asserts that such interim additions may never actually occur or may occur at a much different date or amount than initially assumed. He also claims that the approval of such a process represents a significant shift in policy.

Mr. King claims that the inclusion of interim additions represents an out-of-period

ratemaking adjustment and should be disallowed.

Q. Do you agree?

A. No. The treatment of interim additions that I propose merely recognizes the fact that retired assets are routinely replaced, and therefore contribute to the proposed service life of each plant/unit. Depreciation expense for these interim additions only occurs when they are placed in service and the depreciation rate is applied to the depreciable balance. This effect is no different than for any other future addition recorded by the Company. It is not an out-of-period ratemaking adjustment anymore than the estimation of future lives, inclusion of interim retirements or consideration of future net salvage values. It does not change any tariff rates, nor does it include in tariff rates a cost for facilities that are not yet used and useful. The exercise of setting depreciation rates is an attempt to appropriately spread the various costs related to an asset over its useful life so that customers receiving service are charged correctly for the service they are provided. The depreciation rate will not be applied to any interim addition until it is actually made.

Average Service Lives for Certain Asset Categories

Q. Were there any changes to average service lives proposed by Mr. King or Mr. Pous for transmission, distribution, general plant or mining operations?

A. Mr. Pous proposed no changes in average service lives for these asset categories. Mr. King proposed changes to average service lives and Iowa curves in four asset categories:

- Account 353.7 – Transmission Supervisory Equipment; A change

from 25 - R1.5 to 55 – S0.5;

- Account 357 – Transmission Underground Conduit; A change from 60 – R2 to 80 – R1.5;
- Account 366 – Distribution Underground Conduit; A change from 60 – R2 to 80 – R1.5; and
- Account 367 – Distribution Underground Conductors and Devices; A change from 50 – R2 to 60 – R2.5.

The effect of his proposed changes would be a decrease in annual depreciation expense of $2,321,684 on a Utah jurisdictional basis.

Q. Do you agree with these changes?

A. No. Let us start with Account 353.7. This asset category contains primarily computer related hardware and software, including about $12 million of SCADA remote terminal units. The average age of the survivors at December 31, 2006, is 11.47 years which represents the average time that the current plant balance in Account 353.7 has been in service. This means that the majority of the assets surviving in this Account have been placed in service in the last 20 years. It is obviously inappropriate to assign an average service life of 55 years to these types of assets. History indicates about $3.9 million of retirements with an average age of 10.51 years. The actuarial analysis indicates a lengthening of life above the existing 20-year average service life and my recommendation increases the average service life to 25 years. Mr. King's excessive recommendation is not supported by the actuarial analysis and must not be accepted. It should be pointed out that Mr. King made no change to the same account in Distribution Plant

(362.7), where a 25-year average service life was also recommended.

Q. Please address Accounts 357 and 366.

A. These accounts should be addressed together because Account 366 is the basis for the recommendation for Account 357. Both of these accounts contain assets related to underground conduit. Account 357 is relatively young, with an average age of 7.83 years. Only three small retirements have occurred and the life analysis is too incomplete to be reliable for estimating the service life. Reliance was placed on the simulated plant analysis for Account 366. Account 366 has experienced considerable growth, with over $104 million of the $133 million balance added in the past twenty years. Retirements have averaged about $210 thousand over that same period, with retirement volumes about 50 percent higher in the past five years. While the wider bands (20, 30 and 40 years) yield life indications in the range of 65 to 90 years, there are many indications of average lives less than 60 years. In fact, the average of the best fitting lives is in the range of 50 to 60 years. The existing approved average service life is 60 years, and my recommendation is to retain that life. This is due to the shorter life indications in recent years and the multitude of average life indications less than 60 years. Mr. King provides only two sentences in his testimony addressing the results of his life analysis for these two accounts. His summary analysis shows nearly 2/3 of the dispersions with average lives less than 60 years.[1] The 80-year average service life recommendation is without merit and should be rejected.

[1] King Exhibit DPU-CWK 2.2(c), page 10.

Q. Please address Account 367 – Distribution Underground Conductors and Devices.

A. Account 367 is very similar to Account 366, in that substantial growth has occurred. Over $298 million has been added in the past twenty years of the $383 million depreciable balance. Retirements have averaged about $425 thousand annually over that period, with retirements roughly 50 percent higher over the past five years. Best fits were obtained to average lives ranging from 40 years to 100 years. There were numerous indications (approximately half) of average lives less than 50 years. The existing, approved service life is 50 years. Due to the number of shorter life indications, no change is recommended to the existing average service life. Mr. King devotes one sentence to his recommendation of 60 years. His summary analysis shows that over 1/3 of the dispersions with average lives less than 50 years.

Net Salvage for Transmission, Distribution and General Plant

Q. What is the issue with respect to net salvage for transmission, distribution and general plant?

A. This issue needs to be addressed separately for Mr. Pous and Mr. King. First, I will address Mr. Pous' analysis and recommendations. Mr. Pous recommends changes to the net salvage allowances for eleven mass property accounts.[2] Mr. Pous argues that the Company has elected to inappropriately remove all impacts of reimbursed retirements from the salvage analysis. He also states that the Company failed to evaluate whether the retirement activity, during the historical data period relied upon, reasonably matches the type of investment remaining in

[2] Pous Testimony, page 33.

plant in service. He finally asserts that the Company failed to provide any meaningful narrative of its selection process.

Q. Do you have any comments regarding these assessments?

A. Yes. But first, in order to understand my recommendations and to reject those of Mr. Pous, one must understand what reimbursed retirements represent, so as to appropriately recognize their impact from a depreciation standpoint.

Q. What are reimbursed retirements?

A. In Mr. Pous' testimony and discussion at page 34, lines 15 – 20 of his testimony he states:

> "Reimbursed retirements represent situations where an outside party reimburses the Company for retirement activity. Examples of reimbursed retirements may be situations where a governmental entity request that the Company move its power poles due to road widening, or where an outside party damages a pole due to an accident. In either case, the outside party has to reimburse the Company for the event."

It is accurate with the exception of one significant assumption. That point is that the payments received generally relate to the replacement assets and are calculated on a replacement cost new basis which has minimal relationship to removal cost or salvage of the existing plant.

Q. What does this mean from the standpoint of significance to your depreciation study?

A. The significance to my depreciation study of the incorrect recommendations of Mr. Pous is that the reimbursement amounts are **NOT** salvage. They should not be treated as salvage, and doing so distorts the net salvage analysis and inappropriately reduces annual depreciation expense.

Q. Please explain.

A. As this topic was researched, PacifiCorp personnel realized that these third-party payments needed to be addressed in the depreciation study. My initial approach was to relate the third-party reimbursements to the additions to which they relate, to reflect the fact that these are payments for replacement assets. The depreciation study workpapers as of March 31, 2006 reflect this treatment. Further discussion with PacifiCorp personnel resulted in the identification of the retirements, salvage and cost of removal for these third-party reimbursements for the period 2004 – 2006. The historical data files were adjusted to remove this activity for those three years.

It is apparent that Mr. Pous has a different interpretation of the Uniform System of Accounts than I do. Mr. Pous treats these payments as salvage, therefore relates them to retirements to reduce negative net salvage. This treatment is patently wrong. All research by the Company indicates that the reimbursements are payments for new assets. If these payments were received from customers, they would reduce the depreciable asset base, and are called Contributions in Aid of Construction ("CIAC"). This treatment is not questioned by Mr. Pous or Mr. King. The source of the payment should make no difference as to how such amounts are reflected in a depreciation study. These amounts are appropriately recorded in the Accumulated Provision for Depreciation account in the grouping of "Other items, including recoveries from insurance" and not in the Salvage category.

The way the Company has historically treated these items in prior

depreciation studies is the only correct way to recognize them in a depreciation study. Such a treatment results in the correct recognition of anticipated future third-party credits. Exhibit RMP___(DSR-2R) illustrates this point.

Q. Please explain Exhibit RMP___(DSR-2R).

A. Exhibit RMP___(DSR-2R) shows the treatment used by the Company on the left-hand side of the Exhibit and shows the treatment proposed by Mr. Pous on the right-hand side. Clearly, recognizing the third-party payments as salvage creates a shortfall, as seen at the bottom of the Exhibit. In fact, the amount is the "excess" salvage proposed by Mr. Pous. To summarize, treating them as salvage overstates the credit and incorrectly reduces depreciation expense. A review of these amounts for various accounts illustrates how such payments cannot be salvage. For example, in Account 364, Distribution Poles, Towers and Fixtures, the amount of third-party payments for 1999, 2001, 2003, 2004, 2005 and 2006 exceeds the level of retirements. In fact, the actual salvage received for these years totals only $825,401, compared to retirements of $15,607,847. Again, these payments are NOT salvage, and should not be treated as salvage.

Q. What does this mean to the changes in net salvage recommended by Mr. Pous?

A. It means that those recommendations are improper and must be rejected.

Q. What is your recommendation regarding net salvage for Account 390 – General Plant, Structures and Improvements?

A. My recommendation is a positive 5 percent net salvage figure.

Q. What is Mr. Pous' recommendation?

A. Mr. Pous recommends a positive 20 percent net salvage figure based upon an expected value for this account.

Q. Do you agree?

A. No. This recommendation appears to be more speculation than fact. His recommendation is primarily driven by inappropriately assuming the sale of the North Temple office at the end of its depreciable life. The appraised value for the North Temple building has nothing to do with an appropriate net salvage allowance for this account. The recommendation by Mr. Pous should be rejected. My experience has not shown substantial positive net salvage for this asset category.

Q. Do you have any comments regarding the net salvage approach recommended by Mr. King?

A. Yes. In the simplest of terms, his recommendation must be rejected for a variety of reasons.

Q. Please explain.

A. Mr. King is proposing to use a present value approach for the net salvage component of depreciation expense. His proposal produces serious intergenerational customer inequities, requires the use of numerous assumptions, additional calculations and cumbersome monitoring, is in conflict with depreciation accounting principles and, finally, I believe is inappropriate under GAAP ("Generally Accepted Accounting Principles").

Q. Do you agree with Mr. King's proposal?

A. No. First, PacifiCorp is required to practice accrual accounting.[3] The present value basis proposed by Mr. King is not accrual accounting as I understand that term. Second, the present value basis results in serious intergenerational inequity, as well as adding significant complexity for the Commission to deal with in evaluating recovery of removal costs. Third, Mr. King's present value basis introduces an element of valuation to depreciation accounting that is inconsistent with principles related to depreciation accounting. Fourth, even if this approach were correct, I do not believe that Mr. King has calculated the present value correctly. Fifth, the proper allocation of the total cost of fixed assets (investment plus net salvage) should be assigned to the customers benefiting from the service of those assets and not delayed to burden future customers. The present value basis for cost of removal used by Mr. King results in later generations of customers providing more than their fair share of the cost of removal compared to earlier generations of customers. Sixth, treating cost of removal differently from investment is not only inconsistent, it is improper and unfair.

Q. Have you prepared an exhibit to address Mr. King's present value approach?

A. Yes. Exhibit RMP___(DSR-3R) has been prepared for two reasons. The first

[3] Federal Energy Regulatory Commission Uniform System of Accounts, CFR 18, Part 101, General Instruction 11, *Accounting to be on Accrual Basis.* A. The utility is required to keep its accounts on the accrual basis. This requires the inclusion in its accounts of all known transactions of appreciable amount which affect the accounts. If bills covering such transactions have not been received or rendered, the amounts shall be estimated and appropriate adjustments made when the bills are received.

reason is to correct an error made by Mr. King. The second is to show the intergenerational inequity created by his approach.

Q. Please explain Exhibit RMP___(DSR-3R).

A. Exhibit RMP___(DSR-3R) utilizes some of the information contained in Mr. King's Exhibit CWK-2.1, Schedule 6. The calculation is for Account 364, Distribution – Poles, Towers and Fixtures and is only for the 2006 vintage year survivor. For this calculation, I have assumed an escalation rate of 2.5 percent. The first step is to estimate the future cost of removal for vintage year 2006. Mr. King did not do this. The cost of removal of 100 percent of the $12,287,963 balance is escalated at 2.5 percent for 39.5 years, producing the future cost of removal of $32,589,116. The present value of that amount is $1,310,724. This amount is depreciated over 40 years ($32,768). This is one part of the cost of removal depreciation expense. The second part is the "unwinding" of the discounting. It has been labeled "Accretion." This is the component that produces intergenerational inequity. Note that in the first year, the total depreciation expense is $142,410. In the last year, the total depreciation expense is $2,548,414. Thus the last generation of customers pay roughly 18 times what the first generation of customers pay. This is unfair and should not be approved.

Q. You state that you believe that the present value approach proposed by Mr. King is a violation of accounting principles. Please explain.

A. Statement of Financial Accounting Standard No. 90 deals with phase-in plans. Paragraphs 36 and 37 of that Statement address depreciation methods that are no longer acceptable. The present value approach proposed by Mr. King is in

essence an annuity method. As such, it would not be acceptable under GAAP. The discussion of removal costs under GAAP is based on the premise that removal cost is not part of depreciation expense, but rather a regulatory liability. The Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts states cost of removal means:

> The cost of demolishing, dismantling, tearing down or otherwise removing electric plant, including the cost of transportation and handling incidental thereto. It does not include the cost of removal activities associated with the asset retirement obligations that are capitalized as part of the tangible long-lived assets that give rise to the obligation.

It is also states in FERC Order 631:

> 36. As proposed in the NOPR, the rule applies to legal obligations associated with the retirement of tangible long-lived assets. Under the existing requirements of the Uniform Systems of Accounts removal costs that are not asset retirement obligations are included as a component of the depreciation expense and recorded in accumulated depreciation. The Commission notes that certain jurisdictional entities may have been receiving Docket No. RM02-7-000 - 18 - specific allowances for cost of removal for non-legal retirement obligations as a specific component in their rates approved by their regulators. The Commission did not propose any changes to its existing accounting requirements for cost of removal for non-legal retirement obligations. Accordingly, jurisdictional entities are accounting for such costs consistent with the requirements of the Uniform Systems of Accounts under Part 101 for public utilities and licensees, Part 201 for natural gas companies and Part 352 for oil pipeline companies.

It is clear that cost of removal is intended to be part of depreciation expense and recognition of costs should be consistent with approved depreciation practices. This approach must not be approved in this proceeding.

Q. Do you have any additional comments on the recommendations of the other parties?

A. Yes. I am concerned with the significant decrease in annual depreciation expense recommended by the other parties. While depreciation expense is not cash, it

does result in cash flow. Reducing cash flow at this time is not sound regulatory policy and is financially irresponsible. PacifiCorp has considerable cash flow needs, and a reduction at this time only increases the need for external financing. Such external financing places an additional cost on customers. For example for each additional billion dollars of investment in plant, customers will pay an additional $600 million over the life of the new investment. Mr. Bruce N. Williams will further discuss the impact Mr. King's proposed change could have on the financial requirements of PacifiCorp.

Q. Please summarize your rebuttal testimony.

A. My rebuttal testimony addresses five major areas: Power Plant Life Spans; Terminal Net Salvage for Power Plants; Interim Additions Associated with Power Plants; Average Service Lives for Certain Asset Categories; and Net Salvage for Transmission, Distribution and General Plant. I have discussed these issues with respect to the positions advanced by Mr. Pous and Mr. King. I have conducted a comprehensive depreciation study and produced recommendations consistent with depreciation accounting principles. PacifiCorp is entitled to a fair and reasonable level of depreciation expense, not the lowest level. My study produces a fair and reasonable level of depreciation expense, and should be approved by this Commission.

Q. Does this complete your rebuttal testimony?

A. Yes. But, I need to note that I have not addressed every issue raised by Mr. King or Mr. Pous, but rather have focused on the most significant errors in their analyses and recommendations. My failure to address other issues does not

signify my agreement with their positions. I continue to stand by the study filed with my direct testimony in every aspect.