Q. Please state your name and business address.

A. My name is Steven R. McDougal and my business address is 201 South Main, Suite 2300, Salt Lake City, Utah, 84111.

Q. Are you the same Steven R. McDougal who submitted pre-filed direct testimony in this proceeding?

A. Yes.

Purpose of Testimony

Q. What is the purpose of your revenue requirement rebuttal testimony ("Testimony") in this proceeding?

A. My Testimony will respond to the pre-filed direct testimony filed by the intervening parties regarding the Company's revenue requirement. My Testimony explains and supports the Company's revised overall revenue increase request of $55.0 million, reduced from the $66.9 million request included in the Company's original filing. My testimony and exhibits also provide:

- A detailed calculation of the $55.0 million requested revenue increase, including a summary of the differences between the $66.9 million request and the revised requested amount. The revised request includes the impact of the tax settlement and adjustments proposed by other parties that the Company has accepted.
- The Company's response to certain revenue requirement adjustments proposed by intervening parties in this case which the Company believes should not be adopted by the Utah Public Service Commission ("Commission").

Required Revenue Increase

Q. Please describe the calculation of the revised overall revenue increase.

A. The Company's revised revenue increase of $55.0 million was calculated using the same allocation methodology and factors included in the original filing and incorporates certain adjustments proposed by other parties. In support of the revised calculation, Exhibit RMP___(SRM-1R) shows a summary of the adjustments made to the original revenue requirement requested by the Company. Exhibit RMP___(SRM-2R) is a revised Exhibit RMP___(SRM-2) from the Company's original filing with updated Tabs 1, 2, 9 and 10 and includes a new Tab 11 containing backup pages for each new adjustment made to the Company's filing.

Q. What price increase is required to achieve the requested return on equity in this case?

A. As shown on Page 1.0 of Exhibit RMP___(SRM-2R), an overall price increase of $67.2 million is required to produce the 11.0 percent return on equity requested by the Company.

Q. Is the Company requesting the full $67.2 million required to earn an 11.0 percent return on equity?

A. No. The Company's request reflects the Rate Mitigation Cap as approved by the Commission. The Rate Mitigation Cap decreases the revenue increase requested in my Testimony to $55.0 million.

Adjustments Adopted by the Company

Q. Please identify the adjustments made to arrive at the revised overall revenue increase.

A. The following new adjustments have been made to the Company's revenue requirement. Each is described further in my testimony.

		Proposed Revenue Increase
Original Requested Revenue Increase		**$ 66,883,665**
11.1	Tax Settlement	(9,639,123)
11.2	Special Contract Revenue	(2,253,526)
11.3	Green Tag Revenue	(6,031,992)
11.4	Adjust OMAG to Business Unit Target	3,974,530
11.5	Salaries and Wages	(621,758)
11.6	Medical Insurance Expense	(105,318)
11.7	Post Employment Benefits FAS 112	(239,308)
11.8	401(k) Contributions	(1,141,618)
11.9	Pension Administration	(59,132)
11.10	Uncollectible Accounts Expense	(1,302,216)
11.11	Airplane Expense	(30,587)
11.12	Rent Expense	(56,225)
11.13	Incremental Generation O&M	(1,938,888)
11.14	Generation Overhaul	(472,044)
11.15	Environmental Settlement (PERCO)	(164,852)
11.16	Deferred Transmission Project	(54,378)
11.17	Bridger and Trapper Mines	112,451
11.18	Plant Additions	(447,615)
11.19	Plant Retirements	(1,048,181)
11.20	Depreciation / Amortization Expense	(549,918)
11.21	Depreciation / Amortization Reserve	1,085,379
11.22	Plant Related Tax Update	(15,784)
11.23	Net Power Costs (Including SMUD Settlement)	8,172,105
11.24	Lead Lag Study	(56,188)
11.25	Allocation Factor Update	757,647
	MSP Price Cap Reduction	204,247
Rebuttal Requested Revenue Increase		**$ 54,961,373**

Tax Settlement

Q. Please explain adjustment number 11.1 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.1 incorporates into the Company's filing an all-party settlement reached on certain income tax related items. The settlement calls for the normalized treatment of all book-tax timing differences giving rise to deferred income taxes on the Company's regulated books, with the exception of book-tax differences reported on the Allowance for Equity Funds Used During Construction which will be accounted for on a flow-through basis. The settlement also calls for an update to the case to reflect the IRC Section 481(a) adjustment and the 2008 repairs deduction taken in the Company's 2008 federal income tax return and an estimate of the repairs deduction from January 1, 2009, through the test year ended June 30, 2010. The Commission considered this settlement at hearings November 3, 2009, and issued a bench order approving the agreement.

Special Contract Revenue

Q. Please explain adjustment number 11.2 in your rebuttal Exhibit RMP___(SRM-2R).

A. The Company has adjusted revenues for special contract rate changes effective January 1, 2010. The contract revenue changes are included in Exhibit RMP___(WRG-4R). Special contracts 1, 2, 3 and 5 increase T47 forecasted revenue $2,156,136 more than what was included in the original case.

Q. Does this adjustment consider the adjustment of $2,948,000 proposed by DPU witness Mr. Charles Peterson?

A. Yes. However, the Company has modified the adjustment to reflect the correct level of revenues for the forecast test period. Mr. Peterson's adjustment reflected an annualized view rather than the revenues in the test period included in this case. The revised rates in rebuttal adjustment 11.2 reflect the increases for all four special contract customers. Three of the contracts have not yet been approved by the Commission. If the Commission orders something other than what is contained in these filed contracts, adjustment 11.2 should change accordingly.

Renewable Energy Credit (REC) or Green Tag Revenue

Q. Please explain adjustment number 11.3 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.3 Green Tag Revenue accepts the overall level of revenue related to the sale of renewable energy credits as supported in the direct testimony of Ms. Donna Ramas for the OCS. The adjustment increases total Company REC revenue from $7.4 million included in the Company's original filing to approximately $18.5 million as proposed by Ms. Ramas.

Q. Please summarize Ms. Ramas' proposed adjustment to increase green tag revenue included in this case.

A. In her testimony Ms. Ramas states that, based on discussions during her on-site visit to the Company's Portland office the week of August 31, 2009 and Company responses to OCS data requests, she proposes adjusting the Company's green tag revenue by: 1) increasing the sales price for individual RECs from $3.50 per

MWh to $6.57 per MWh; 2) increasing the percentage of available RECs sold from 75 percent to 85 percent; and 3) increasing REC revenue related to the Salt River Project contract and the Company's Blundell geothermal units by annualizing 2009 actual revenue.

Q. Do you agree with all of the individual components of Ms. Ramas' adjustment?

A. No. The market for green tags continues to evolve and the Company's experience marketing RECs may change with the market. The Company's future general rate cases will include the Company's best projections of the different components as identified by Ms. Ramas in her adjustment. However, even though the Company does not agree with all of the assumptions made by Ms. Ramas, for purposes of this case her proposed changes result in a reasonable level of green tag revenue for the test period and are incorporated into this filing.

Q. Were any other adjustments to green tag revenue proposed by intervening parties?

A. Yes. DPU witness, Ms. Brenda Salter also proposed an adjustment to green tag revenue. Ms. Salter proposes a REC sales price of $5.27 per MWh based on information provided in the Company's 2008 Blue Sky Program Annual Report. However, based on the information provided by the Company in response to the OCS audit data requests cited by Ms. Ramas in her testimony, the Company is adopting the larger adjustment proposed by the OCS as a better representation of test period REC revenue.

Adjust OMAG to Business Unit Target

Q. Please explain adjustment number 11.4 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.4 – Adjust OMAG to Business Unit Target is a reversal of the Company's adjustment 4.19 included in its original filing. In this adjustment, the Company used its budget as a high-level benchmark for an appropriate level of operations and maintenance expense to be included in the case. Test period O&M expenses were prepared by making adjustments to the 2008 historical base year. Since the adjusted actual expenses were higher than budget in this case, the Company adjusted non-power cost O&M downward to reflect the budgeted level. In its rebuttal filing, the Company believes the approach taken by OCS witness Ms. Ramas is the appropriate manner of dealing with additional adjustments to O&M expense. That is, the original adjustment to budget should be reversed, accompanied by additional adjustments to specific O&M items. The net result is a test period level of non-net power cost O&M that is lower than the Company's approved budget for the test period and lower than the original filing. Adjustment 11.4 accepts Ms. Ramas' proposal to reverse adjustment 4.19, included in the original filing. In conjunction with adjustment 11.4, the Company also proposes the following adjustments to non-net power cost O&M (each is described individually in my testimony):

Adjustment 11.5	Salaries and Wages
Adjustment 11.6	Medical Insurance Expense
Adjustment 11.7	Post Employment Benefits FAS 112
Adjustment 11.8	401(k) Contributions
Adjustment 11.9	Pension Administration
Adjustment 11.10	Uncollectible Expense

Adjustment 11.11 Airplane Expense
Adjustment 11.12 Rent Expense
Adjustment 11.13 Incremental Generation O&M

The net result of adjustment 11.4 offset by reductions to expense in the adjustments listed above is a reduction to Utah allocated revenue requirement of $1.5 million.

Q. Is this the same approach taken by the DPU?

A. No. In his testimony DPU witness Mr. Thomas Brill states, "[t]he Division will assume its adjustments for non-power O&M costs are a reduction or in addition to the Company's final non-power O&M cost in its rate case filing."

Q. Will the approach taken by the DPU result in an accurate calculation of non-net power cost O&M for the test period in this case?

A. No. In fact, it is certain to misstate these costs for the test period. The DPU acknowledges in Mr. Brill's testimony that by both accepting adjustment 4.19 and adding additional O&M cost adjustments that the DPU could be double-counting some adjustments.

Additionally, DPU witness Mr. Matthew Croft proposes an adjustment to recalculate the test period budget target by breaking the annual budgets into monthly amounts. In that adjustment he also updates the 4 year average of overhaul expenses based on the adjustment proposed by Ms. Salter. However, Ms. Salter's adjustment is also input into the DPU's JAM model in a separate adjustment, and is effectively double-counted in the DPU's results (Mr. Croft did not make the same mistake with the average insurance costs proposed by DPU witness Mr. Michael J. McGarry). Correcting for the DPU's errors would result in his adjustment increasing total Company O&M by $1.3 million rather than reducing it $2.2 million.

Salaries and Wages

Q. Please explain adjustment number 11.5 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.5 Salaries and Wages reflects a reduction in the projected merit increase for non-union employees scheduled for December 26, 2009, consistent with the adjustment proposed by OCS witness Ms. Ramas. In the original filing the Company included a high-level adjustment to the Company's budget target included in adjustment 4.19 to reflect an announced reduction in non-union wage increases from 3 percent to approximately 1 percent on December 26, 2009 made subsequent to the time the Company finalized its original wage and employee benefit adjustment. Since adjustment 4.19 has been reversed as proposed by Ms. Ramas and accepted by the Company in adjustment 11.4, a separate adjustment is needed to reflect this reduction to wage increases. Adjustment 11.5 accepts Ms. Ramas' proposal based on the Company's response to OCS Data Request 19.1 which provided a refined wage and benefits adjustment including the lower non-union wage increase of 0.94 percent.

Medical Insurance Expense

Q. Please explain adjustment number 11.6 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.6 Medical Insurance Expense reflects a reduction to medical expenses due to a larger share of medical insurance costs being paid by non-union employees rather than paid by the Company. Similar to adjustment 11.5, this reduction in medical expenses was originally included in the Company's filing as a high-level reduction to the Company's budget target included in adjustment 4.19. Reversal of the adjustment to the business unit target O&M as proposed by Ms. Ramas and accepted by the Company in adjustment 11.4 would remove the effect of this reduction to medical expenses absent this new adjustment. Adjustment 11.6 accepts Ms. Ramas' proposal based on the Company's response to OCS Data Request 5.12.

Post Employment Benefits FAS 112

Q. Please explain adjustment number 11.7 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.7 Post Employment Benefits FAS 112 accepts the adjustment proposed by OCS witness Ms. Ramas to reduce the test period FAS 112 expense. The Company's proposed FAS 112 expense was based on the 2008 budget escalated to the test period. Instead, Ms. Ramas based her calculated test period expenses on the updated projection for 2009 from the Company's actuary, Hewitt Associates, provided in the Company's response to OCS Data Request 14.3. Ms. Ramas escalated the revised 2009 projection to 2010 and averaged the two years to arrive at the test period amount (prior to removing the joint owner portion).

401(k) Contributions

Q. Please explain adjustment number 11.8 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.8 401(k) Contributions accepts the adjustment proposed by UAE witness Mr. Kevin Higgins regarding the test period level of contributions to the Company's 401(k) plan. This adjustment updates the test period amount based on the Company's projected 401(k) contribution expense provided in response to DPU Data Request 36.7.

Q. Were any other adjustments to 401(k) contributions proposed by intervening parties?

A. Yes. OCS witness Ms. Ramas also proposed to adjust 401(k) contributions by escalating the actual 2008 expense and including enhanced contributions resulting from changes in the Company's retirement plans implemented in 2008 and 2009. Ms. Ramas also proposed to remove a one percent discretionary 401(k) match. Since this approach relies on escalation of historical numbers rather than current estimates like the UAE method, the Company believes the UAE method is more accurate. The result using the UAE method is a reasonable approximation of what the Company expects to experience in the test period.

Pension Administration

Q. Please explain adjustment number 11.9 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.9 Pension Administration reduces the level of expense included in the test period related to the administrative costs of the pension plan, from $882,597 to $685,230. Pension administration costs anticipated in the Company's original filing will not be as high as expected because of reduced actuarial work. Adjustment 11.9 revises the test period pension administration costs to reflect an annualized level of expenses based on costs incurred from January to September

2009.

Q. DPU witness Mr. McGarry proposed an adjustment to reduce pension administrative expense. Do you agree with his adjustment?

A. No. In DPU Exhibit 3.5.1, Mr. McGarry arrives at his recommended level of pension administrative expense by escalating the actual amount for CY 2008 for two full years. The test period in this filing is the 12 months ended June 2010, and any escalation should only be made through that date only, not beyond. Furthermore, 2008 expenses incurred were much less than the prior three years, and the actual expenses incurred from January to September as shown in the following table:

CY 2005	CY 2006	CY 2007	CY 2008	Jan - Sep 2009
489,696	462,262	926,312	338,567	513,922

In his testimony Mr. McGarry suggests the goal should be to arrive at the most reliable indicator of 2010 costs, yet his adjustment would leave only $359,395 in the test period – significantly less than any of the three years previous to 2008, and less than 2009 costs through September. My adjustment to annualize the 2009 actual expenses will result in a more reasonable projection of ongoing pension administration costs.

Uncollectible Accounts Expense

Q. Please explain adjustment number 11.10 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.10 Uncollectible Accounts Expense reduces the Company's proposed uncollectible rate to the budgeted level. The Company's original filing initially included the uncollectible expense using the escalated actual expense in

FERC account 904, resulting in an uncollectible rate of .352%. Subsequently, all O&M was adjusted to the business unit targets, or budgeted amounts for the twelve months ended June 2010. The Company's response to OCS 16.10 part B states,

> "*Rocky Mountain Power has a targeted uncollectible rate of 0.27% of retail revenue. The targets are set for Rocky Mountain Power and not at the state level.* Chartwell recently released their benchmarking results for net write-off percentage compared to retail revenue. The benchmarking result showed that the electrical industry average for 2008 uncollectible rate was 0.68% of retail revenue."

Since adjustment 11.4 reverses the original adjustment to the business unit target, I am including adjustment 11.10 to restore the uncollectible rate to .27 percent for this case. This is an example of an adjustment that was double counted in the DPU's original filing because the budget adjustment was not reversed. This adjustment reduces Utah revenue requirement by $1.3 million.

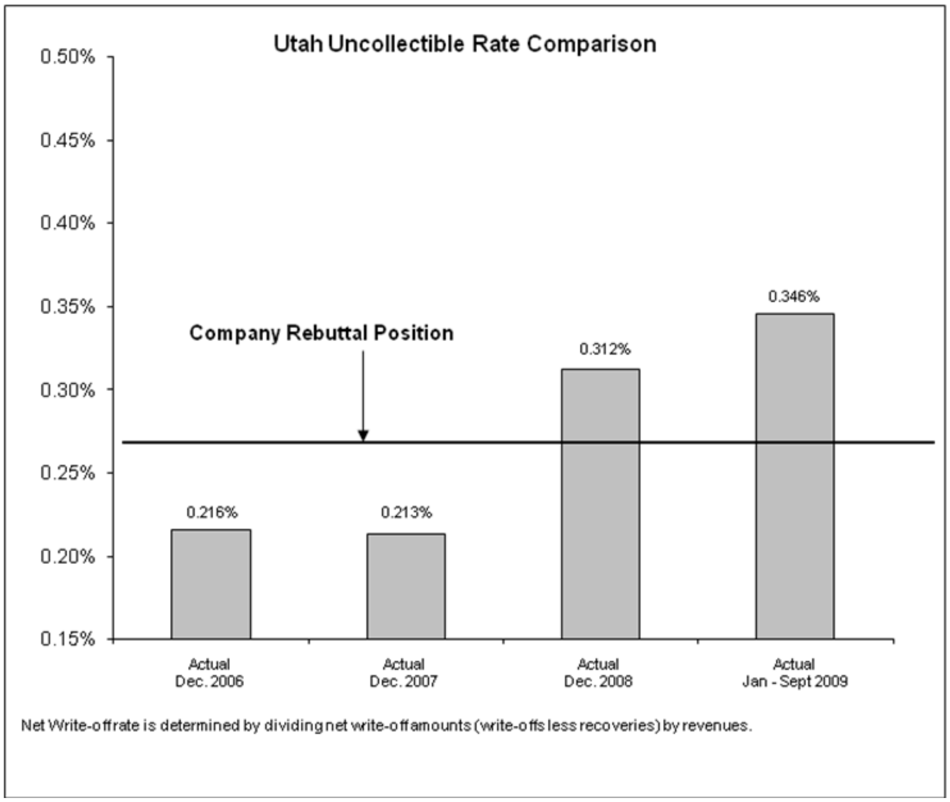
Q. Please briefly describe DPU's proposed adjustment for uncollectible expense.

A. DPU witness Ms. Salter proposes to use an average of net write-off levels from calendar years 2006, 2007, and 2008 to estimate the appropriate level in the 12 months ending June 2010. Using this methodology, Ms. Salter's adjustment is approximately $1.5 million.

Q. Is Ms. Salter's proposed adjustment reasonable in determining the Company's uncollectible accounts expense?

A. No. Ms. Salter's historical average fails to account for the steep downturn in recent economic conditions. Use of an historical average places equal weight on all years, including earlier years during which the economy was relatively healthy—2006 and 2007. The averaging method results in an amount below the actual expense as seen in calendar year 2008 and year-to-date 2009 (January through September).

The chart below shows Utah uncollectible rates (net write-offs as a percentage of associated revenues) for the three calendar years used in DPU's adjustment and also for year to date January through September 2009.



Although the Company's target uncollectible rate is aggressive compared to recent history and industry average, the Company has included adjustment 11.10 to hold the uncollectible rate at .27 percent in this case.

In prior rate cases the Company has relied on the base period uncollectible expense to compute the rate used for the test period. If the Commission prefers to adopt a certain method for computing test year uncollectible expenses, such as an average of actual as proposed by the DPU, it should be done as a matter of policy rather than just adjusting to a lower amount when the Company's request is above historical levels.

Q. Do you have any additional concerns regarding Ms. Salter's proposed adjustment?

A. Yes. Ms. Salter references DPU witness Mr. Peterson's testimony and provides her own insight on the status of the current economic situation. She explains that Mr. Peterson cites factors pointing to a recovery, with caution that it could be sluggish. On lines 223 through 226 of Ms. Salter's testimony, she states, "The U.S. economy officially entered a recession in December 2007…[The] base year is encompassed by the recession. The third quarter of 2009 shows a slight recovery and predictions for a recovery in the 2010 year are favorable…[The] Company's test year is included in this recovery period."

As seen in the chart above, the uncollectible rate experienced by the Company as of September 2009 shows no sign of recovery, and it is unreasonable to assume that the economy will recover by June 2010 to the levels experienced in 2006 and 2007. Unemployment in Utah is not expected to resume 2006/2007 levels any time soon. Mr. Mark Knold, chief economist of Utah Workforce Services stated in an August 21, 2009 article, "We're not anticipating job gains until the first half of 2010, and even then, there won't be any real aggressive hiring by businesses." Mr. Knold goes on to state that "even though there are now fledgling signs of an improvement in the national economy – such as an uptick in orders as businesses restock their inventories – an excess of idle production capacity is hampering the job market's recovery." Yet Ms. Salter believes that an historical average calculation including years prior to the economic recession will result in the most accurate reflection of June 2010 economic conditions.

Airplane Expense

Q. Please explain adjustment number 11.11 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.11 Airplane Expense reduces expenses in the test period for flights that the Company agrees should be either below-the-line or situs allocated to other states.

Q. What is DPU Witness, Mr. David Thomson proposing with this adjustment?

A. Mr. Thomson proposes 1) removing some flights he believes should be below-the-line, 2) situs assigning flights with no direct benefit to Utah, and 3) removing the corporate portion of fixed cost expenses and a rate base disallowance for the non-utility use of the Company plane.

Q. Does the Company monitor the flight logs and remove non-utility flight expenses from results?

A. Yes. The Company reviews flight logs and makes a good faith effort to charge non-regulated fights below-the-line. For the 12 months ended December 31, 2008, the Company removed $37,715 in non-regulated expenses and billed Mid-American Energy $53,789 for the cost to fly crews to Illinois in July 2008 to help with unexpected storm damage in Illinois.

Q. What is the source of information Mr. Thomson used to prepare this adjustment?

A. Mr. Thomson used Company responses to Data request DPU 33.6c and OCS 11.9a.

Q. Has the Company identified any misstatements in Mr. Thomson's proposed adjustment?

A. Yes. The first misstatement is a double count. DPU exhibits 4.2.2 and 4.2.3 include the same trip for item 1, which are then added together resulting in an overstatement of $12,013 before escalation. Second, Mr. Thomson removes expenses using only FERC account 921. Some of the expenses were booked to other accounts such as 557 and 908. This impacts the allocation and escalation factor that should be used. Finally, he calculates his rate base and depreciation expense adjustment incorrectly by including non-recurring events in the base period.

Q. Why did Mr. Thomson propose to remove fixed costs expenses?

A. He mistakenly assumed that these costs relate to Mid-American Energy as corporate overhead charges.

Q. Are these expenses related to Mid-American Energy corporate overhead?

A. No. The fixed costs of the Company aircraft are assigned to the business units of the Company based on usage. The corporate business unit is made up of internal departments that provide services to the entire Company such as finance and regulation. These costs are assigned to flights used by Company employees who belong to these corporate business units.

Q. Does the Company agree with Mr. Thomson's adjustments to non-utility expenses?

A. No. The Company believes the flight identified to discuss generation issues should be considered an above-the-line expense and be allocated system-wide. Attendance at the Berkshire Hathaway shareholder meeting should also be an above-the-line expense. The Company receives capital benefits from its relationship with Mid-American Energy and Berkshire Hathaway, which are a benefit to customers. The corporate fixed costs should be borne by PacifiCorp customers and should not be removed. The Company agreed in its response to OCS 11.9a to remove $1,947 from results in flight costs that should have been charged below-the-line. The Company also agrees to remove $14,509 in flights related to IPP 3 lawsuits because other expenses related to IPP 3 were removed from results. These adjustments are made by the Company in adjustment 11.11.

Q. What are the criteria used by Mr. Thomson to situs assign airplane flights?

A. The determining factors used for situs assignment of flights were each flights' state destination and that the Company's accounting transaction description had no compelling proof or explanation that the trip benefited other states.

Q. What are some examples of costs Mr. Thomson proposes to situs assign?

A. He proposes situs assignment of flights to states to discuss Federal legislation, marginal pricing issues, meeting with customers, and meetings to discuss transmission and generation issues. In response to Company data requests, the DPU admitted it does not believe transmission and generation costs should be situs assigned. Therefore, Mr. Thomson's adjustment is modified to continue allocating these costs.

Q. What is Mr. Thomson's adjustment to rate base?

A. He proposes an adjustment to disallow a portion of the rate base cost, depreciation expense and accumulated deferred income tax balance for the company plane. This adjustment is calculated by computing a percentage of below–the-line usage from the base period and applying that ratio to the test year rate base, depreciation expense and accumulated deferred income tax balance.

Q. How does Mr. Thomson calculate the below-the-line ratio?

A. Mr. Thomson calculates a percentage of below-the-line airplane usage by dividing $120,060, his proposed below-the-line expenses, by total company airplane expense of $1,156,225. This below-the-line ratio of 10.38 percent is then applied to the test period.

Q. Is it reasonable to assume that calendar year 2008 below-the-line ratio will be the same in the test year?

A. No. The ratio in the test period will not be the same as the base period because over 40 percent of the below-the-line expenses ($53,789) were for the amount billed to MidAmerican Energy for unexpected storm damage, which is a non-recurring event. There was also about $9,000 of below-the-line expense for spouses traveling on above the line flights. For these flights, the fixed costs should be allocated to the employee conducting Company business, which was the sole purpose of the flights, not to the spouses which were correctly recorded below-the-line. Updating for all of Mr. Thomson's misstatements results in a below-the-line ratio of about 4 percent, which is well below a reasonable materiality threshold.

Q. Is there an error with Mr. Thomson's proposed adjustment to depreciation?

A. Yes. He makes an error in the calculation of his depreciation expense adjustment. The first four months of 2008 added the calculation of fixed costs to the individual flights. Depreciation expense was one of the components of the fixed costs and was already removed when those costs were booked below-the-line.

Q. Will you summarize your proposed adjustment?

A. Yes. Adjustment 11.11 removes expense items identified by the Company using the correct FERC accounts, allocation factors and escalation rates. The impact of this adjustment reduces Total Company expense by $71,017 or $29,431 allocated to Utah.

Rent Expense

Q. Please explain adjustment number 11.12 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.12 Rent Expense reduces expenses in the test period to remove the cost of vacant office space. DPU witness Mr. Thomson proposed a similar adjustment, and I am accepting certain parts of his proposal. My adjustment removes rent expense for the first six months of 2008 related to the lease of office space at the Lloyd 700 building. This lease expired in June 2008, with six months of rent expense included in the base year.

Q. Do you agree with the adjustment proposed by Mr. Thomson to remove additional lease costs from the case?

A. No. Other than the item addressed above, Mr. Thomson's adjustment to remove costs for office space is incorrect.

Items 1 and 2 on DPU Exhibit 4.3.1 are sub-leases for office space in the One Utah Center, the terms for which are $1 per month rent plus operating expenses. These leases are provided by the Company to the Economic Development Corporation of Utah (EDCU) and Utah Sports Authority, and the lease expense above $1 per month is included as challenge grant expense, situs assigned to Utah in FERC account 930. The Company believes this an appropriate cost that benefits our Utah customers and the state as a whole. The Company has worked with economic development organizations throughout the service territory in an effort to: 1) provide accurate timely information to companies considering expansion or relocation to the Company's service territory; 2) help direct companies to locations where sufficient capacity exists to meet their needs at an acceptable cost; and 3) influence economic development policies that impact the overall cost of energy to existing electric customers. Making contributions to EDCU and other entities by absorbing these lease expenses is a key element to partnering with economic development organizations that, in effect, become an industrial customers' first point of contact in the state. If these expenses are not allowed to be recovered in rates the Company would be forced to cancel or renegotiate these contracts.

Item 3 on DPU Exhibit 4.3.1 is for office space at the Lloyd Center Mall. This space has been vacant since January 2007 and the lease expired March 2009. No lease payments were made after January 2007 so there were no expenses included in the base period. This adjustment removes expenses that are not included in the case.

Item 4 is for office space at the Lloyd 700 building. Mr. Thomson removes a full year of lease payments in DPU adjustment 4.3; however, as I described earlier the Lloyd 700 building lease expired in June of 2008 and only six months of expenses were booked in the base period.

Q. Where did Mr. Thomson obtain the information relied upon for Exhibit 4.3.1?

A. In his testimony Mr. Thomson states he relied on the Company's response to DPU Data Request 33.4. He later clarified in response to RMP Request 3.2 that he also relied on page 4.9.1 of Exhibit RMP___(SRM-2) in Docket No. 08-035-38. Since the base period for Docket 08-035-38 was the twelve months ended June 30, 2008, and the base period in this case is the twelve months ended December 31, 2008, the adjustment used in the previous case does not directly translate into an adjustment in this case. For example, on page 4.9.1 of Exhibit RMP___(SRM-2) in Docket No. 08-035-38, the note for line 4, the Lloyd 700 building, states that the lease expired June 2008.

Q. Is there some lease expense that should be removed from results?

A. Yes. The only expense that should be removed from results is Lloyd 700 building rent expense for the first six months of 2008. Adjustment 11.12 removes $127,110 from results.

Incremental Generation O&M

Q. Please explain adjustment number 11.13 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.13 Incremental Generation O&M accepts the adjustment proposed by OCS witness Ms. Ramas to remove the new O&M associated with non-wind projects as a proxy for reduced generation O&M in the budget. As explained earlier, the Company is accepting this adjustment in conjunction with adjustment 11.4, the reversal of the Company's original adjustment to business unit target O&M expense. In reality, new generating facilities will increase the O&M costs of the Company. However, the Company is continuing to look into ways to reduce O&M to lessen the impact of price increases on our customers. The Company continues to look for efficiencies in the generation O&M area of the Company to absorb these costs in this case.

Generation Overhaul

Q. Please explain adjustment number 11.14 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.14 Generation Overhaul reduces the average overhaul expense included in the test period because overhaul expenses currently projected to be incurred at the Company's Currant Creek and Chehalis plants for 2009 are lower than what is included in the Company's original filing. My adjustment updates 2009 Currant Creek and Chehalis expense levels with the actual expense and updated balance-of-year forecast for 2009, as proposed by both the DPU and OCS.

Q. Please explain the Generation Overhaul adjustments proposed by both the DPU and the CCS.

A. The adjustments proposed by both OCS witness Ms. Ramas and DPU witness Ms. Salter reduce the 2009 expenses for Currant Creek and Chehalis as described above and also remove the escalation applied to the 4-year historical average as included in the Company's filing. The Commission's Order in Docket No. 07-035-93 included overhaul expenses based on a four-year historical average level, but did not include the effects of inflation over the historical period. The Commission stated that "escalation serves merely to inflate the average, and the average is already higher than the budget."

Q. Does the Company agree with the previous Commission Order and the related adjustments proposed by the DPU and OCS?

A. No. Even though the Company agrees with using a 4-year average level, the Company continues to support the use of Global Insight indices to restate historical overhaul expense in current dollars prior to calculating the four-year average. Averages are intended to reduce year-to-year variances in expense, but not adjust for the time value of money and the issue of inflation, as the value of the dollar in the test period will be less than the value of the dollar in historical years. Company incurred expenses four years ago cost more in test year dollars to pay the same expense.

Q. Aren't inflationary pressures already taken into account using the averaging methodology?

A. No. In fact, just the opposite is true. As shown in the illustration included in my direct testimony, pages 18 and 19, the purpose of averaging is to adjust for uneven costs, not to adjust for inflation. Historical amounts need to be restated to current dollars to adjust for inflationary pressures. The simple example below shows the impact of averaging on inflation, assuming a 2.5 percent inflation rate, a $100 amount in year one, and a four year average of years one through four used to project costs in year five. Using this assumption, Example 1 shows the impact without adjusting for inflation, and Example 2 shows the impact when years one through four are adjusted for inflation to current dollars. As shown, with no escalation to account for inflation a four year average of costs is $103.8, much less than the projected costs in year five, resulting in an expense level that is 2.5 years old compared to the current expenses. In Example 2 the average is equal to the year five amount resulting in an accurate forecast.

Example 1

Year	Amount	
1	$ 100.0	
2	102.5	Avg.
3	105.1	$103.8
4	107.7	
5	110.4	

Example 2

Year	Amount	Escalation	Adjusted Amount	
1	$ 100.0	1.104	$ 110.4	
2	102.5	1.077	110.4	Avg.
3	105.1	1.051	110.4	$110.4
4	107.7	1.025	110.4	
5	110.4			

As shown above, averaging increases the need to adjust for inflation. It does not serve to inflate the average, but to adjust the average to the correct ongoing level.

Environmental Settlement (PERCO)

Q. Please explain adjustment number 11.15 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.15 Environmental Settlement (PERCO) accepts the adjustment proposed by DPU witness Ms. Salter to reduce the projected spending on environmental cleanup, thereby increasing the credit balance included as a rate base deduction. In her adjustment, Ms. Salter proposes adjusting PERCO expenses for the calendar year to a historical average level. As a policy matter, the Company disagrees – when a forecast test period is used, a forecasted not a historical level should be relied upon. However, 2009 year-to-date spending related to PERCO is currently running behind plan, so the Company is accepting this adjustment as an approximation of revised expenditures anticipated during the test period.

Deferred Transmission Project

Q. Please explain adjustment number 11.16 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.16 Deferred Transmission Project accepts the adjustment proposed by DPU witness Mr. McGarry, and a portion of the adjustment to plant held for future use proposed by OCS witness Ms. Ramas. This adjustment removes the preliminary survey and investigation costs for a transmission project in Herriman, Utah, which the Company included in its original filing. The Company believes similar costs should be included in rate base, since funds are spent that will benefit customers when the project is completed, and because this project is no longer in CWIP and not accruing AFUDC. However, due to the planned timing of the Herriman transmission project and the technical accounting issues raised by intervening parties in this case, the Company is accepting this adjustment.

Bridger and Trapper Mines

Q. Please explain adjustment number 11.17 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.17 Bridger and Trapper Mines updates the forecasted capital additions at the Company's jointly-owned mines with actual information through August 2009. This adjustment was proposed by DPU witness Mr. Croft and is consistent with his recommendation to update all forecasted capital additions with actual amounts placed in service through August 2009.

Revised Plant Additions

Q. Please explain adjustments 11.18 through 11.22 in your Exhibit RMP___(SRM-2R).

A. Adjustments 11.18 through 11.22 relate to changes in plant additions and retirements in response to various data requests and intervenor testimony, as described below. Adjustments 11.18 and 11.19 show the impact on electric plant in service related to changes in plant additions and retirements. Adjustments 11.20 and 11.21 show the corresponding impact on depreciation expense and depreciation reserve. Adjustment 11.22 shows the tax related impacts.

Q. Various witnesses for intervening parties also proposed adjustments to capital additions. Does the Company agree with these proposed adjustments?

A. The Company is accepting in principle adjustments to capital additions, plant retirements, depreciation expense, and depreciation reserve as proposed by DPU witness Mr. Croft. The Company's revised adjustment to capital additions and plant retirements is calculated using actual additions and retirements from January 2009 to August 2009, including the change in the balance in FERC account 106 (unclassified plant) in the capital addition adjustment. Adjustment 11.18 also includes updates to the forecast amounts and project in-service dates for the projected September 2009 through June 2010 time period, as provided in the Company's response to DPU Data Requests 5.3, 29.24, and 42.6. In these responses the Company provided information regarding projects that were placed into service early or late or that currently have a different forecast amount than what was contained in the original filing. When adjusting the plant forecasts included in the case the Company has taken into account if amounts for projects in the original case were forecasted to be placed into service in more than one month.

Changes to the Company's original filing include updates to the forecasted amounts and in-service dates for the High Plains and McFadden Ridge I wind plants, as identified in the Company's response to DPU Data Requests DPU 42.6 and DPU 29.24 1st Supplemental, and as proposed by DPU witness Mr. Croft and UAE witness Mr. Higgins (the reduction in the High Plains amount placed in service). Adjustment 11.18 also removes the contingency costs for the McFadden Ridge I plant as proposed by DPU witness Ms. Jodi Zenger because the most recent forecast supports that these contingency costs will not be needed. Company witness Mr. A. Robert Lasich further explains the Company's position regarding contingency costs as addressed by Ms. Zenger.

Q. Do you agree with the adjustment proposed by OCS witness Ms. Ramas to reduce all projected capital additions by 5.77 percent?

A. No. Ms. Ramas compares total Company actual plant additions for January through August 2009 to the amounts forecasted in the Company's case and concludes that because the total placed in service is 5.77 percent lower than the amount forecasted for the same period, all forecasted capital additions included in the Company's filing should be reduced by the same 5.77 percent. However, as Mr. Croft's proposed adjustment clearly illustrates, while the total Company amount placed in service may be less than the overall amount projected, on a state allocated basis the impact on the case may be far different than just cutting all projected spend by a blanket percentage. Ms. Ramas' adjustment decreases capital in every functional category without consideration as to whether that functional category had more or less placed into service than what was in the Company's original filing. For example, even though at the end of August 2009 the Company had placed more into service in the Utah Distribution category than what was contained in the original filing, Ms. Ramas' adjustment decreases this category, along with every other category, by 5.77 percent.

Q. Do you have any other comments regarding updating forecasted capital additions with actual capital additions for January through August 2009?

A. Yes. Even though I have accepted the adjustment to update forecasted capital additions with actual amounts through August 2009, the Company is continually analyzing the capital needs of the electrical system to determine which investments are required to maintain and provide reliable service to its customers. It is not uncommon to change priorities in order to benefit the entire system. This may involve accelerating a project because of a critical need, which may cause a delay in other projects, thus changing the mix of plant additions from what was included in the original rate case filing. As demonstrated by the DPU adjustment, this changing mix in plant additions may or may not have an impact on the revenue requirement for a given jurisdiction and test period.

The approach taken by the DPU is more appropriate for this case because it considers the impact of changing capital additions on a jurisdictional basis. Ms. Ramas' position disregards possible changes in the timing of projects being placed into service. For example, the High Plains wind project and McFadden Ridge I wind project, which were both included in the filing with October 2009 in-service dates were both placed into service in September 2009, a month early. Since the Company uses a 13-month average method for including plant additions, placing those plants into service a month early would increase the 13-month average. Overall, Ms. Ramas' adjustment fails to take these issues into consideration and should therefore be rejected.

Plant Related Tax Update

Q. Please explain adjustment number 11.22 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.22 Plant Related Tax Update revises the Company's revenue requirement for the tax impacts associated with adjustment numbers 11.18 through 11.21.

Net Power Costs (Including SMUD Settlement)

Q. Please explain adjustment number 11.23 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.23 Net Power Costs updates the Company's revenue requirement for the issues addressed and is described in the testimony of Company witness Mr. Gregory N. Duvall. Mr. Duvall's revised net power costs include adjustments to the wind plant in service dates consistent with the capital adjustments described above. He also includes price changes related to the special contracts for reserve and QF pricing effective January 1, 2010, consistent with adjustment 11.2, and treats the SMUD contract consistent with the settlement agreement reached in Docket No. 09-035-T08.

Lead Lag Study

Q. Please explain adjustment number 11.24 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.24 Lead Lag Study updates the Utah net lead lag days from 5.6 to 5.45 based on the concepts recommended by DPU witness Mr. Croft. For purposes of this case, the Company accepts Mr. Croft's proposal to compute cash working capital using the forecast results of operations as calculated in the JAM model applied to the itemized historical lag days as calculated in the Company's 2007 Lead Lag Study. The 5.45 net lead lag days differs slightly from Mr. Croft's calculated net lag days because the rebuttal JAM model includes revised net power costs and updates to other items. The Company is not opposed to this adjustment in this case and will further evaluate its use in subsequent cases. The

Company is opposed, however, to the re-allocation of the Washington Public Utility Tax as raised by Mr. Croft as I will describe later in my testimony. The impact of this allocation issue on the lead lag study is not reflected in my adjustment.

Allocation Factor Update

Q. Please explain adjustment number 11.25 in your rebuttal Exhibit RMP___(SRM-2R).

A. Adjustment 11.25 Allocation Factor Update quantifies the impact of the rebuttal adjustments adopted by the Company on the dynamic inter-jurisdictional allocation factors. Allocation factors are influenced by a variety of changes, including changes to rate base and net power costs. The impact of each adjustment summarized at the beginning of my testimony does not capture the change, if any, that adjustment has on the allocation factors. This adjustment updates allocation factors for all the adjustments included above.

ADJUSTMENTS REJECTED BY THE COMPANY

401(k) Administration

Q. DPU witness Mr. McGarry proposed an adjustment to reduce 401(k) administrative expense. Do you agree with his adjustment?

A. No. As shown on DPU Exhibit 3.5.1, Mr. McGarry proposes an adjustment to reduce the 401(k) administrative costs by $470,000 (or a reduction to O&M expenses of $333,128). Because the Company's original filing only included $335,818, such an adjustment would result in a negative amount in the test year of ($134,182). In the DPU's supplemental response to Company Data Request 6.1, Mr. McGarry stated that he intended to recommend that the test period include $335,818 for 401(k) administration expenses, which is the same amount the Company included in the test period, and consequently, his proposed adjustment is not necessary.

Q. Please explain further.

A. In an apparent attempt to remove a credit from the base period, Mr. McGarry computes an adjustment to 401(k) administrative expense in DPU Exhibit 3.5.2. His computation is unnecessary because the Company's case already adjusts amounts booked to the 401(k) administration expense account during the base year to the projected test period level.

The Company's case was prepared starting with unadjusted accounting information (according to GAAP and following the FERC uniform system of accounts) and adjusting those results to get to the forecast amount. Intervening parties in this case, including the DPU, have proposed adjustments to the Company's filing for various items, adjustments which are made incrementally to the *test period* amounts proposed by the Company. In trying to remove the $470,000 credit from the base period, Mr. McGarry has actually removed it from the forecast amount, reducing 401(k) administration expenses from $335,818 to a negative $134,182.

Property Insurance

Q. Do you agree with the adjustment to property insurance proposed by DPU witness Mr. McGarry?

A. No. Mr. McGarry proposes an adjustment to 1) remove from the base year a low claim bonus received for policy year 2007, and 2) increase the low claim bonus included in the projected test period expenses.

Q. Please explain the flaws of Mr. McGarry's proposal to remove a bonus from the base year property insurance expense?

A. Mr. McGarry correctly explains that the base year (calendar year 2008) in the Company's case included two low claim bonuses that had the effect of reducing property insurance expense for 2008. The first bonus was for $869,677 for policy year 2007 and the second bonus was for $869,963 for policy year 2008. Mr. McGarry proposes to remove the 2007 policy year bonus of $869,677 on the basis that it is a non-recurring item.

However, the Company has already adjusted the base year in the case to a normalized *test period* level of expense which as Mr. McGarry himself explains already includes just one low claim bonus. Just as I explained in my description of Mr. McGarry's proposed 401(k) administration expense adjustment, the intervenors in this case should be proposing adjustments to the *test period* amounts proposed by the Company. As illustrated below, the Company's original filing included adjustments to property insurance expense which increases the base year expense of $9.1 million (which included two low claim bonuses) to arrive at a test period level of $9.8 million (which only includes one low claim bonus). Line 9 of DPU Exhibit 3.6.2 demonstrates that Mr. McGarry intends to recommend a normalized level of expense for property insurance of $9,770,454. As shown below, Mr. McGarry's proposed adjustment would, in reality, reduce the Company's filed property insurance expense from $9.8 million to $8.9

million:

Base year expense	$9,132,238
O&M escalation applied in adj 4.3	276,424
Insurance expense adj 4.17	370,723
Normalized Property Insurance in Case	**$9,779,385**
Mr. McGarry's proposed adjustments	
Remove 2nd bonus	($869,677)
Additional low claims bonus	($8,931)
Total McGarry Adjustments	**($878,608)**
McGarry's adjusted level in the case	$8,900,777
McGarry's proposed level DPU 3.6.2, Line 9	$9,770,454
Misstatement	**($869,677)**

Q. Does Mr. McGarry also make an adjustment to update the amount of forecasted property insurance expense?

A. Yes. The Company's forecasted property insurance expense of $9,779,385 includes one low claim bonus of $850,000. Mr. McGarry proposes to update the forecast figure based on his incorrect interpretation of the response to MDR 2.34. The Company included an $850,000 bonus in the original filing and then in data response OCS 5.4 stated it was removing the $850,000 bonus from the pro forma amount based on communication from insurance carriers that they were not likely to distribute bonuses due to the losses and reductions in liquidity the carriers had experienced in recent months. Mr. McGarry states in direct testimony "The Company had already received the low claim amount of $858,931. Therefore, the reduction for the low claim bonus should be included in the normalized level." He further states, "Actually, the $850,000 that the Company originally used, then removed, should be increased to $858,931." To better understand MDR 2.34, it includes bonuses of $1,739,640 for calendar year 2008 and $858,931 in the period

May 2008 to April 2009. These two periods overlap each other for the months of May 2008 to December 2008 and the $858,931 bonus is included in both columns on MDR 2.34 as illustrated in the table below.

	CY 2008	May 08 to Apr 09	Months Recorded
Policy Year 2007	$880,709	$0	March 2008
	($11,032)	($11,032)	June to Nov 2008
Subtotal	**$869,677**	**($11,032)**	
Policy Year 2008	$**869,963**	**$869,963**	Nov to Dec 2008
MDR 2.34 Total	**$1,739,640**	**$858,931**	

The Company has not yet received a bonus for the 2009 policy period, but has included a bonus in the rate case.

Q. What does the Company recommend regarding the proposed adjustments to property insurance expense?

A. The Company recommends the Commission reject Mr. McGarry's adjustment in its entirety to remove the 2007 policy year bonus from results. The case already includes a normalized test period level of expense with one low claim bonus totaling $850,000. The Company also recommends the Commission reject Mr. McGarry's adjustment to increase the low claim bonus by $8,931 ($858,931 minus $850,000) because the Company has of yet not received any additional bonus beyond the 2008 policy year.

Injuries and Damages

Q. Please explain the adjustment to injuries and damages expense adjustment proposed by DPU witness Mr. McGarry.

A. Mr. McGarry proposes to compute test period injuries and damages expenses based on a 5 year (60 months) average using the most current information available instead of the 3 year average as approved by the Commission in Docket No. 07-035-93 and used by the Company in this case .

Q. Did Mr. McGarry make any errors or incorrect assumptions in his calculations which have not been corrected?

A. Yes. Mr. McGarry again mistakenly recommends adjusting the Company's base year by adding back the base year insurance cash received in an attempt to convert the Company's base year accrual amount to a cash figure. As explained previously, the Company's case was prepared by making adjustments to accounting information in the base year to arrive at the test period. In the case of injuries and damages expense, the Company removes the accrued expenses from the base year and replaces them with a three year average of the net cash outlay. The Company's adjustment must be done in this manner – the starting point for the results of operations is actual accrual-based accounting data for calendar year 2008. No further adjustment to the base year by intervening parties is needed, and would only be duplicative. Unless the Company's original adjustment is entirely reversed, adjustments proposed by intervening parties are incremental to the Company's *test period* amounts.

The Company's test period includes $4.3 million for injuries and damages, based on a three year cash average consistent with the Commission's Order in Docket No. 07-035-93. The Company's original adjustment 4.17 is illustrated below:

Net base year expense - accrual basis	$3,255,573
Net 3 year average - cash basis	4,320,393
Adjustment amount	$1,064,820

On line 20 of Mr. McGarry's Exhibit 3.7.2 (revised) he recommends a test period amount of $4,107,586, only $212,807 less than the Company's filing (all on a total Company basis). Yet, because of Mr. McGarry's erroneous revision of the Company's base year expenses, he makes an adjustment in DPU Exhibit 3.7.1 (revised) to reduce the total Company amount by $3.1 million.

Q. Does the Company agree with using a 5 year average to calculate injury and damage expense?

A. No. In Docket No. 07-035-93, the Company and the Committee of Consumer Services (now the OCS), recommended the use of a three year average on a cash basis, which was ultimately approved by the Commission. The Company believes a three year average is an appropriate time frame to smooth out the expense level variations from one year to the next. Changing the averaging method simply to achieve a lower revenue requirement is arbitrary and bad regulatory policy.

Q. Are you concerned with the proposal to use 'the most current information available' to calculate the average injury and damage expense?

A. Yes. Mr. McGarry recommends using 60 months of the most current information available to him, after the case has been filed. The Company has always used the most current information available at the time of the preparation of the revenue requirement filing. Each time the Company prepares this adjustment it does not review a broader set of data and then choose which 3 year period best suits the Company's situation. The Company views Mr. McGarry's proposal of updating to the most current information as merely choosing a data set to achieve a bottom line outcome because the use of the Company's filed 3 year average already accomplishes the objective of providing a smoothing of expense. Continually updating all items in the case will prove burdensome on all parties.

Q. What does the Company recommend for an injury and damage expense adjustment?

A. The Company recommends the Commission reject the proposed 5 year average based on the most current month information and accept the Company's 3 year cash-based average, calculated by starting at the end of the base period and reaching back 3 years. The Company believes the 3 year average is an appropriate time frame to provide the desired smoothing of expense and would also help to minimize the calculation disagreements, errors and omissions briefly outlined above. However, if the Commission recommends changing to a 5 year cash basis average, the averaged periods should end coincident with the end of the base period in this case. Such an adjustment would increase revenue requirement by $505,302 on a total Company basis and $208,767 on a Utah basis from what was originally filed.

MidAmerican Energy Holdings Company ("MEHC") Management Fee

Q. In her direct testimony, OCS witness Ms. Ramas recommends that the management fees charged by MEHC be reduced. Do you agree with her recommendations?

A. No. Charges from MEHC for MEHC Supplemental Executive Retirement Plan ("SERP"), MEHC bonuses and MidAmerican Energy Company bonuses are reasonable, above-the-line costs. The Company has benefitted and will continue to benefit from having MEHC as its holding company in several respects. Since

MEHC acquired PacifiCorp, it has implemented cost cutting strategies that have saved ratepayers millions of dollars. For example, it is no coincidence that our labor costs either come in lower or almost level with every rate case filed – even during periods when medical costs were rising significantly from year to year. MEHC's safety policies have made a positive difference in the Company's safety record, which also translates into dollars saved. Corporate functions that are performed by MEHC on behalf of PacifiCorp also save ratepayers money because PacifiCorp does not have to perform those functions on its own. If MEHC were not performing those functions, for example, then PacifiCorp would have to do so and may have to do it at a higher cost. Also, because the Company's ownership changed from a publicly held company to a privately held utility, there are no shareholders' services costs that must be paid. Notably, before MEHC ownership, the Company paid $15 million to its prior owners in management costs. In keeping with its cost cutting philosophies, when MEHC acquired the Company, MEHC agreed that ratepayers need only pay $9 million of the $15 million typically paid to the prior owner. In sum, the Company has shown that as a result of MEHC's philosophy of running a streamlined company, millions of dollars have been saved to the benefit of the Company, but most importantly, to the benefit of the Company's ratepayers.

Q. Ms. Ramas states that because she recommended SERP costs for the Company be disallowed, she's also recommending that SERP costs associated with MEHC be disallowed. Do you agree with her recommendation?

A. No. SERP costs are reasonable because they are an essential part of executive compensation in retaining the types of highly qualified executives that make decisions with positive impacts on ratepayers. Company executives receive support from MEHC executives and many decisions are made at the MEHC level that have a direct positive impact on Utah ratepayers. The Commission addressed the question of whether SERP costs should be disallowed in Docket No. 99-035-10. In its Order, the Commission, in support of the Company's argument, noted "it is our opinion that a SERP plan is an essential part of executive compensation in recruiting and retaining qualified executives, and we therefore reject the Committee's adjustment and accept the Company's."[1]

Washington Public Utility Tax

Q. Please summarize the adjustment related to the Washington Public Utility Tax as proposed by DPU witness Mr. Croft.

A. The Company's filing included \$9.3 million for the Washington Public Utility Tax (WPUT) allocated on an SO factor, resulting in \$3.9 million being allocated to Utah. Mr. Croft claims that this tax expense should be situs assigned to Washington because the tax revenue benefits only Washington citizens.

[1] *Re PacifiCorp, dba Utah Power and Light Company,* Docket No. 99-035-10, Utah Public Service Commission (May 24, 2000).

Q. Does the Company agree that it is appropriate to situs assign the WPUT as recommended by Mr. Croft?

A. No. Assigning this expense directly to Washington ratepayers is not appropriate. The system allocation of various state specific tax items has been an accepted part of the Company's inter-jurisdictional cost allocation methodologies for many years. System allocation is based on the premise that individual states served by the Company may implement tax policy through different mechanisms, but with similar impacts on the operation of one integrated system. For example, the states of Washington and Wyoming do not have a state income tax, which the Company pays in all other states including Utah and allocates system-wide. Mr. Croft's adjustment drastically departs from the generally accepted method the Company has used to recover the Washington Public Utility Tax for over 15 years.

Q. Please give a brief history of how the treatment of the WPUT has evolved over the past 15 years.

A. Following the merger of Pacific Power and Light Company and Utah Power and Light Power on January 9, 1989, a task force was established to study the issue of inter-jurisdictional allocations of system plant and expenses. Members of the PacifiCorp Inter-jurisdictional Task Force on Allocations (PITA) included regulatory agency representatives from each state jurisdiction in which PacifiCorp serves, including Utah. PITA specifically determined and directed that state income taxes and the Washington Business Tax,[2] be allocated system-wide. Please see Exhibit RMP___(SRM-4R), Summary of the PITA Accord, pages 2

[2] The Washington Public Utility Tax has often been referred to as the Washington Business Tax. In fact, the Washington Department of Revenue states the Washington Public Utility Tax is in lieu of the Business and Occupation Tax.

and 3. Table 1 of this exhibit demonstrates the system allocation treatment under PITA Accord and Rolled-In and this treatment was carried forward into Revised Protocol. A change of this nature is more appropriately dealt with through the established MSP standing committee.

Q. Can you give other examples of taxes that the Company pays and allocates on a system basis that only benefits the citizens in one state?

A. Yes. Even though state income taxes as well as property taxes (neither of which have been challenged in this case) paid to each individual states taxing authority go directly to the benefit of that state's citizens, the Company's expense for these taxes are allocated system-wide. In 2008, the Company paid approximately $38 million in property taxes to the state of Utah, benefitting the residents of Utah. In addition, from 1995 to 2006 the Company paid a Gross Receipts Tax in Utah that was system allocated. This tax only benefitted Utah residents, but was partially paid by non-Utah ratepayers for eleven years.

Blue Sky Costs

Q. Please describe the adjustment to remove Blue Sky Costs as proposed by OCS witness Ms. Ramas.

A. Ms. Ramas proposes to reduce test year expenses by $1,115,489 on a total Company basis and $460,864 on a Utah allocated basis because of a claim that certain Blue Sky related costs posted to FERC account 923 Outside Services were booked incorrectly above-the-line and should thus be removed.

Q. Does the Company agree with Ms. Ramas' claim?

A. No. As testified by Ms. Ramas, in January 2008 the Company changed its accounting methodology from charging administrative costs related to Blue Sky to operation and maintenance accounts and began booking to non-regulated liability accounts. This is accomplished through the use of designated Blue Sky orders set up internally through SAP, the Company’s accounting system.

Q. What is the purpose of using accounting orders for Blue Sky costs?

A. The purpose of the orders is to capture Blue Sky costs by jurisdiction and by various expense categories. Additionally, once booked, the orders transfer the costs into liability accounts where they will ultimately reside.

Q. Can you please explain the process of booking administrative costs such as those identified by Ms. Ramas to liability accounts?

A. Yes. All the costs identified by Ms. Ramas were initially booked to FERC account 923 and assigned designated Blue Sky orders. These costs were then transferred out of FERC Account 923, in the same month they were initially charged, into FERC Account 254 – Other Regulatory Liabilities. The result is a credit entry to FERC Account 923 and a debit to FERC Account 254, which posts below-the-line. All of the items identified by Ms. Ramas ended up below-the-line and are already excluded from the revenue requirement included in this case. Exhibit RMP___(SRM-3R) shows the original debit entries posted to FERC Account 923 and the associated credit entries transferring them out of regulated results.

Q. Were there any Blue Sky costs charged above-the-line that were removed through normalizing adjustments in this case?

A. Yes. The Company has continued to audit and remove any Blue Sky related costs that are erroneously booked above-the-line. However, due to the minimal amount of charges included in the base period, these costs were removed as part of the Company's miscellaneous general expense adjustment rather than in a stand-alone adjustment. In the base year, $3,729 of total company administrative costs for Blue Sky remained above the line in FERC accounts 909 and 923. These costs were removed in Exhibit RMP___(SRM-2), page 4.1 (Miscellaneous General Expense). Detail was provided in data request OCS 5.9 and is shown in the table below:

Blue Sky Costs Removed in Adjustment 4.1

FERC Acct	Expense	Total Co	UT Alloc	Postg Date
9090000	JACKSONVILLE BLUE SKY AD RESIZE(PACI-723)	100	48	9/29/2008
9090000	BLUE SKY WORDMARK	2,398	1,146	12/27/2008
9090000	frames for Blue Sky business certificates	81	39	11/4/2008
9230000	BLUE SKY TRADEMARK RENEWAL - FEB 08	118	49	7/11/2008
9230000	BLUE SKY TRADEMARK RENEWAL - JUL 08	615	254	8/26/2008
9230000	BLUE SKY TRADEMARK RENEWAL - JUN 08	371	153	8/26/2008
9230000	DUBB CHG-WILLARD POWER LINES COAL POWER BLUE SKY S	48	20	5/21/2008
		3,729	1,708	

In addition, the purchases of green tags to satisfy program requirements were booked to FERC account 555 in the 2008 base year. These costs are removed on page 5.4 of Exhibit RMP___(SRM-2).

Q. What is the Company's recommendation concerning additional removal of Blue Sky costs?

A. Because all the costs identified by Ms. Ramas have already been removed by the Company, no further adjustment should be made related to the Blue Sky program.

Chehalis Due Diligence Bonuses

Q. Do you agree with the adjustment proposed by OCS witness Ms. Ramas to remove bonuses paid to employees involved in the Chehalis plant due diligence?

A. No. In the Company's response to OCS Data Request 16.2(a) Ms. Ramas identified $193,500 for bonuses paid related to the Company's acquisition of the Chehalis plant. Ms. Ramas states, "These bonuses would have been specific to the Chehalis acquisition and will not be repeated in the test year." These bonuses were intended to reward employees for their performance in acquiring a cost effective resource that will benefit customers for many years.

Ms. Ramas is correct that these specific bonus payments will not be repeated in the test period. However, the Company will continue to incur similar type bonus payments on a routine basis throughout the test period. Such bonuses are booked to GL account 500400, which includes numerous other small bonuses intended to reward and motivate employees to perform at a high level. The very nature of this account suggests that individual awards will be one-time events, but the overall level of expense for this account included in the test period can reasonably be expected to occur again during the test period and into the future.

Utah Distribution Maintenance

Q. Please describe the adjustment to Utah Distribution Maintenance expense as proposed by OCS witness Ms. Ramas.

A. Ms. Ramas proposes to disallow a total of $3,452,889 of Utah allocated preventative and corrective (P&C) maintenance costs added to results in the

Company's adjustment 4.12 – Utah Distribution Maintenance. The Company reduced spending on P&C maintenance between the base year months of September 2008 to December 2008 in response to the Commission's Order in Docket No. 07-035-93. Adjustment 4.12 includes the foregone expenditures to bring P&C maintenance costs in line with planned amounts. In her testimony, Ms. Ramas argues that the Company has not been able to provide a reasonable level of support for adjustment 4.12. She argues that the Company may be attempting to double-recover the labor component, and that the Company has not been able to demonstrate what specific non-labor costs were foregone as result of the decreased P&C maintenance efforts.

Q. What is preventative and corrective maintenance?

A. Preventative maintenance includes substation inspection programs, planned overhauls of major equipment, pole test and treat programs, line patrol, and inspection programs. Its major focus is to inspect equipment and identify abnormal conditions. Corrective maintenance is primarily intended to correct abnormal conditions found during the inspection process. It may include repairs to major equipment, repairs to structures and bus work, repairs to switches and insulators and overhead and underground line maintenance.

Q. Please describe the purpose of adjustment 4.12 – Utah Distribution Expense.

A. Adjustment 4.12 - Utah Distribution Expense normalizes the costs incurred in calendar year 2008 to reflect an adequate level of costs required for P&C maintenance on an ongoing basis. The adequate level of expense is derived from the 'Normal Expense' figures presented in page 4.12.1 of Company Exhibit

RMP___(SRM-2). These figures represent what the Company has deemed would be necessary to provide timely and reliable electric service to all Utah ratepayers.

The normal expense level for the preventative maintenance category is equivalent to the Company’s budget for this activity for the period described. Within overall budget guidelines and targets, preventative maintenance spend is derived from Company maintenance policy and program guidelines driven by operational history, manufacturer’s recommendations and industry standards. Within the same guidelines and targets, corrective maintenance is generally derived from historical spend levels and trends by area or district and maintenance activity type plus known exceptions. Consideration is given to the condition of the equipment as well as identified areas with specific needs or requirements. Priorities are typically determined by asset condition determined through the equipment inspection process.

Q. Do you agree with the argument that the Company may be attempting to double-recover labor costs?

A. No. While the Company does not contest Ms. Ramas’ observation that the Company has not reduced its workforce by termination or removal, it is not a relevant implication when considering the normal level of expense attributed to P&C maintenance. Even though the Company did not lay off any internal distribution and transmission staff during the September 2008 through December 2008 period, this work would have been mainly performed by outside contractors.

Q. Please describe if adjustment 4.2 – Wage and Employee Benefits has an effect on the level of labor recovered by the Company.

A. Adjustment 4.2 does not capture the level of work performed in a specific function but rather the effect of pay increases and incentives between the base period and the test year. Therefore, no double counting would result from this adjustment.

Q. Please describe the Company's efforts implemented to reduce the level of P&C maintenance?

A. As observed by the OCS, the Company did not implement program cost reductions by terminating employees, but rather by modulating and reducing the level of maintenance workload assigned to internal and external-contract labor pools. The cost reductions consisted primarily of reduced contract labor during the time period from September 2008 – December 2008.

Q. Please identify how the 'Normal Expense' levels presented by the Company are useful in determining the maintenance cost reductions during the September 2008-December 2008 period.

A. As discussed above, the reduction in the P&C Program costs emerged primarily from the reduction of contractor services. In the period between September 2008 and December 2008, a monthly average of $3,370,721 was incurred, which equates to a total 4-month average of $13,482,885. When comparing this total average to what would be considered a normal level in the time period prior to the reduction, it can be seen that the Company reduced spending substantially. As shown in the table below, when comparing the September to December 2008 contractor labor 4-month average to the same time period in 2007 the cost reduction is $4,998,553. By comparing to the January 2007 – August 2008 period, the Company reduced its total average spending by $4,735,164. Finally, when comparing to a total 4-month normal average level for the January-August 2008 period, an even more substantial reduction of $6,103,477 is identified. This comparison is useful because it provides a basis to show that the Company's 'normal' level of expense is an adequate measure to gauge the cost reductions under a normal spending environment.

Contractor Services Expenditures

Time Period	Monthly Average	Monthly Average (Sep 2008 – Dec 2008)	Comparative Average Savings (Sep 2008 – Dec 2008)
Sep 2007 - Dec 2007	$ 4,620,360	$ 3,370,721	$ 4,998,553
Jan 2007 - Aug 2008	$ 4,554,512	$ 3,370,721	$ 4,735,164
Jan 2008 - Aug 2008	$ 4,896,591	$ 3,370,721	$ 6,103,477

Q. Why is it relevant to take an average of actual spent costs to show what services were foregone?

A. The Company believes it is valuable to take an average level of spent costs due to the normal fluctuations that are intrinsic to the P&C maintenance environment. As seen in the chart below, external contractor labor for P&C maintenance fluctuated significantly within the January 2007 to December 2008 time frame. These fluctuations are driven by a variety of factors such as operational history, asset conditions, facility counts, manufacturer's recommendations and equipment inspections. When defining what a normal level should be, the Company must capture the effect of these natural fluctuations. This can only be achieved by taking an average. Observing discrete monthly changes will not provide a meaningful measure of what should be considered normal spending levels.

Q. What is the Company's recommendation regarding adjustment 4.12 – Utah Distribution Expense?

A. The Company recommends adjustment 4.12 be allowed because these costs represent a reasonable ongoing level of expense necessary for the test period.

Remove Settlement Fees

Q. Please describe the adjustment proposed by OCS witness Ms. Ramas to remove certain settlement and legal fees paid by the Company.

A. Ms. Ramas proposes an adjustment to remove $1.7 million for legal and settlement fees regarding the Company's Colstrip plant and an avian settlement. She claims that Utah ratepayers should not be responsible for paying for these items. These items combined represent a $700,135 reduction to Utah's revenue requirement.

Q. Does the Company agree with Ms. Ramas that these expenses should be removed from results of operations?

A. No. A certain level of legal risk is inherent in the nature of the electric utility industry. Although the Company makes significant efforts to mitigate these risks, settlement and legal expenses are unavoidable and necessary in order to provide adequate electric power to its customers. In the past three historical calendar years, the Company has averaged approximately $2.2 million in these types of settlement fees. The settlement fees proposed for removal are well within the normal range that the Company regularly incurs. The Company asserts that the settlement fees are appropriate to include in rates because they offer a favorable resolution of disputed litigation and represent a substantial reduction of the Company’s potential exposure for excessive compensatory and punitive damages. Additionally, Colstrip is a low cost resource that is an integral part of the Company's generation portfolio. The Company should be allowed the opportunity to recover the costs associated with its ownership share of Colstrip because customers receive the benefit from this low cost resource.

Plant Held For Future Use

Q. Please describe the adjustment to Plant Held for Future Use proposed by OCS witness Ms. Ramas.

A. Ms. Ramas proposes to disallow a total of $3,716,058 of total company ($1,751,395 Utah allocated) balances from FERC account 105 – Plant Held for Future Use. Adjustment OCS 2.6 is comprised of two components. First, Ms. Ramas reverses the effect of Company adjustment 8.13 related to preliminary engineering costs for a transmission project in Herriman, Utah – which I addressed earlier in my testimony and have already accepted and included in this filing. Second, Ms. Ramas proposes to remove from FERC Account 105 any balances associated with projects going into service during the test year ending June 2010. She removes 100 percent of the Oquirrh Substation land due to the June 2009 in-service date of a related project, and removes 75 percent of the White Rock Substation land based on the September 2009 in-service date of a related project.

Q. Do you agree with Ms. Ramas' adjustment to remove the Oquirrh Substation land from FERC account 105?

A. No. The land associated with the Oquirrh Substation in FERC account 105 was not included in the forecasted capital additions for this project included in this rate case. The total Company balance for the Oquirrh substation land of $2,245,898 was transferred directly from FERC account 105 to FERC account 101 – Electric Plant in Service in June 2009. The Oquirrh substation costs reflected in my original pro forma plant adjustment 8.10 reflect the other costs of the project such as material, labor and overhead associated with the construction and installation of the substation's transformers, circuit breakers and tie lines. The amount included in this case for the Oquirrh substation is correct and no adjustment should be made.

Q. Do you agree with Ms. Ramas' adjustment to remove 75 percent of the White Rock Substation land from FERC account 105?

A. No. The White Rock Substation land was also not included in pro forma plant adjustment 8.10. When this project is placed into service the Company will directly transfer the balance from FERC account 105 into FERC account 101. No adjustment is necessary as the levels included in the case are correct.

Q. Is it a standard practice to omit the land components in the pro-forma plant additions forecast?

A. No. These two circumstances are atypical of what the Company would normally do as it prepares its cases. For these two specific projects the land was purchased long before the actual construction started and the land was tracked through a separate Work Breakdown Structure (WBS) in the Company's accounting system. Normally both components would be tracked through the same WBS, and all costs of the project would be included in the forecasted capital additions. The result for both substations was an exception to the rule.

Q. What is the Company's final position in regards to the removal of FERC account 105 substation land balances?

A. The Company recommends no further adjustment to FERC account 105 related to the Oquirrh and White Rock substations because the cost of the land for each project was not included in adjustment 8.10 – Pro Forma Plant Additions.

DPU Supplemental Rebuttal Adjustments

Q. What is the Company's position on the supplemental direct testimony from the DPU in this case?

A. As mentioned in the motion to strike filed by the Company on November 9, 2009, the Company is concerned with procedural issues related to the DPU's supplemental testimony and is seeking to exclude portions of the supplemental testimony from the record in this docket. Notwithstanding the Company's objections, I will address the CWIP write-offs and hydro facilities issues raised in the supplemental testimony.

CWIP Write-offs

Q. What is the Company's position on the supplemental direct testimony regarding CWIP write-offs in this case?

A. Mr. McGarry proposes removing $1,040,766 total Company expense for ten projects that were written off in the base period as shown on Exhibit DPU 48.1.

This adjustment should be rejected by the Commission.

Q. Are there any errors in the adjustment proposed by Mr. McGarry?

A. Yes. More than a third of his proposed adjustment has already been removed from results. The first item on Exhibit DPU 48.1 is $405,235 for the 'Kern River REG Project.' This expense is already removed in Company adjustment 4.9 of Exhibit RMP___(SRM-2). Mr. McGarry also proposes to remove an item that was included in DPU witness Mr. Croft's Hydro Facilities Removal adjustment DPU 7.7. This duplicate item is for the 'St. Anthony Hydro plant overhaul' for $32,114. It is listed as item number seven on Exhibit DPU 48.1.

Q. Does Mr. McGarry give any recommendations on when the cost of capital project write-offs should be charged to customers?

A. Yes. In his supplemental direct testimony, lines 338-340, Mr. McGarry states that "[p]rojects in which some or all of the reason for cancellation is outside the direct control of the Company should be charged to the customer through expense."

Q. Were any projects listed on Exhibit DPU 48.1 cancelled for reasons outside the direct control of the Company?

A. Yes. Item two, 'Rattlesnake 69 kV Line' $329,668, was cancelled and written off after the cost for Federal permits from the BLM and Forest Service came in much higher than anticipated. Item three, 'Transmission Sched for Malin Round' $87,549, was written off after receiving an unfavorable FERC ruling that did not allow the Company to take back capacity and operations of a transmission line and the project became unnecessary. Item ten, 'Jordanelle Evaluation' $12,126, was written off because the project is delayed by legal proceedings initiated by another party.

Q. Please summarize the Company's position regarding Mr. McGarry's proposal to remove CWIP write-off's from results.

A. More than 83 percent of Mr. McGarry's adjustment is due to his $437,349 in errors double counting expenses that have already been removed and $429,343 in expenses incurred which were beyond the Company's control. The remaining projects are small, and the Company will continue to experience the same level of write-offs for projects that cannot be completed for unforeseen reasons. I recommend that no additional adjustment be made for CWIP write-offs.

Hydro Facilities

Q. What is the Company's position on the supplemental direct testimony adjustment to hydroelectric facilities as proposed in DPU witness Mr. Croft's supplemental testimony?

A. DPU witness Mr. Croft proposes to disallow all cost components associated the Keno development dam, the St. Anthony hydro plant, and the Cline Falls facility. The net Utah revenue requirement impact is $334,556. Mr. Croft argues these facilities should be removed because they do not provide generation, do not have an impact on downstream generation, and do not provide Utah ratepayers with specific benefits.

Q. Why is it prudent to seek recovery for the Keno development dam?

A. As stated in the Company's response to data request DPU 47.1, in order for ratepayers to "derive the overall benefits of the Klamath Hydroelectric Project, the operations and maintenance of the Keno facility is required." Keno's main function is to regulate the level of Lake Ewauna, and even though the facility itself does not provide generation, its main function is required under the Company's FERC license for the Klamath project.

Q. Does the Company agree with the removal of the Keno development dam as described in DPU Exhibit 7.0SD?

A. No. As stated above, operation and maintenance of Keno is required by the Company's current project license. The Company cannot continue to operate the Klamath hydroelectric project without operating the Keno development because this operation is necessary to fulfill the requirements contained in Article 55 of the FERC project license:

> ***"Article 55.*** The Licensee shall enter into a formal agreement with the United States Bureau of Reclamation for the purpose of regulating the level of Lake Ewauna and the Klamath River between Keno Dam and Lake Ewauna, and in the event that the Licensee and the Bureau fail to reach agreement, the Commission will prescribe the terms of such regulation after notice and opportunity for hearing. (Order Further Amending License, FERC Project No. 2082, 34 FPC 1387 (November 29, 1965))"

Moreover, removing Keno based on the argument that the Company is not seeking to relicense the Klamath project is one-dimensional. The Keno dam provides a useful service in meeting the requirements of the current project license, and as such should be allowed in rate base in a similar capacity as all other Klamath project facilities.

Q. Does the Company agree with removal of the St. Anthony plant costs?

A. No. The St. Anthony development is currently operated to provide water to the Egin Irrigation Canal (EIC). Under a Findings of Fact Conclusions of Law and judgment issued on January 18, 1915 by the District Court of Freemont County, Idaho, the Company is bound to share the costs jointly with the EIC for as long as the license is in effect, which is until 2027. The Company's duties in relation to the EIC water diversion agreement are also outlined under the license provisions issued by the Federal Power Administration. Page 28 of the "Water Resources" section states:

> "The St. Anthony Development is located on a diversion of the EIC... Water is available for generation only when irrigation needs are being satisfied…Water available for generation is subject to the Egin Irrigation Company's water requirements as well as available flows in the Henry's Fork."

Currently, the plant does not generate power due to a damaged turbine. However, the Company is considering all options under a general timeline to resume a fully beneficial water right by December 2012. Water management services, such as water diversion, are a necessary service to operate the Company's hydroelectric system, and as such are a prudent cost. Ratepayers benefit from such investments by receiving the low-cost associated with hydroelectric resources and their related investments.

Q. Does the Company agree with the removal of the Cline Falls plant costs?

A. No. Under the current plan, the Company intends to maintain and uphold its lease agreement with the Central Oregon Irrigation District until its expiration date in 2013. Until recently, the Company has been able to pass the benefit from this low cost resource on to ratepayers. Correspondingly, the cost of fulfilling its lease obligation is part of the overall costs associated with the benefit of obtaining low-cost generation. Due to the plant's current configuration it has been determined it would be in the best interest of the Company and ratepayers to stop operating this plant rather than to incur higher possible costs from running an inefficient operation.

Q. What is the Company’s recommendation regarding Mr. Croft’s proposed removal of these Hydro facilities from results?

A. The Company recommends these facilities remain included in test year results as filed in Exhibit RMP___(SRM-2). Removal of any of these facilities would exempt Utah ratepayers from the cost of non-power generating investments required by a FERC license such as cultural resource management, water management, recreational facilities or other prudent investments that are necessary for the operation of the Company’s hydroelectric system.

Other Issues

Q. Are there any other issues that need to be clarified in this proceeding?

A. Yes. I have one comment to make in order to make sure the record is clear in this case. In the cost of capital hearings held on November 10 the issue of capital leases was raised. For regulatory purposes, capital leases are treated as operating leases and are not included in rate base or treated as debt. The expenses of such a lease are reflected in operating expense in regulatory results as cash is paid.

Issues Addressed by Other Company Witnesses

Q. Are any intervenor-proposed adjustments to revenue requirement addressed by other Company witnesses?

A. Yes. In addition to Company witnesses previously mentioned in my testimony, Mr. Lasich addresses coal inventory levels and economies of scale building wind plants, and Mr. Wilson addresses expenses for the Company’s pension and SERP plans, other post retirement benefits, and SERP and bonus costs included in charges to PacifiCorp from MEHC.

Summary

Q. What is your summary position on the rebuttal revenue requirement proposed by the Company?

A. The modified revenue requirement of $55.0 million is the appropriate revenue requirement based on the test period used in this case. The Company has carefully reviewed the adjustments proposed by the parties and either made adjustments that it believes are appropriate in this case or defended the proposals put forth by the Company.

Q. Does this conclude your rebuttal testimony?

A. Yes.