Q. Please state your name.

A. My name is Erich D. Wilson.

Q. Are you the same Erich D. Wilson who has testified previously in this case?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to certain labor and benefit cost adjustments proposed by the Division of Public Utilities (DPU) witness Mr. Michael J. McGarry, Sr, and the Office of Consumer Services (OCS) Witness Ms. Donna Ramas. Specifically, I respond to adjustments made to the following:

- Pension expense, proposed by OCS
- Postretirement expense, proposed by OCS
- SERP expense, proposed by DPU and OCS

Q. Please summarize your testimony.

A. My testimony shows that:

- Even in the face of fluctuating medical costs and negotiated wage increases, the Company's total wage and benefits expenses filed in this case are within one-quarter percent of the Company's total wage and benefits expenses filed in the 2008 rate case in Docket 08-035-23.
- The Company's proposed health care expenses are based on careful research into medical care costs that was conducted specifically for the Company based on industry and Company-specific data. The Company's health care expenses thus reflect the best forecast of costs for the test year.
- The reductions proposed by Staff are unreasonable because (1) they are based on

more general and less accurate data and (2) the most currently available information from the Company's actuary indicates that healthcare costs are increasing since the date the Company filed this case and will likely continue to increase through September 2011, which is the next time the Company will have an opportunity to change its rates in the state of Utah.

- Since the Company will not be filing a rate case again until January 2011 with changes in current rates not effective until September 2011, the Company must cover all its expenses, including total wage and benefits expenses through September 2011, with the revenues it currently collects from ratepayers and any increase that may result from this case.

Q. How do the total wage and benefits expenses filed in this case compare to the total wage and benefits expenses filed in the 2008 rate case in docket 08-035-38?

A. The Company's total wage and benefits expenses filed in this case are within one-quarter percent of the Company's total wage and benefits expenses filed in the 2008 rate case in Docket No. 08-035-23. The table below demonstrates this in more detail.

COMPARISON OF WAGES AND BENEFITS IN 09-035-23 TO 08-035-23

		Current Filing 09-035-23	Prior Filing 08-035-23
Wages and Benefits in Initial Filing		727,959,592	726,822,985
O&M percentage		70.88%	71.45%
Charged to O&M expense		515,965,330	519,316,465
Utah %		40.78%	40.46%
Utah Portion		210,411,459	210,097,344
Proposed Adjustments (Utah portion)			
OCS 2.17	SERP Costs	(693,702)	
DPU 3.5.1	Pension Administration	(153,838)	
DPU 3.5.1	401k Administration	(135,858)	
OCS 2.10	Salaries/Wages	(599,838)	
OCS 2.11	Medical costs	(101,605)	
OCS 2.12	FAS 112 Costs	(230,872)	

OCS 2.13	Pension Expense	(1,253,701)	
OCS 2.14	Postretirement Benefit Expense	(369,715)	
UAE 1.3	401(k) Expense	(1,101,371)	
		205,770,958	210,097,344

*The prior Utah case, 08-035-23, was settled by a stipulation with no specific adjustments called out.

Q. How did the Company manage to avoid significant increases in its labor costs since the 2008 rate case in Docket 08-035-38?

A. The Company's success is due primarily to the emphasis on cost control brought by MEHC. Through this emphasis, the Company has worked to establish new terms and conditions with its union leadership/workforce which has brought improvements in the areas of health and welfare and retirement plan design. Focused health and welfare plan design changes have been implemented for the non-represented workforce along with a retirement plan offering of choice that, with its effective date of January 1, 2010, assisted in reducing future pension expense. Both of these have enabled the Company to be better aligned with the market average practices that it targets. In addition, the Company has been able to structure its operations in a manner that has allowed headcount to remain relatively flat while still providing safe and reliable service to our customers. Thus, despite the fact that the intervenors recommend numerous specific adjustments to the filing, the Commission should not lose sight of the fact that the request assumes some substantial cost reductions.

Proposed Adjustment to Benefits

Q. Do you agree with the adjustment to pension expense proposed by OCS witness Ms. Ramas?

A. No. Ms. Ramas is proposing to update the forecasted pension expense in the case based on the Company's most recent actuarial information for 2009. Ms. Ramas relies on the 2009 actuarial information to project forward to 2010. However, if updated actuarial information for 2010 is also used to compute an average of 2009 and 2010 which aligns with the test period in this case, the result would actually increase expense in the filing.

Q. What is the source of the updated actuarial information for 2010?

A. The Company's actuary, Hewitt Associates (Hewitt) prepared the most recent projection dated October 1, 2009. This was not available at the time we furnished Ms. Ramas the 2009 actuarial information in OCS Data Request 14.2.

Q. Why has the 2010 projection increased?

A. Hewitt indicates that pension costs are increasing due to a change in the discount rate and the continued effect on the plan investments from recent stock market performance.

Q. Do you recommend adjusting the Company's original filing?

A. No. Since updating the pension expense calculation using the most recent actuarial information from Hewitt would result in a slightly higher expense than the amount originally filed, the Company proposes to leave the pension expense as filed.

Q. Do you agree with the adjustment to post-retirement benefit expense proposed by OCS witness Ms. Ramas?

A. No. Similar to her proposed adjustment to pension expense, Ms. Ramas proposes to update the forecasted post retirement in the case based on the most recent actuarial information for 2009. I have the same concerns with this adjustment as I do with the pension expense. Just as before, if the most recent actuarial information for 2010 is used to compute an average expense for the test period, the result would be a slightly higher expense than was included in the Company's original filing.

Q. What is the source of the updated actuarial information?

A. Hewitt prepared the most recent projection dated October 1, 2009. This was not available at the time we furnished Ms. Ramas the 2009 actuarial information in OCS Data Request 14.2.

Q. Why has the 2010 projection increased?

A. Hewitt indicates the increase in post retirement benefit cost is due to a change in the discount rate and the continued effect on the plan investments from the recent stock market performance.

Q. Do you recommend adjusting the Company's original filing?

A. No. Since updating the calculation using the most recent actuarial information from Hewitt would result in a slightly higher expense than the amount originally filed, the Company proposes to leave the postretirement benefit expense as filed.

Q. Please describe OCS witness Ms. Ramas proposed adjustment to PacifiCorp's Supplemental Executive Retirement Plan (SERP) benefits expense.

A. Ms. Ramas recommends that 100 percent of the SERP expense be removed from this filing as "customers should not be forced to pay for an excessive retirement plan in which only a select few, key executives are permitted to participate". She also states that these benefits are above and beyond the other benefits that these participants are eligible for. Lastly, she references these difficult economic times and that these excessive benefits should be disallowed during these times.

Q. Do you agree with Ms. Ramas's assessment and proposed adjustment to the Supplemental Executive Retirement Plan (SERP) expense in this filing?

A. No, I do not agree. These are not extra, unnecessary or excessive benefits. Our pay and benefits philosophy continues to remain the same in that we provide programs/plans at the market average (no better and no worse). The Company no longer offers the SERP benefit to new participants and the expenses sought are related to one active participant and past participants who, during their employment, delivered value to the then current customers while also shaping the Company to benefit future (current) customers. The Company honors its commitment to continue to fund SERP expenses. The SERP expense is a form of retirement/pension similar to the frozen benefit expense of the non-union employee population who shifted on June 1, 2007 to a cash balance. Both of these changes in plan offering were taken to address future volatility and competitiveness thereby reducing long term expense to our customers, the expense in this filing is again based on no new growth in expense. It also should be pointed out that the Utah commission has historically taken the position that the SERP benefit is a benefit offering that is competitive with the market and the Commission has, in turn, approved the expenses in prior rate cases. Attached as an exhibit is the Commission's order in Docket No. 99-035-10 in which the Commission notes that SERP is an "essential part of executive compensation in recruiting qualified executives," and subsequently approved the Company's request for recovery of SERP expenses.

Q. Please describe Staff witness Mr. McGarry's proposed adjustment to PacifiCorp's Supplemental Executive Retirement Plan (SERP) benefits expense.

A. Mr. McGarry recommends that the full SERP expense be excluded from rates stating that as the SERP expense is not necessary and that it is discretionary. He also states that the interest of the shareholder and ratepayers at times do not align and this program, which is tied to meeting certain performance goals, is one of those times.

Q. Do you agree with Mr. McGarry's assessment and proposed adjustment to the Supplemental Executive Retirement Plan (SERP) expense in this filing?

A. No, I do not agree for the same reasons I noted in response to the same disallowance recommendation made by Ms. Ramas.

Q. Is there another reason why the parties' recommended disallowances are unreasonable?

A. Yes. They are unreasonable not only because the most recently available information from Hewitt indicates that wage and benefits costs have increased since the Company filed its case, but also because the Company will not have another opportunity to raise its rates to cover wage and benefits increases that are likely to occur beyond the end of the test period, June 30, 2010, until the rate effective period of September 2011, when new rates would become effective after the Company files its next rate case in January 2011.

Q. Does this conclude your testimony?

A. Yes.