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

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 Rocky Mountain Power.

**Qualifications**

**Q. Please briefly describe your education and business experience.**

A. I have worked in the electric utility industry since 1972 as a journeyman lineman, field service engineer with General Electric and as a substation design engineer for Rocky Mountain Power. At Rocky Mountain 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. 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 electrical engineering theory from General Electric's Crotonville education center.

**Q. Please describe your present duties.**

A. My responsibilities, as President of Rocky Mountain Power, cover all of the Company's affairs in the states of Utah, Idaho and Wyoming, including assuring that the Company's strategy, infrastructure investments and operations result in the delivery of safe, reliable electric energy to the Company's customers at reasonable prices.

**Q. Please describe Rocky Mountain Power's presence in Utah**.

A. Rocky Mountain Power is the largest public utility in Utah and provides safe, reliable, and low-priced electric service to nearly 800,000 Utah customers, which comprise approximately 85 percent of all electric customers in Utah. The Company is a major employer in the state of Utah with more than 2,400 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 the Company's commitment to the environment, our communities and our customers.

**Purpose 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 2009 Utah rate case application requesting a $66.9 million rate increase over Rocky Mountain Power's current rates or an average of 4.5 percent.

My testimony also presents policy issues and the implications of the Company's and industry's need to address rising costs and capital investment requirements. Specifically, I will provide a summary of the Company's filing and introduction of the witnesses that will address the Company's case. In addition, I will address in more detail the following:

- The need for a price increase even though Rocky Mountain Power just received a rate increase last month;

- The major cost drivers underlying the need for the price increase;
- The Company's efforts to control costs while maintaining reliable service and customer satisfaction;
- The cost of service analysis and related tariff structure recommendations support the requirements of the American Recovery and Reinvestment Act regarding utility incentives.

**Q. Please explain why the Company is requesting a Utah rate increase when the Company just received a rate increase in May of this year?**

A. Because of the Company's significant capital investment program, the Company is compelled to file more frequent cases in order to give it a reasonable opportunity to earn its allowed return. Although load growth in the Utah service territory has moderated somewhat in the near term, Utah, notwithstanding the current economy, continues to grow, and long term load growth is expected to continue. Because of past, current, and future load growth in Utah and our other states, the Company is required to engage in a major construction program that will continue for several more years, adding significant new supply-side generation resources, transmission lines and Utah distribution facilities. The impact of the Company's capital expenditure program will continue to lead to increased prices.

Clearly, our customers do not like to see their electric rates increase, and we do not like to ask for rate increases, however, it is critical that rates reflect the updated costs of serving our customers. If this fails to occur, customers will not receive the price signals they need to make sound economic decisions regarding efficient energy usage, and the company will not receive the revenues it requires to fund the necessary capital investments necessary to meet load growth and to provide reliable service to our customers.

**Q. How have the changes in the economy impacted Rocky Mountain Power?**

**A.** I think we are all aware of the changes in the economy that have taken place over the year. The current economic environment has had a significant impact on the Company's historical and projected load growth, capital investment plan, power costs and certain commodities prices. In addition, changes in the capital markets have made borrowing more expensive and difficult which results in higher equity financing costs for all businesses, including utilities such as Rocky Mountain Power. Rocky Mountain Power's current projections of these economic conditions have been incorporated into this filing.

**Cost Control Efforts**

**Q. Explain some of the efforts the Company has made to control costs and keep electricity prices reasonable.**

A. Effective management of power costs and operating costs is one of the key elements of the Company's strategy and obligation to keep electricity prices as low as possible. The Company is making significant investments in renewable wind generation resources providing economies of scale which allows the Company to control operating and maintenance costs. Moreover, since the acquisition by MidAmerican Energy Holdings Company (MEHC), the Company continues to increase the efficiency of its operations. The Company has worked hard to strike the right balance between operational expenses, customer service and preventive maintenance on the Company's generation, transmission and distribution facilities. In addition, the Company has focused on controlling labor costs as described in the testimony of **Mr. Erich D. Wilson**, Director, Human Resources. This approach helps to achieve maximum value for each dollar spent on maintaining and operating the growing number of electric facilities. Unfortunately these efforts are not and will not be enough to offset the cost increases in other areas included in this application.

**Load Growth**

**Q. How have the Company's load projections changed?**

A. The Company has made specific adjustments to its previous load forecasts to account for the current economic downturn. The Company's sales forecast model was developed using historical sales data ending January 2009, and the most recent available economic data. The Company further adjusted the model-driven results for the industrial class to reflect the economic slowdown in the industrial class based primarily on a review of the reductions in usage experienced as an aftermath of the 2000 and 2001 recession and discussions with the Company's personnel that work directly with the large industrial customers. We also utilize economic forecasting services and obtain local econometric information.

In his testimony, **Dr. Peter C. Eelkema,** Senior Planner in the Load Forecasting Department, will provide additional details about the load forecast and how it was developed.

## Rate Case Overview

**Q. Please explain the Company's requested rate increase in this application.**

A. As previously mentioned, the Company is requesting a $66.9 million rate increase. Historical data from calendar year 2008 is used as a base to develop the test period used in this case, which is the twelve-month period ending June 30, 2010. Company witness **Mr. Steven R. McDougal**, Director, Revenue Requirement, will discuss the required revenue increase and the sources of the data used in determining the normalizing adjustments related to revenue, operations and maintenance expense, net power costs, depreciation and amortization, taxes and rate base in developing the Utah revenue requirement. Mr. McDougal will also support the Company's proposed interjurisdictional allocation of common costs.

Mr. McDougal's analysis is based on a cost of capital that includes a request for a return on equity of 11.0 percent, which is the Company's expected cost of equity capital, and a capital structure with an equity percentage of 51 percent. **Mr. Bruce N. Williams**, Vice President and Treasurer, will testify concerning the Company's cost of debt, preferred stock and capital structure. Additionally, **Dr. Samuel C. Hadaway**, FINANCO, Inc. will testify concerning the Company's return on equity. Both witnesses describe the significant changes in the capital markets that affect Rocky Mountain Power.

The financial challenges and risks that Mr. Williams and Dr. Hadaway discuss in their testimony are demonstrably real. Over the long term, the Company is in a period of load and capital investment growth, and the Company's required ongoing level of investment far exceeds both its net operating income and depreciation expense. As a result, the Company requires substantial levels of new financing to fund the investment necessary to meet its customers' power needs. The Company needs to rely on capital markets that remain risky and volatile.

**Q. How have the changes in the economy impacted cash flow and borrowing costs?**

A. Following a multi-year period of relative calm and accommodative access to capital, the financial markets entered a period of upheaval beginning in the second half of 2008, with significantly more volatility and substantially less liquidity or access to credit markets for many participants. Utilities in general are viewed by the financial markets as relatively more stable and creditworthy. However, as utilities were required to access capital to meet routine infrastructure, environmental compliance and load growth needs, the financial markets began to enforce a much greater differentiation in credit quality within the utility industry that continues to this day. Highly rated utilities experienced limited disruption in their access to capital markets, while lesser-rated utilities experienced much higher borrowing costs if they were able to access the credit markets at all.

PacifiCorp's solid credit ratings have been critical through the credit crisis, and are expected to be equally important as the Company finances approximately $20 billion of infrastructure investment to serve load growth, implement environmental controls on existing facilities, and meet renewable energy requirements over the next 10 years. This challenge is being partially met by not paying any dividends to its parent, MEHC. Instead, PacifiCorp has received $865 million in additional cash equity contributions from MEHC and retained $1.2 billion of earnings. These actions, along with supportive regulatory treatment and the positive impact of ownership by MEHC and its parent, Berkshire Hathaway, have been critical for PacifiCorp to remain well-positioned to make the additional investments that have been and will continue to be made in the Company's system, the Rocky Mountain Power service territory and the state of Utah in particular.

The Company's need for new capital is occurring at the same time that investors have become increasingly more selective and cautious, as I have noted earlier. The Company's need for new capital is occurring at the same time that investors have become increasingly more selective and cautious, as I have noted earlier. While the Company is fortunate that it can still access the financial markets on reasonable terms (unlike some of its lower rated utility brethren), Standard and Poor's April, 2009, credit assessment of PacifiCorp states that "the ring-fenced utility's credit metrics are more consistent on a standalone basis with a 'BBB' category rating" This is discussed in more detail in the testimony of Mr. Williams.

Meanwhile, the Company's cost of debt and equity has increased. However, to moderate the rate increase sought in this case and its impact to customers, the Company is proposing a conservative cost of common equity at the very bottom of the range of model results presented by its expert, Dr. Hadaway.

The persistent mismatch between actual cash outlay versus revenue recovery in rates results in a cash flow shortfall that must be financed. Coupled with an ongoing high level of capital expenditures, the Company's financial performance metrics that rating agencies track have been hampered, which, in turn, increases the risk of a credit rating downgrade. As this credit crisis has shown, a credit rating below single-A can be very costly in the long run for the utility and its customers. Rocky Mountain Power requests and needs continued support from the Utah Commission, other regulatory agencies and stakeholders in order to maintain safe, reliable service and meet the growing energy needs and environmental standards in Utah.

**Q. If the requested rate increase proposed in this application is not approved, will the Company have a reasonable opportunity to cover the costs it incurs to serve our customers?**

A. No. As a consequence of the additional investments made by the Company, it will not be possible for the Company to cover its cost to serve customers and make an adequate return on its investments to serve these customers.

Every new generation plant, every transmission line, and nearly every distribution facility is significantly more costly than similar facilities currently included in rates, for no other reason than simple inflation and the vintage of existing facilities. The level of capital investments that are being made by the Company cannot be entirely offset by productivity gains achieved by the workforce and through the implementation of technology, or through increased sales. The cost increases are actually experienced. This level of expenditures is necessary to provide customers with the quality of service that they expect and deserve. Reflecting actual costs in rates is also necessary to send customers the correct price signals regarding the cost of their electricity use.

**Q. How will the proposed rate increase sought in this application contribute to Rocky Mountain Power's financial health in Utah?**

A. The proposed rate increase will give the Company a reasonable opportunity to earn its allowed rate of return. The requested revenues will allow the Company to maintain and operate its system reliably given Utah's growth, environmental and operating conditions. In addition, the additional revenues will permit the Company to continue its extensive investment program in generation, transmission and distribution facilities to serve the relatively fast growing load in Utah. Finally, the additional revenues requested in this application will provide sufficient funds to contribute to favorable credit ratings from the financial markets, thereby keeping debt costs at reasonable levels. Lower financing costs are a direct benefit to customers.

**<u>Cost Drivers</u>**

**Capital Investment**

**Q. Please provide details on the major cost drivers necessitating the requested additional rate relief.**

A. The main driver for this general rate case is the significant level of capital investment the Company is making on behalf of our customers. With this capital investment comes the need for rates that reflect the investments associated with generation, transmission, and distribution plants that will be in service during the rate-effective period.

**Q. How has the Company's capital investment plan changed as a result of the new load projections?**

A. While our capital investment plan is still significant, we have scaled back the Utah 2009 and 2010 local transmission and distribution capital expenditure budget from previously planned levels. These local transmission and distribution facilities can be more closely matched to contemporaneous load growth. A reduction in the rate of load growth has allowed the Company to delay certain projects (such as transformer change outs and line re-constructions) a year or more. Even with this reduction, this case includes approximately $2.1 billion in plant investments the Company has made or will make between December 31, 2008, the end of the historical base year, and June 30, 2010, which is the end of the test year.

**Q. How would a failure to address these issues affect Rocky Mountain Power's ability to attract new capital required to serve new load and maintain its system?**

A. Absent supportive regulatory treatment in this, and future rate cases, the combination of: 1) the Company's current large construction program; 2) labor, equipment, materials and fuel costs, and; 3) risks involving resource coordination among the six states served by the Company; 4) the lack of the proposed energy cost adjustment mechanism in Utah; and, 5) tariff structures that do not adequately recover our fixed costs and promote more efficient use electricity could affect the Company's credit ratings position making it difficult for the Company to obtain the capital it needs at competitively low prices for the benefit of our customers. Credit ratings are particularly critical when companies are in a “build” cycle and experiencing a challenging credit market as Rocky Mountain Power currently is.

The Company and our customers have greatly benefited from its ownership by MEHC, which, as I discussed earlier, has invested a total of $865 million in cash contributions while not receiving any dividends from PacifiCorp since the acquisition on March 21, 2006. However, the Company relies on external parties for its significant debt financing needs. The debt markets are competitive, and to the extent investors perceive higher risk in Rocky Mountain Power because of regulatory uncertainty or unfavorable regulatory decisions, they will require a greater return through higher interest rates. Higher interest rates on debt will result in higher rates for our retail customers.

**Q. Has the Company’s most recent rating agency report taken note of the Company’s large capital expenditure program?**

A. Yes. Standard & Poor’s (S&P) most recent credit report on PacifiCorp, which was issued in April, 2009, contains the following comments:

> “Regulators will need to consistently support retail rate increases to recover PacifiCorp's planned capital investments....."

In addition, S&P in November, 2008 cited as "Weaknesses":

> "Recent rate case activity in Utah suggests uncertainty as to how supportive the state will be in funding its share of PacifiCorp's capital program..." and "A large capital program ($20 billion of investment is planned over the next 10 years) could be in question given the significant increase in the costs of borrowing; while PacifiCorp continues to have access to the capital markets, it can expect higher spreads on borrowing costs, which will need to pass regulatory muster."

This concern is not unique to Standard & Poor's. Moody's has expressed similar sentiment including:

> "...Moody's expectation that PacifiCorp will continue to receive reasonable regulatory treatment for the recovery of its higher capital expenditures, and that the funding requirements will be financed in a manner consistent with managements commitment to maintain a healthy financial profile."

Fitch has also expressed their concerns including:

> "The current ratings and Stable Outlook assume PPW continues to benefit from parent company support and will receive reasonable outcomes in pending and future rate proceedings to recover anticipated, significant capital investments. Ratings concerns facing the company primarily relate to cost overruns and the potential inability to recover its large, planned capital investment on a timely basis in a service territory that spans six states....."

**Q. Does the Company agree with S&P's observation in this regard?**

A. Yes. The Company is focused on providing reliable, reasonably priced electric service to its Utah customers. We are also dedicated to meeting increased demand from our Utah customers while maintaining high levels of customer service, a challenging proposition in today's energy markets coupled with the need to make large infrastructure investments. We need support from the Utah Commission and other parties to ensure we can continue to meet this challenge and hope to receive it in this case.

**Q. Does MEHC remain committed to the capital investment required by PacifiCorp?**

A. MEHC remains committed to the capital investment required by PacifiCorp. As previously mentioned, the commitment is made clear by the fact that MEHC has not taken any dividends from PacifiCorp since the transaction and is not expected to take any cash out of the business until at least 2013, while at the same time providing additional equity infusions. The Company expects significant additional cash equity contributions before the end of the test period. Their commitment can only continue, however, if there is a supportive regulatory environment that provides the Company with a reasonable opportunity to earn a fair return on that investment.

**Q. Some people would argue that this would be a good time to cut your capital investment plan by significant amounts precisely because of the economic downturn. What would you say to those people?**

A. First, as noted above, the Company has decreased its capital spending and reflected these reductions in this filing. Second, the economic development policy of the state continues to encourage growth. Third, projects that are currently in the development phase and require permits that can be difficult to obtain will be at risk if we have to restart the permitting process. In some cases delays will increase costs to customers in the long run. Fourth, much of the investment the company is making is for generation that does not emit greenhouse gases or for efficiency improvements that will reduce the emissions of greenhouse gases.

The state's current effective economic development policies and programs almost assure an increase in energy usage and demand despite our best efforts to deliver cost-effective energy efficiency and demand response programs. While load growth has slowed somewhat in the near term, Rocky Mountain Power projects load growth to continue into the future. If the state is to serve that increased demand for power, significant ongoing investments in generation, transmission, and other infrastructure will be necessary.

**Q. Some parties have suggested in the past that the Company has complete discretion to make capital investments, implying that given the current economic downturn and the corresponding declining costs and load growth, the Company could choose to cut back. Would you like to comment?**

A. Yes. The Company is making substantial capital investments for the future. In addition, the decision to acquire the current capital projects was made long ago, before anyone knew that we would be in this type of economic downturn. But had the Company had a crystal ball, it would have continued planning for growth. We all know that just like there are economic recessions, there are long periods of economic growth. This area of the country, in particular, will continue to grow and the Company must be prepared for that growth. Granted that we have curbed our capital spending plan somewhat, but whenever it makes sense to continue to acquire projects, the Company will do so. It is short-sighted to allow temporary economic conditions to dictate your capital investment plan. The Company has to make responsible decisions factoring all aspects of capital investments and construction requirements.

Moreover, the company believes that in the next two years Congress will enact restrictions on emissions of greenhouse gases. Compliance dates are uncertain, but the Waxman-Markey bill, for instance, requires reductions in emissions as early as 2012. Despite all the investment the company has made in wind and geothermal facilities, it still has not been able to reduce its total level of emissions -- growth in load has outstripped the growth in zero emission kWh. The company cannot suspend its plans to continue to add zero emissions generation if federal compliance dates will be in the 2012-2015 period. The company needs to continue to make progress replacing emitting resources with reduced or zero emitting resources.

**Q. Please explain the major generation additions in Rocky Mountain Power's capital investment strategy that are included in this case.**

A. To address load growth challenges the Company is in the process of completing or adding significant new generation resources. **Mr. A. Robert Lasich**, President of PacifiCorp Energy, explains in his direct testimony the prudent steps taken by the Company in meeting its obligation to serve customers through adding new generation resources. New generation resources include the remaining investment in the High Plains wind facility which is only partially included in current rates. In addition, the Company is adding the McFadden Ridge I wind facility scheduled to be completed in October of this year.

**Q. Please explain the other major additions in Rocky Mountain Power's capital investment strategy that are included in this case.**

A. The Company continues to make significant transmission and Utah distribution and other investments which have been included in this case. Mr. McDougal has included exhibits in his direct testimony supporting the plant additions, all of which are necessary to provide service to our Utah customers. Company witness **Mr. Kenneth M. Shortt**, Director of Capital Investment for Rocky Mountain Power, will describe the Company's transmission and distribution investments in this case including the Three Peaks substation in southern Utah.

**Senate Bill 75**

**Q. Has the newly-enacted Utah Code Anno. § 54-7-13.4 approved in Senate Bill 75 impacted this filing?**

A. Yes. It provides an opportunity for a utility to start recovering the cost of a major plant addition at the time it is placed into service. The statute defines a major plant addition as "any single capital investment project of a gas corporation or an electrical corporation that in total exceeds one percent of the gas corporation's or electrical corporation's rate base." For Rocky Mountain Power, the threshold investment level is over $100 million.

As was addressed in the Test Period Stipulation in this docket, only two projects scheduled to come on line during the test period meet the threshold in the major plant addition definition. The Company anticipates that the scrubbers to the Dave Johnston Power Station will be completed by May 2010 and the Ben Lomond to Terminal Transmission Line Segment will be completed by June 2010. The Company intends to request single item rate recovery of these two capital projects under section 54-7-13.4. As such, no projected costs or revenues associated with the foregoing projects are included in this case.

The Company also intends to seek single item rate recovery of the second phase of the Populus to Terminal transmission project, Populus to Ben Lomond, scheduled to be completed near the end of 2010. If the Company acquires new significant energy resources as part of a continuation of its 2008 Request for Proposals or its 2009 Request for Proposals and any of those resources come on line during the Test Period, the Company will also file an application under section 54-7-13.4 to recover the cost of those resources effective when they are placed in service.

**Net Power Costs**

**Q. Please explain the net power costs impacts in this case.**

A. Net power costs consist of fuel, net wholesale transactions (purchases from and sales to other utilities and power marketers) and transmission wheeling revenues and costs, which in total represent 26 percent of the Utah revenue requirement. Even with the addition of more than 2.400 MW of new generation capacity over the last four years, the Company does not currently own adequate resources to meet our customers' peak power needs. Therefore, we must buy and sell power in the wholesale market to meet our load requirement and to balance hourly, daily and seasonal load fluctuations.

While some net power components, such as wind integration costs, have increased, net power costs, however, are not a significant driver of this case. On a total-Company basis net power costs are expected to be $999 million in the test year in this case, a slight decrease from the level established in the last rate case. **Mr. Gregory N. Duvall**, Director, Long Range Planning and Net Power Costs, will describe this in more detail in his direct testimony.

While net power costs are not a significant driver on this case, the volatility in the natural gas and wholesale power markets remain a major concern for the Company. I will address this later in my testimony.

**Customer Satisfaction**

**Q. Has the Company continued to improve customer service and power quality while undertaking cost containment initiatives?**

A. Yes. As acknowledged by TQS Research and J.D. Power & Associates the Company's overall satisfaction continues to improve across all sectors. Improvement to customer service performance is demonstrated by the continuous reductions in both customer complaints and customer guarantee failures since the service quality commitments were implemented.

**Q. Has the Company made improvements in service reliability?**

A. Yes. The Company has improved service reliability in Utah, via replacement and reinforcement of transmission and distribution assets to reliably serve new and existing customers. These investments have resulted in improvements in reliability performance as measured by key performance metrics. Specifically during the period between April 1, 2005 and March 31, 2008 the Company delivered on its Service Standards Commitments, which are direct measurements of some of these key performance metrics. In fact, during this time the Company improved system average frequency and duration performance for customers by more than the six percent to which it committed.

**Q**. **What other actions has the Company taken to advance service reliability?**

A. Beginning in 2007, the Company has further refined its maintenance approach to incorporate the outage history of individual customers and circuits, while evaluating overall electric system and circuit level performance. This program is known as “Customers Experiencing Multiple Interruptions” (CEMI). It further refines the Company's maintenance and reliability improvement plans to target those areas that need the most attention. In conjunction with the CEMI approach, Rocky Mountain Power now uses a central scheduling approach and reliability work plans to more efficiently and effectively target its distribution maintenance expenditures. During 2008 it continued to focus efforts on improving reliability using its CEMI approach to more highly target localized areas of customers who have experienced an unusually high number of interruptions. The Company has also implemented a central scheduling function that results in more effective use of its maintenance expenditures that have had a direct benefit on the improvements in reliability per dollar spent.

**Q. What has the Company done to reduce the impact of this rate increase on Utah customers?**

A. To reiterate my prior point, this case is being driven by necessary capital investment. The only way to truly mitigate this increase would be to not invest in these necessary facilities to accommodate growth. To help mitigate increases, the Company has made intensive efforts to manage peak growth in Utah with our existing demand side management (DSM) programs. The objectives of these programs are to further reduce electricity use and peak demand. The programs that target reductions in peak demand help to reduce stress on the existing electrical infrastructure and reduce expensive power purchased on the wholesale market at peak times. In 2008, over 189,000 customers participated in energy efficiency programs helping reduce Utah's system energy requirements by 190,000 megawatt hours a year for the next 10-15 years (dependent on the assumed life of the energy efficiency measures installed). Conservatively, the permanent reduction resulting from the 2008 energy savings is around 30 megawatts annually. Another 82,000 customers participated in Utah's two load management programs providing over 98 megawatts of controllable peak load resources available to the company during the critical summer months. Since 2000, the cumulative savings attributed to DSM programs exceed 2,900 gigawatt hours and over 130 megawatts in permanent demand reductions from the company's energy efficiency program efforts, and approximately 375 megawatts of seasonal demand reductions through load control programs. Projected investments in DSM are expected to continue to increase as current programs are expanded and new programs introduced. Additionally, Rocky Mountain Power supports low-income households by joining in partnership with our customers and other agencies through the HELP and the Low Income Weatherization programs. The Company is currently working with these agencies to propose an increase in the level of low income assistance offered through the HELP program.

**Q. Have the Company's efforts to improve customer service, power quality, service reliability, energy efficiency and other operational aspects been recognized by those who monitor the electric utility industry?**

A. Yes. The Company has been recognized by both local and national organizations including the Department of Energy, the Environmental Protection Agency, Utah Safety Council, and other organizations that monitor the electric utility industry. Exhibit RMP___(ARW-1) provides a listing of the awards that have been presented to Rocky Mountain Power by these organizations from 2005 to date.

**Pricing**

**Q. How do the Company's rates compare to other electric rates in Utah and the country?**

**A.** Rocky Mountain Power's current overall average price places Utah's rate in the lowest quartile among U.S. investor-owned utilities according to the Edison Electric Institute. The Company's rates in Utah have historically been and will remain among the lowest in the nation, even after incorporating the price increase proposed in this application. **Mr. William R. Griffith**, Director of Pricing, Cost of Service and Regulatory Operations will present the Company's rate spread and rate design proposals that determine the ultimate prices customers will see. Included in Mr. Griffith's testimony is a discussion of the need to recover more of the fixed cost of serving customers through fixed charges, specifically the residential customer charge. Rocky Mountain Power's current residential customer charge in Utah is among the lowest in the state, and both the current and proposed customer charge are lowest among the five PacifiCorp states with residential customer charges.

**Mr. C. Craig Paice**, Regulatory Consultant in the Pricing and Cost of Service Department will present the Company's class cost of service study and **Mr. Scott D. Thornton**, Manager, Metered Data Management, will describe the Company's load research procedures.

**Regulatory Mechanisms**

**Q. In previous dockets you indicated that the Company may explore a power cost or generation costs adjustment mechanisms in its next rate filing. Is the Company proposing such a mechanism concurrent with this case?**

A. Yes. In March of this year, Rocky Mountain Power filed an application for approval of an Energy Cost Adjustment Mechanism (ECAM) in Docket 09-035-15.

Net power costs are subject to a high degree of volatility largely outside of the Company's control. Some of the factors causing this volatility include changes in retail load, hydro conditions, wind generation, market prices, third party wheeling expenses, natural gas and coal fuel expenses. Because the Company depends on both the electricity and natural gas markets to balance its system and meet the load requirement, fluctuations in the markets invariably impact the Company's net power costs. Coal expenses, which were previously relatively stable, are affected by changes in commodity costs due to contract re-openers, and even the captive mine costs may change significantly in today's environment due to the rapid changes in the costs of mining equipment and supplies. For these reasons, Rocky Mountain Power has proposed an Energy Cost Adjustment Mechanism in a separate docket (Docket 09-035-15). The Company believes the ECAM proposed in that docket would provide safeguards to customers and give the Company an opportunity to recover the NPC that are prudently incurred to serve those customers.

By having such a mechanism in place, ratepayers can be assured that they will not overpay and the Company will be assured that it will recover all of its prudently incurred power costs, but no more. In case of overpayment, a cost adjustment mechanism will guarantee that ratepayers receive a refund. And vice-versa, in the event the Company does not recover the amount needed to cover its costs, it can recover such costs through the cost adjustment mechanisms.

**Conclusion**

**Q. Please provide a conclusion to your testimony?**

A. The electric utility industry is the midst of a period where the only certain thing is uncertainty. In this rapidly evolving landscape related to climate change, state and federal energy policies, rapidly increasing raw material costs, and generation and transmission shortages; Rocky Mountain Power continues to effectively plan to meet our customers' energy needs.

The Company is a superior corporate citizen and partner to the state of Utah. It manages its business according to six core values which are; 1) customer service, 2) employee commitment, 3) financial strength, 4) environmental respect, 5) regulatory integrity, and 6) operational excellence. I believe Rocky Mountain Power is an excellent company that cares about its customers, employees and the communities it serves. The proposed increase will allow us to continue to be an excellent provider of energy services to Utah.

**Q. Does this conclude your direct testimony?**

A. Yes.