Q. Please state your name, business address and position with PacifiCorp dba Rocky Mountain Power.

A. My name is John A. Cupparo. My business address is 825 N.E. Multnomah, Suite 1600, Portland, Oregon. My position is Vice President of Transmission for PacifiCorp.

Qualifications

Q. Please describe your education and business experience.

A. I have a Bachelor of Science degree in Computer Information Systems from Colorado State University. My experience spans 24 years in the energy industry, including oil and, gas and electric utilities. The majority of my experience has been in information technology supporting natural gas pipelines, energy commodity trading and end-to-end electric utility operations. I have been employed at PacifiCorp since September 2000. Prior to assuming my current position in August 2006, I was Chief Information Officer for PacifiCorp. My responsibilities have covered supporting many aspects of utility operations including; commercial and trading, outage management, customer service, transmission scheduling and regulatory issues. I am responsible for all aspects of PacifiCorp’s main grid transmission investment strategy, customer service, main grid planning, contract administration and tariff management. I am the co-chair of the Northern Tier Transmission Group (“NTTG”), which coordinates transmission planning, transmission expansion, and project reviews with sub-regional and regional planning organizations within the Western Electricity Coordinating Council (“WECC”). I am also an elected class one voting member (transmission owner class) of the WECC Board of Directors. As a member of the Board of Directors, I participate with other WECC members in overseeing WECC's activities, including defining standards and policies to ensure reliability of the western electric grid. I also hold a position on WECC's Transmission Expansion Planning Policy Committee and the Reliability Coordination Committee.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide the Commission with information on the Ben Lomond to Terminal transmission line. The Ben Lomond to Terminal transmission line is the first phase of the Energy Gateway transmission project that the Company is seeking cost recovery for in this case. The Ben Lomond to Terminal transmission line, and subsequent investments within the Company's long term, comprehensive transmission expansion plan known as "Energy Gateway," satisfy multiple objectives of efficiently operating a six-state transmission system. The benefit to Utah and all Rocky Mountain Power customers is initially to enhance reliability and improve transfer capability within the existing system, followed by establishing incremental capacity, which is key to unlocking rich generation resource areas. Specifically, my testimony will cover the following issues:

- Provide an overview of the Company's transmission system;
- Outline the Company's transmission expansion plan known as Energy Gateway and provide the details on the Populus to Terminal line segment as part of this plan;

- Demonstrate that the Ben Lomond to Terminal transmission line, which is Phase I of the Populus to Terminal transmission investment, is beneficial to customers as part of the overall long-term transmission plan developed by the Company and comports with Utah public policy; and
- Finally, describe how the Ben Lomond to Terminal transmission investment helps satisfy a commitment the Company made as part of the Mid-American Energy Holdings Company ("MEHC") transaction.

Overview of PacifiCorp's Transmission System

Q. Please briefly describe PacifiCorp's transmission system.

A. PacifiCorp owns and operates approximately 15,800 miles of transmission lines ranging from 46 kV to 500 kV across multiple western states. As of December 31, 2009, PacifiCorp's current total Company net transmission plant in service is equal to approximately $2.1 billion. PacifiCorp is interconnected with more than 80 generation plants and 15 adjacent control areas at approximately 124 points of interconnection. To provide electric service to its retail customers PacifiCorp owns or has interest in generation resources directly interconnected to its transmission system with a system peak capacity of approximately 12,131 MW. This generation capacity includes a diverse mix of resources including coal, hydro, wind power, natural gas simple cycle and combined cycle combustion turbines, and geothermal.

Q. Please describe the availability of existing transmission capacity on the system.

A. PacifiCorp existing transmission system, as well as the transmission grid across the western region, is severely constrained, and numerous regional study groups have identified the pressing need for investment in new transmission infrastructure.

Q. Please describe the regional transmission studies that have been conducted related to the Energy Gateway and specifically the Ben Lomond to Terminal section and what these studies have found.

A. Over the past decade, numerous studies have documented the need for new transmission in the Western United States. As early as 2002, the Department of Energy National Transmission Grid Study identified the Wyoming-Idaho interface as a major constrained interface, and found, that under optimal conditions, the Wyoming-Northern Utah interface is congested during 50 percent or more of the hours during the year.[1]

In 2004, the Rocky Mountain Area Transmission Study reached similar conclusions, the result of which was a recommended expansion of the 345 kV transmission lines connecting the Bridger substation to points south and west as critically needed improvements.[2] In addition, the Department of Energy's 2006 National Electric Transmission Congestion Study ("DOE Congestion Study") identified several constrained transmission paths in the West as shown in Exhibit RMP___(JAC-1), including lines used to deliver electricity from generation plants

[1] National Transmission Grid Study at pp 15, 18. A full copy of this report is available at http://www.pi.energy.gov/documents/TransmissionGrid.pdf.

[2] RMATS at Chapter 3-2, which shows the Bridger expansion as a critical expansion area from Wyoming to Northern Utah and Wyoming to Idaho. The full report is available at http://psc.state.wy.us/htdocs/subregional/Reports.htm

in Wyoming to loads in Utah and Oregon.[3] Specifically, the DOE Congestion Study illustrated that the expansion of the Bridger West facility is critical for relieving congestion from Wyoming to Northern Utah, and Wyoming to Idaho.[4] Similarly, the Western Interconnection 2006 Congestion Assessment Study, which was issued by the DOE Western Congestion Analysis Task Force, identified areas of congestion in the Rocky Mountain states, and projected that based on 2005 load and resource forecasts and a production model, many of the paths associated with the various segments of the Energy Gateway Project were forecasted to be heavily congested.[5]

Reports initiated by the Western Governors' Association ("WGA") also show certain paths in PacifiCorp's service territory (such as the Populus to Terminal segment) to be constrained.[6] Lastly, the Department of Energy sponsored a study through Idaho National Laboratories to assess the economic impact of not building transmission. While the report focused on assessing economic impact on the Pacific Northwest, it also provides discussion and support for the "hub and spoke" design which is similar to the Energy Gateway model for connecting resource areas to load. The report also describes the interconnected nature of transmission as being geographically dispersed, yet interdependent.[7]

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[3] The National Electric Transmission Congestion Study (August 2006) at pp 31-35. The transmission constraints identified in this study were identified by reviewing recent transmission studies such as those conducted by WECC and SSG-WI. The full report is available at http://nietc.anl.gov/documents/docs/Congestion_Study_2006-9MB.pdf.

[4] Such expansion is addressed by the Segment E portion of the Project.

[5] A full copy of this study is available at http://www.oe.energy.gov/DocumentsandMedia/DOE_Congestion_Study_2006_Western_Analysis.pdf.

[6] The full report is available at http://www.westgov.org/wga/initiatives/cdeac/TransmissionReportfinal.pdf.

[7] The Cost of Not Building Transmission: Economic Impact of Proposed Transmission Line Projects for the Pacific Northwest Economic Region. Full report is available at

Existing NTTG sub-regional transmission planning studies, currently in draft and conducted in accordance with the Federal Regulatory Energy Commission's ("FERC") Order 890-A, show overall benefits to the region as a result of PacifiCorp's proposed Energy Gateway. Further details and more recent studies regarding the existing transmission system limits and operational constraints in the Populus to Terminal line are discussed in Mr. Darrell T. Gerrard's testimony.

Q. PacifiCorp requested that FERC grant a transmission construction incentive to PacifiCorp in the form of a higher rate of return for the Gateway Project than would have otherwise been authorized. Please explain FERC's response and its relevance to this rate case.

A. On July 3, 2008, the Company filed for incentive rates with FERC. FERC granted the Company incentive rate treatment, which is analogous to a need determination. Equally important, FERC's 4-0 decision stated:

> [W]e find that PacifiCorp has adequately demonstrated that the Project (with the exception of segment A) will ensure reliability and reduce transmission congestion…. We find that segments B through H of the Project would establish for the first time a backbone of 500 kV transmission lines in PacifiCorp's Wyoming, Idaho and Utah regions. This would provide a platform for integrating and coordinating future regional and sub-regional electric transmission projects being considered in the Pacific Northwest and the Intermountain West, connection existing and potential generation to loads in an efficient manner, thus reducing the cost of delivered power. Also, the Petition cites the 2006 DOE National Electric Transmission Congestion Study and the 2004 Rocky Mountain Area Transmission Study in stating that that proposed Project will reduce congestion or maintain reliability in the Western Interconnection. Additionally, the project would establish a direct link between PacifiCorp's east and west control areas, providing numerous benefits

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http://www.pnwer.org/Portals/0/Presentations/2008%20summit/Cost%20of%20not%20building%20transmission.pdf.

> including increasing transfer capability, reducing the need for curtailments, and reducing transmission congestion. (¶39)

PacifiCorp, Docket No. EL08-75-000, "Order On Petition For Declaratory Order" (October 21, 2008); 125 F.E.R.C. ¶ 61,076 (2008).

As noted in Exhibit RMP___(JAC-2), Segment B is Populus to Terminal and Segment C is Mona to Oquirrh. The full FERC order is provided in Exhibit RMP___(JAC-3).

The Company sought incentive rates at FERC in recognition of the reliability and congestion benefits the Energy Gateway Project would provide, and because of the significant complexities associated with constructing new transmission. The Company committed to compensating its retail customers by crediting the transmission-related revenues, inclusive of any incentives granted by the FERC, against its retail revenue requirement. FERC's grant of an incentive rate is to be added to the base return on equity as determined in a future PacifiCorp section 205 filing pursuant to the Federal Power Act. Accordingly, the incentive is not reflected in the Wyoming rate request or on the Company's books and records at this time.

Q. Please describe any other documentation that points to the need for the Energy Gateway project and specifically the Ben Lomond to Terminal section.

A. This Commission and the Idaho Public Utilities Commission issued orders approving the Company's requests for Certificates of Public Convenience and Necessity in 2008, in Docket No. 08-035-42, Report and Order Granting Certificate and Certificate of Public Need and Necessity September 4, 2008, and in Case No. PAC-E-08-03, Order No. 30657, dated October 10, 2008, respectively. In Utah, several parties concurred with the need for the transmission lines including the Division of Public Utilities, as follows:

> The Division states it has examined underlying information upon which a need for these additional transmission facilities may be found and concludes it supports RMP's decision to build the Transmission Line and confirms RMP's planned integration and operation of the line with future utility operations and activities. The Division agrees with RMP's conclusions that there is a need for the Transmission Line and the Company's future utility service will be more reliable and efficient with the Transmission Line's addition.

In the Matter of the Application of Rocky Mountain Power for a Certificate of Public Convenience and Necessity Authorizing Construction of the Populus to Terminal 345 KV Transmission Line Project, Docket No. 08-035-42, Report and Order Granting Certificate and Certificate of Public Need and Necessity, September 4, 2008, page 3.

The Idaho Order stated:

> Thus, Staff believes that the necessity of the Project should be viewed in conjunction with energy resources that are constructed, under way or planned. PacifiCorp elected to undergo a transmission upgrade as part of its preferred resource portfolio of an additional 2,000 MWs of renewable resources by 2013 in the Company s 2007 IRP. A significant portion of these renewable resources will be located in Wyoming. Staff then listed more than 500 MWs of renewable resources that are either under construction or in the final stage of development. In response to a Staff data request, PacifiCorp provided four alternatives that it rejected because the Company did not believe that these would provide sufficient capacity for the new resources. Staff agreed that the Project was necessary in order for the Company to continue to provide reliable service from these new resources to growing load centers.

In the Matter of the Application of Rocky Mountain Power for a Certificate of Public Convenience and Necessity Authorizing Construction of the Populus-to-Terminal 345 KV Transmission Line Project, Case No. PAC-E-08-03, Order No. 30657, dated October 10, 2008, pages 3 and 4.

Q. Did MEHC make any transmission facilities commitments when it acquired PacifiCorp?

A. Yes. At the time of the acquisition of the Company by MEHC, many parties wanted to see the Company make transmission infrastructure investments to support the future demands and growth of its customers. As a result, the Company made specific commitments and developed plans for a significant capital expansion program across the system. One of the first components of the plan is a new double-circuit 345 kV transmission line from the Populus substation near Downey, Idaho to the Terminal substation in Salt Lake City, Utah. This line will be placed in service in two phases. The first phase from the Ben Lomond substation (near Ogden, Utah) to the Terminal substation will be in service by June 2010, and the second phase from the Populus substation to the Ben Lomond substation will be in service by December 31, 2010.

In addition, the Company committed to improve capacity on a constrained path in Utah known as Path C. Specifically, MEHC agreed to increase transfer capacity on Path C by 300 MW. Populus to Terminal improves the capacity on Path C and has a planned increase in transfer capacity of 1,400 MW when combined with other segments of Energy Gateway. As such, the Populus to Terminal transmission segment will significantly improve a point of constraint on the system that currently affects numerous transmission customers, strengthen reliability and enables the Company to achieve the planned transfer capability rating of subsequent Energy Gateway segments.

Overview of Energy Gateway Transmission Expansion

Q. Please generally describe Energy Gateway.

A. Energy Gateway is a comprehensive transmission plan that includes a series of immediate action items that focus on long-term needs. Energy Gateway will enhance reliability, reduce transmission system constraints and improve the flow of electricity to Rocky Mountain Power's customers. The Energy Gateway plan is comprised of eight interrelated and interdependent transmission segments as outlined in Exhibit No. RMP___(JAC-2). The eight line segments within Energy Gateway have been grouped and labeled as Gateway Central, Gateway West, Gateway South and the Westside. Energy Gateway, when fully implemented, will be spread among six states, numerous communities and counties, and significant areas of federally-administered lands and will add approximately 2,000 miles of new transmission lines to PacifiCorp's transmission system. Due to the interconnected nature of PacifiCorp's transmission network, investments may be required at other facilities in order to maximize the effectiveness and efficiency of the network. For Energy Gateway, the eight identified transmission segments provide specific capabilities, but also support other transmission segments to enhance the full potential of Energy Gateway.

Q. Please describe Gateway Central relative to the overall Energy Gateway plan?

A. Gateway Central is comprised of two transmission segments (Populus to Terminal and Mona to Oquirrh) that establish the necessary electrical interconnection between Gateway West and Gateway South. The Gateway West and Gateway South line segments, when complete, will be the first 500kV lines to be installed in Wyoming, southeast Idaho and Utah. Gateway Central will provide an essential reliability backbone allowing Gateway West and Gateway South to operate at a higher reliability and at an overall higher capacity than would otherwise be possible without the Gateway Central interconnection. This investment will not only add incremental transmission capacity, but will also strengthen PacifiCorp's overall system while supporting future generation resource development to benefit all Rocky Mountain Power customers.

As described earlier in my testimony, the Populus to Terminal transmission segment is comprised of two smaller sections, which in total extend 135 miles from the new Populus substation near Downey, Idaho, south to the existing Terminal substation near the Salt Lake International Airport west of Salt Lake City, Utah. The Populus to Terminal transmission line is a key element of the Energy Gateway's Gateway Central segment. Populus to Terminal is designated as "Segment B" within Gateway Central in the Exhibit RMP___(JAC-2).

Q. How will the Ben Lomond to Terminal transmission line, benefit Rocky Mountain Power's customers?

A. Ben Lomond to Terminal transmission line and subsequent investments within Energy Gateway satisfy multiple objectives of efficiently operating a six-state transmission system in the long term. The benefit to Utah and all Rocky Mountain Power customers initially is to enhance reliability and improve transfer capability within the existing system. In the future it will also provide benefits by establishing incremental capacity to deliver the resources within the Company's

2008 integrated resource plan ("IRP") and meet long term resource development objectives. Reliability is fundamental to effectively and efficiently managing the Company's six-state transmission system. As a federally-regulated transmission provider, the Company must comply with reliability standards mandated by FERC through NERC and WECC. By meeting these standards the Company continues to maintain a stable and reliable system during a variety operating conditions which minimizes potential outages to all customers and financial impacts of having to deliver higher cost resources if required. At a minimum, Ben Lomond to Terminal addresses reliability for all Rocky Mountain Power customers. Beyond reliability, when coupled with the Populus to Ben Lomond phase, the two sections increase transfer capability from north to south and south to north across the Company's transmission system. By doing so, the Company addresses a key constraint (Path C), meets an MEHC transaction commitment and improves the Company's ability to import and export lower cost resources depending on seasonal needs and operating conditions.

Ben Lomond to Terminal also establishes incremental capacity to provide long term benefits to Rocky Mountain Power customers and specifically Utah customers. Over the next 10 years from 2009-2018, Utah load has a forecasted average annual growth rate of 2.5 percent according to the 2008 Integrated Resource Plan placing more demand on an already constrained system. Additionally, the 2010 Economic Report to the Governor shows a growing population combined with average life expectancy and birth rates higher than the national average. The State's population is projected to be 2.9 million in 2010 and

3.7 million in 2020. This increase in population will result in additional residential, municipal, and industrial electrical demands to accommodate the increased population's needs the Company must assure that, not only are there adequate supplies of electricity to meet ongoing customer demands for energy, but also that the transmission system has the capacity and reliability to deliver this increased demand for electricity to customers. At the same time, adequate transmission capability is essential for the Company to maintain its obligations to provide reliable and safe electricity to its customers.

Q. What is the capital investment of the Ben Lomond to Terminal line included in the revenue requirement of this case?

A. This case includes approximately $268 million for the transmission line from Ben Lomond to Terminal section (Phase 1) of the Populus to Terminal transmission segment B of Energy Gateway. Mr. Steven R. McDougal's testimony describes the revenue requirement calculations associated with the inclusion of this transmission investment. Mr. Gerrard's testimony describes, in more detail, what makes up the $268 million.

Ben Lomond to Terminal Transmission Investment

Q. Please describe the Ben Lomond to Terminal transmission segment in more detail.

A. Exhibit RMP___(JAC-4) is a map of the Populus to Terminal transmission line segment. Ben Lomond to Terminal is the southern section and is highlighted in red on the map. Populus to Ben Lomond is highlighted in yellow, green and blue on the map. Phase I from Ben Lomond to Terminal will be the first section of

Populus to Terminal line to be completed, and will be operational by June 30, 2010. Phase II from Populus to Ben Lomond will be complete and in-service by December 31, 2010. The Ben Lomond to Terminal section is included in this case and the Populus to Ben Lomond section will be included in a subsequent case.

Q. What factors does the Company consider before building new transmission?

A. The Company considers several factors before building new transmission facilities including the following:

- Current and future forecasts for demand and energy required from existing and new resources to new and existing loads. These considerations are addressed in the Company's 2008 IRP including demand side and energy conservation programs;
- Alternatives including building local generation near load and/or energy market purchases;
- The Company's use of existing land rights and existing right-of-way corridors;
- Upgrades to increase operability, and reliability from existing transmission lines and substations; and
- Maximizing the capacity and capabilities of existing facilities.

Because prudent transmission investments are typically large scale to maximize efficiencies and gain economies of scale, the benefits are realized over the long term. More details related to these general considerations, and specifically to Ben Lomond to Terminal, are provided in Mr. Gerrard's direct testimony.

Q. Is PacifiCorp's transmission expansion plan a component of integrated resource planning?

A. Yes. As part of MEHC's acquisition of PacifiCorp, the Company performed a review of the integrated resource planning process. From that review, the Company determined there was a need for a long-term transmission investment strategy to support the long-term resource needs of customers. Historically, IRPs were relatively silent on transmission investments assuming transmission would follow generation investments. Given the long-term needs of customers, existing transmission system constraints, the time required to build new transmission lines and the challenges associated with designing, permitting and constructing transmission lines, transmission is now a key element of the Company's Integrated Resource Plan ("IRP"), as evidenced by the inclusion of Energy Gateway in PacifiCorp's 2008 IRP. The Company's 2008 IRP, filed in May 2009, identified the need for investment in major new transmission facilities to meet the forecast loads of PacifiCorp's customers.

Q. Once the decision is made to invest in new transmission, what is the process for getting it built?

A. Once the decision is made to invest in new transmission, capacity sizing of the transmission line is taken into consideration to balance current and future needs. Constructing long, linear facilities such as a transmission line is an extensive process. Siting, permitting and constructing new transmission can take up to seven years and potentially involves acquiring new rights-of-way and permits from local, state and federal agencies. There are also a series of design and routing considerations to minimize the environmental, visual and human impacts.

Q. What land rights and permits were acquired for Ben Lomond to Terminal?

A. The Company holds all of the necessary land rights, either in easements or fee ownership, between the Ben Lomond substation and the Terminal substation. The Company acquired this corridor nearly three decades ago in preparation for an additional high voltage transmission line. As a result, the Company secured additional rights only in areas where deficiencies in the corridor width were identified. The U.S. Army Corps of Engineers required permits for construction within jurisdictional wetlands, the Federal Aviation Administration required aviation permits for construction of Ben Lomond to Terminal near Salt Lake International Airport, and railroad and roadway crossings permits are required as part of construction activities. A total of 14 railway and canal crossing permits were obtained for construction and operation of the line.

Q. What permits were required by local governmental authorities for the construction of Ben Lomond to Terminal?

A. The Company holds a franchise agreement with each municipality and county within the route that grants the necessary rights for the construction of the Ben Lomond to Terminal transmission line. In addition, the Company secured conditional use permits from all cities and counties, based on each community's requirements. This Commission and the Idaho Public Utilities Commission issued Certificates of Public Convenience and Necessity in 2008, as described previously in my testimony.

Q. Please describe the approach the Company used to secure appropriate resources to construct the new transmission.

A. The Company initiated a competitive bidding process to receive blind sealed bids for the project work scope to be delivered on a turnkey, fixed price, guaranteed completion date basis using an engineer, procure and construct form of contracting. The competitive bidding process began in October 2007 and provided two separate blind-sealed bidding opportunities. All bid responses were due for submittal in May 2008 and again in July 2008 after additional information was provided to bidders allowing a refinement of previously submitted design solutions, terms and conditions including price. Three qualified bids were received and evaluated resulting from the May 2008 proposal submissions. During the evaluation period one of the bidders withdrew from the bidding process. The Company received two competing proposals in July 2008 with qualified prices of $609m and $528m respectively. After extensive evaluations of bidder proposals and review of exceptions to work scope and base terms and conditions from each bid proposal, the Company ultimately awarded the contract at a value of $580,564,000 during October 2008. The scope of the bidding process included the Populus to Terminal segment, which includes the sections outlined in Exhibit RMP___(JAC-2). More details related to the selection process and project scope are provided in Mr. Gerrard's direct testimony.

Q. Why did the Company use the engineer, procure and construct approach?

A. The engineer, procure and construct solicitation is a common form of contracting for large construction projects like the Populus to Terminal transmission segment and is regarded in the industry as a prudent approach for cost control and managing design, procurement and construction risks. This approach provides certainty relative to schedule and cost outcomes for the benefit of customers and caps potential cost escalations where possible upon the occurrence of defined risks. It also ensures more timely delivery to support system needs and transmission reliability.

Q. Please explain what you mean concerning capping costs upon the occurrence of identified risks.

A. The fixed price engineer, procure and construct approach has minimal provisions for cost and schedule variances. Where cost and schedule variances were not included in the fixed price for certain contingent aspects of the work scope, these items were identified as risk items and a contingent capped price and schedule allowance was agreed to prior to contract execution should any of these risk items materialize. Contingent risk items were limited to defined occurrences such as weather delays, environmental impacts and sub-surface ground conditions.

Q. Please describe specific steps taken to assure the construction schedule was maintained on-time and costs were kept within budget.

A. There are several controls in place to ensure work activities are controlled within the construction schedule. The primary contractor provides an updated construction schedule in 'native format' to the Company for detailed analysis on a monthly basis which allows the company project management office to review logic and assumptions embedded in the construction schedule. Schedule components such as critical paths, dependencies, duration between milestones, float and other elements of the construction schedule are reviewed and analyzed for further refinement with the primary contractor. Any changes to the construction schedule must be mutually agreed upon between the project management office and the primary contractor.

Weekly face-to-face meetings are also held between the project management office and the primary contractor for updates of deliverables or discussion/resolution of any issues that may impact the construction schedule. Action items are recorded and resolved in order to maintain the construction schedule.

In addition to managing the construction schedule with the primary contractor, the project management office has to manage a schedule of related tasks that impact the delivery of the primary contractor scope of work such as outage schedules, internal related construction activities and other functions.

Costs are managed through a series of processes which includes pre-authorization from PacifiCorp management before work begins on any phase of the construction schedule, pre-approval of any change orders which includes an internal review of scope and costs and a detailed review by the project management office of invoices before they are submitted for payment.

Cost reporting is managed through a series of reports which include the approved budget by functional line item, approved changes in work by line item, forecast by line item and project risks with mitigation plans. Actual project-to-date costs are tracked utilizing several dimensions that include subordinate work orders under the project, location specific incurred costs and detailed transaction level reporting. All project costs are processed at a detailed level through the company enterprise accounting system (SAP).

Q. Please describe if there have been any updates to the cost estimate for the Populus – Terminal Project.

A. Yes. At the time of the April 2008 CPCN testimony, total project cost was estimated at approximately $750 million for the transmission line and substations. The April testimony also pointed out the Company was working through a competitive bid process and right-of-way acquisition and there was potential of upward pressure on the estimate.

The project estimate was derived from internal cost estimates based on historical experience building similar transmission facilities. However the internal estimates did not have full advantage of contractor, material and right-of-way costs comparable with marketplace reality during the 2007/2008 timeframe. The Company had not undertaken any significant transmission expansion since the early 1990's, and this was the first high-voltage transmission project involving a significant length of miles along with substation construction.

The project was approved September 2008 after extensive evaluations of bidder proposals and updating internal costs for a total project cost estimate of $930.5 million. Since that time, the project management office is on track to deliver the project for less than the approved project estimate.

The majority of the variance in cost between the estimate provided in April 2008, the approved project in September 2008 and the current December 2009 forecast lies in the difference for the primary contractor. The competitive bid process along with management approved changes in work results in a forecasted primary contractor value of $610 million. The difference between the April 2008 estimate and the December 2009 forecast for primary contractor is approximately $197.5 million. The December 2009 forecast is based on actual project to date costs plus forecast to complete. The forecast could change depending on the outcome of several items, but it is the best estimate at this time.

A table summarizing all of the major categories between the April 2008 estimate and the December 2009 forecast is shown below:

Populus - Terminal 345 kV Line Project

Comparison of April 2008 Estimate vs. September 2008 Approval vs. December 2009 Forecast

	Project Estimate	Project Budget (Signed ER)	Current Forecast
Category	Apr-08	Sep-08	Dec-09
Primary Contractor	$ 412,542,621	$ 580,564,000	$ 610,030,583
Microwave	$ 7,792,595	$ 6,166,311	$ 5,375,929
External consulting, internal labor, land acquisition & owner supplied material	$ 182,035,195	$ 187,431,630	$ 155,102,767
Allowance for funds used during construction (AFUDC) & Capital Surcharge	$ 59,629,000	$ 110,563,079	$ 95,800,000
Sub Total	$ 661,999,411	$ 884,725,020	$ 866,309,279
Contingency	$ 82,790,589	$ 45,786,342	$ 6,188,831
Total	$ 744,790,000	$ 930,511,362	$ 872,498,110

Conclusion

Q. Please summarize your conclusions.

A. New transmission is essential to meet load growth, enhance transmission system reliability and provide capacity to integrate resources to the long-term benefit of customers. Ben Lomond to Terminal is the first step to increase transmission capacity from southeastern Idaho into Utah and to further facilitate a stronger interconnection to systems in Idaho, Wyoming and the Pacific Northwest. This investment and subsequent investments in Energy Gateway are prudent, cost effective and beneficial to customers.

Q. Is the inclusion of Ben Lomond to Terminal in Utah rates in the public interest?

A. Yes. The Ben Lomond to Terminal transmission line and subsequent investments within Energy Gateway satisfy multiple objectives of efficiently operating a six-state transmission system, and therefore are in the public interest. The benefit to Utah initially is to enhance reliability and improve transfer capability within the existing system. In the future it will also provide benefits by establishing incremental capacity to deliver generation resources for the benefit of all Rocky Mountain Power customers and ultimately the Western interconnect. Numerous studies, FERC's findings in granting incentive rates, and Idaho and this Commission's issuance of CPCNs confirm these benefits and the overall need for Gateway and this segment of the project.

In addition, new federal standards that mandate increased transmission system reliability along with PacifiCorp's recent operational experience show that investing in PacifiCorp's transmission system is required to ensure the Company has the capability to provide reliable transmission service under expected operating conditions, and that the Company maintains the transmission system capacity necessary to deliver network load service and contractual point-to-point commitments. Finally, additional transmission capacity provides the Company added flexibility in the location and use of generating reserves and flexibility to perform routine maintenance on transmission lines with minimal risk.

In regard to costs, the costs incurred in the Ben Lomond to Terminal segment of the Populous to Terminal transmission line are reasonable. They are the result of a competitively-bid contract. The project was built in accordance with the contract in a timely manner and will go into service by June 30, 2010. It will be immediately used and useful and will provide the benefits described above to Utah customers.

Q. Does this conclude your testimony?

A. Yes.