Q. Please state your name, business address and present position with Rocky Mountain Power Company (the Company), a division of PacifiCorp.

A. My name is C. Craig Paice. My business address is 825 NE Multnomah, Suite 2000, Portland, Oregon 97232, and I am currently employed as a Regulatory Consultant in the Regulation Department.

Qualifications

Q. Please briefly describe your education and business experience.

A. I received a Bachelor of Science Degree in Business Management from Brigham Young University in 1976. I have also attended various educational, professional and electric industry seminars during my career with the Company. I have been employed by PacifiCorp since the merger in 1989. Prior to that time, I was employed with Utah Power & Light beginning in 1978 holding various positions in the accounting, customer service, and regulatory areas.

Q. What are your responsibilities?

A. My primary responsibilities are to prepare, present, and explain the results of the Company's cost of service studies to regulators and interested parties in jurisdictions where PacifiCorp provides retail electric service.

Q. Have you been a witness in other regulatory proceedings?

A. I have previously provided cost of service testimony in the state of California.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. I will present PacifiCorp's functionalized Class Cost of Service Study based on the twelve month future test period ending June 30, 2009.

Summary of Results

Q. Please identify Exhibit RMP___(CCP-1) and explain what it shows.

A. Exhibit RMP___(CCP-1) is the summary table from PacifiCorp's Twelve Months Ending June 2009 Class Cost of Service Study for the State of Utah. It is based on PacifiCorp's annual results of operations for the State of Utah as presented in the testimony of Mr. Steven McDougal. It summarizes, both by customer group and by function, the results of the cost study for the twelve months ending June 2009. Page 1 presents the results at the Company's June 2009 Rate of Return assuming current rate levels. Page 2 shows the results using the return provided by the $161.2 million revised protocol mitigation cap price increase.

Q. Please identify Exhibit RMP___(CCP-2) and explain what it shows.

A. Exhibit RMP___(CCP-2) shows the cost of service results in more detail by class and by function. Page 1 summarizes the total cost of service summary by class and pages 2 through 6 contain a summary by class for each major function.

Changes in Cost of Service Study

Q. Are there any differences between this cost study and the study filed previously with the Utah Commission in Docket No. 06-035-21?

A. No. This cost of service study is similar to the one filed in the previous docket. The allocation of generation/transmission costs and net power costs, first introduced in Docket No. 06-035-21, which reflect the impact of seasonal cost and load differences have been retained in the current study. These modifications are based on the Utah Cost of Service and Rate Design Taskforce Report, Proposal #9, submitted to the Utah Public Service Commission on December 15, 2005.

Q. How were the class loads developed for the forecasted test period?

A. The forecasted number of customers and class energy usage, as well as the monthly day and hour of system peak, for the twelve month test period ending June 2009 are based on the Company's load forecast as described in Dr. G. Michael Rife's direct testimony. Customer class contributions to monthly system peaks are based on historical hourly load research data which was matched against the forecasted hour of monthly system peaks and then extrapolated to the forecasted class energy usage for the test period.

Description of Procedures

Q. Please explain how the Cost of Service Study was developed.

A. Using the June 2009 annual results of operations for the State of Utah filed by Mr. Steven McDougal, the study employs a three-step process referred to as functionalization, classification, and allocation. These three steps recognize the way a utility provides electrical service and assigns cost responsibility to the groups of customers for whom those costs were incurred.

Q. Please describe functionalization and how it is employed in the Cost of Service Study.

A. Functionalization is the process of separating expenses and rate base items according to five utility functions - production, transmission, distribution, retail and miscellaneous.

- The production function consists of the costs associated with power generation, including coal mining, and wholesale purchases.
- The transmission function includes the costs associated with the high voltage

system utilized for the bulk transmission of power from the generation source and interconnected utilities to the load centers.

- The distribution function includes the costs associated with all the facilities that are necessary to connect individual customers to the transmission system. This includes distribution substations, poles and wires, line transformers, service drops and meters.
- The retail services function includes the costs of meter reading, billing, collections and customer service.
- The miscellaneous function includes costs associated with Demand Side Management, franchise taxes, regulatory expenses, and other miscellaneous expenses.

Q. Describe classification and explain how it is used by PacifiCorp in the cost of service study.

A. Classification identifies the component of utility service being provided. The Company provides, and customers purchase, service that includes at least three different components: demand-related, energy-related, and customer-related. Demand-related costs are incurred by the Company to meet the maximum demand imposed on generating units, transmission lines, and distribution facilities. Energy-related costs vary with the output of a kWh of electricity. Customer-related costs are driven by the number of customers served.

Q. How does PacifiCorp determine cost responsibility between customer groups?

A. After the costs have been functionalized and classified, the next step is to allocate them among the customer classes. This is achieved by the use of allocation factors

that specify each class' share of a particular cost driver such as system peak demand, energy consumed, or number of customers. The appropriate allocation factor is then applied to the respective cost element to determine each class' share of cost. A detailed description of PacifiCorp's functionalization, classification and allocation procedures and the supporting calculations for the allocation factors are contained in my workpapers.

Q. How are generation and transmission fixed costs apportioned among customer classes?

A. The seasonally weighted demand allocation factor, introduced by Company witness David L. Taylor in Docket 06-035-21, is employed in the current analysis. Production and transmission fixed costs are classified 75 percent demand and 25 percent energy with the demand component of Factor 10 developed using twelve monthly weighted coincident peak demands. In lieu of all twelve monthly load values receiving an equal weight, each monthly value is assigned a different weighting factor. Monthly weighting factors are calculated by dividing each month's system coincident retail peak by the annual system retail peak. For the twelve months ending June 2009, the system retail peak is forecasted to be 9,538 MW during July 2008. So the month of July receives a weighting of 1.00 (9,538/9,538). The forecasted system retail peak in January 2009 is forecasted to be 8,727 MW, therefore it receives a weighting of 0.915 (8,727/9,538). The twelve monthly class coincident peaks are multiplied by the monthly weighting factors and summed to calculate the weighted allocation factor.

Q. Are the factors used to allocate Net Power Costs (NPC) calculated the same as those used in Docket 06-035-21?

A. Yes. Since monthly class coincident peak and energy loads are included in the cost of service study and net power costs are calculated and summarized by month in the NPC study, PacifiCorp again recommends that fuel and other NPC components be allocated on a monthly basis. Factors F85 through F96 are used in the cost of service study to allocate monthly net power costs. A detailed description of factor development is contained in Exhibit RMP___(CCP-3).

Q. How are distribution costs allocated?

A. Distribution costs are classified as either demand related or customer related. In this study only meters and services are considered as customer related with all other costs considered demand related. Distribution substations and primary lines are allocated using the weighted monthly coincident distribution peaks. Distribution line transformers and secondary lines are allocated using the weighted non-coincidental peak method. Services costs are allocated to secondary voltage delivery customers only. The allocation factor is developed using the installed cost of new services for different types of customers. Meter costs are allocated to all customers. The meter allocation factor is developed using the installed costs of new metering equipment for different types of customers.

Q. Please explain how customer accounting, customer service, and sales expenses are allocated.

A. Customer accounting expenses are allocated to classes using weighted customer factors. The weightings reflect the resources required to perform such activities as

meter reading, billing, and collections for different types of customers. Customer service expenses are allocated on the number of customers in each class.

Q. How are administrative & general expenses, general plant and intangible plant allocated by PacifiCorp?

A. Most general plant, intangible plant, and administrative and general expenses are functionalized and allocated to classes based on generation, transmission, and distribution plant. Employee pensions and benefits have been assigned to functions and classes on the basis of labor. Costs that have been identified as supporting customer systems are considered part of the retail services function and have been allocated using customer factors. Coal mine plant is allocated on the energy factor.

Q. How are costs and revenues associated with wholesale contracts and other electric revenues treated in the cost of service study?

A. No costs are assigned to wholesale contracts and other electric revenues. The revenues from these transactions are treated as revenue credits and are allocated to customer groups using the appropriate allocation factors. Revenue credits reduce the revenue requirement that is to be collected from firm retail customers. This is consistent with the treatment of these revenues in the interjurisdictional results of operations.

Special Contracts

Q. Have you included cost of service results for the Utah special contracts?

A. Yes. Consistent with both the treatment in the last case and the Revised Protocol, the loads and revenues associated with service to special contract customers are included as part of the jurisdictional allocation and included in the revenue requirement. The

loads and revenues for special contract customers, with the exception of partial requirements, are also included in the Cost of Service Study.

Partial Requirements/Back-up/Electric Furnace Service

Q. Does the Cost of Service Study include results for partial requirements, back-up service and electric furnace customers?

A. No. Cost of service results were not calculated for these customers. This includes one special contract customer and those customers taking service on Schedules 21 and 31.

Q. Why are these customers removed from the cost of service study?

A. Partial requirements, back-up service and electric furnace customers are not included in the embedded cost of service study because they do not lend themselves well to this type of analysis. These customers usually have very sporadic loads from year-to-year producing volatile cost of service results depending on whether or not service is required during the hour of monthly system peak. It is the Company's practice to derive prices for partial requirements and back-up service from the prices and costs for full requirements service.

Workpapers

Q. Have you included your workpapers?

A. Yes. Workpapers showing the complete functionalized results of operations and class cost of service detail are included as Exhibit RMP___(CCP-3). Also included in the workpapers is a detailed narrative describing the Company's functionalization, classification and allocation procedures.

Q. Does this conclude your direct testimony?

A. Yes it does.