I. Introduction

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

A. My name is A. Richard Walje. My business address is 201 South Main, Suite 2300, Salt Lake City, Utah 84111. I am the President of Rocky Mountain Power.

Qualifications

Q. Please describe your educational and professional background.

A. I have worked in the electric utility industry since 1972 as a journeyman lineman, field service engineer with General Electric and as a substation design engineer for Rocky Mountain Power. At Rocky Mountain Power I have held numerous management and executive positions with increasing levels of responsibility in the areas of engineering, construction, transmission and distribution operations, customer service, procurement, information technology and community affairs. I have served on PacifiCorp's Board of the Directors since 2000 and I am also currently the Chairman of the Board of the PacifiCorp Foundation. I have a Bachelor of Science in Electrical Engineering degree (1984) and a Master of Business Administration degree (1991), both from the University of Utah. I have received additional executive level instruction from the University of Michigan and electrical engineering theory from General Electric's Crotonville education center.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to introduce for the Commission the Company's request for a revenue increase. I will give an overview of the major components of the request, the Company's obligation to serve its existing and future customers, the efforts that are being made to manage the challenges the Company is facing, and describe the Company's earnings experience since 2006. Finally I introduce the witnesses that support the Company's application and the subject of their testimony.

Q. Please explain the rate increase that the Company is requesting and how it will be apportioned to the Company's customers.

A. The requested additional revenue represents a 9.7 percent increase, or $172.3 million increase, over current rates, as explained in the testimony and exhibits of Company witness Mr. Steven R. McDougal. However, as described in the testimony of Company witnesses Mr. C. Craig Paice and Mr. William R. Griffith, different customer classes will experience different percentage increases based on their contribution to the Company's costs of providing electric service to them.

Q. What are the main drivers of the rate increase?

A. The main drivers of the rate increase request are:

(1) capital investments that the Company has been required to make to meet regulatory mandates and to meet the Company's obligation to serve its customers;

(2) increases in the Company's operating and maintenance costs;

(3) modest increases to net power costs;

(4) a reduction in renewable energy credit ("REC") revenues, meaning customers are having to pay more of the actual power costs as the offset from RECs enjoyed by our customers in recent history has declined; and

(5) slower than anticipated load growth, meaning that the increased costs of providing power will be spread over fewer kWh of consumed power than was forecast in the last general rate case.

II. Discussion of Individual Drivers

Q. Please generally describe the capital investments that contribute to this request for a rate increase.

A. Approximately $37 million[1] of the increase is to support the investments the Company made to meet its obligation to serve. Much of the capital was invested to comply with regulatory mandates related to power plant emissions, transmission reliability, highway relocations and projects such as the mobile radio replacement project required by the FCC. These capital investments are more thoroughly set out in the testimony of Company witnesses Mr. Mark R. Tallman, Mr. Darrell T. Gerrard and Mr. Douglas N. Bennion.

Q. Please generally explain how increased operating and maintenance ("O&M") costs contribute to this request for a rate increase.

A. Approximately $30 million is needed to cover increasing costs to the Company's O&M budget. Though the Company has done an admirable job in managing its controllable costs, its O&M costs have nevertheless increased. For instance, the Company has incurred these costs acquiring reagent chemicals needed to operate recently installed emissions control equipment and to maintain wind turbine facilities as warranty maintenance contracts have expired. Company witnesses

[1] In the Settlement Stipulation ("Stipulation") in the 2011 General Rate Case, Docket No. 10-035-124, not all components of the revenue requirement were specifically agreed upon or identified, as set forth in paragraph 42 of the Stipulation. Therefore, the amount associated with each driver of the rate increase referenced in my testimony is based upon the Company's calculations.

Mr. Dana M. Ralston and Mr. Tallman describe in more detail why these costs are unavoidably higher than last year.

Q. Please generally explain how net power costs contribute to this request for a rate increase.

A. Approximately $16 million of the increase is related to increased net power costs ("NPC"). The cost of providing electric energy to our customers, though moderating, are still increasing. An increase of approximately $16 million is needed to compensate the Company for these costs, which are necessary to provide electric service to customers. This increase represents a mere 1.7 percent net increase to NPC over last year, as more fully described in the testimony of Company witness Mr. Gregory N. Duvall.

Q. Please generally describe how renewable energy credit ("REC") revenue has declined and how this contributes to the current request for a rate increase.

A. Approximately $26 million of the requested increase is a result of declining REC revenues. REC revenues provide an offset to the cost our retail customers pay for electricity and the level included in current rates reflects REC sales at very favorable prices. As described in the testimony of Company witness Stefan Bird, the market for REC revenues has seen a significant weakening, both in price and quantity. The declining REC revenue results in a lower revenue offset and, therefore, an increase in rate revenue requirement. Prospectively the Company has a REC balancing account in Utah and any variance in REC revenues will be trued-up with customers, ensuring that our customers will receive 100 percent of Utah's share of all REC revenue.

Q. Please generally explain how the slowing of load growth contributes to this request for a rate increase.

A. The Company's load projections used in the last rate case anticipated a higher load than the Company has actually experienced and higher than is projected during the test period in this case. Though Utah's economy is stronger than most states' and is showing signs of recovering, loads will not meet the forecasted level from the last rate case. Accordingly, because retail electricity consumption is lower than was previously anticipated, our fixed costs are being spread over fewer kWh of electricity purchased by our customers. In previous cases, a portion of the Company's cost increases were offset by increased revenues from load growth between cases. In this case, however, approximately $47 million of the requested revenue increase is related to the lower load projection. The reasons for the slower load growth are fully described in the testimony of Company witness Dr. Peter C. Eelkema.

Q. Is the requested rate increase influenced by the Company's requested return on equity ("ROE")?

A. $9.7 million of the requested increase is to allow the Company to change its authorized ROE from 10.0 percent to 10.2 percent, which the Company believes is more reflective of the current utility returns required by the market and risk profile for the business. The capital structure the Company is proposing in the case more closely matches the actual structure anticipated during the effective date of the rates proposed in the case. Although merely 2/10th's of one percent in increase, the Company believes that this increase more accurately reflects the appropriate return necessary to attract capital from the market. This requested increase is supported by the testimony of Company witnesses Dr. Samuel C. Hadaway and Mr. Bruce N. Williams.

III. General Need and Impact of the Requested Increase

Q. Please generally explain why this increase is necessary in light of the Company's recent rate increases.

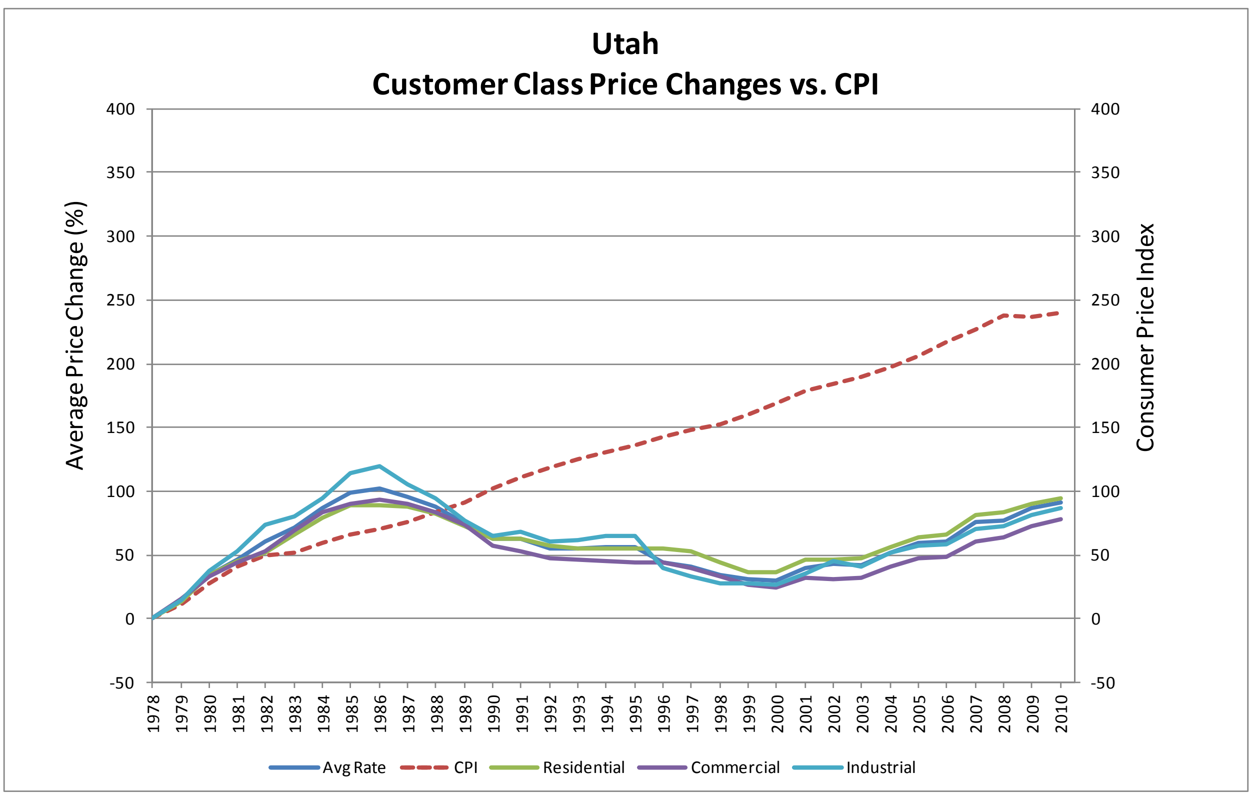
A. Because of the recent rate increases the Company has been granted, we are very sensitive to asking for increases on a regular basis. A significant aspect of those past increases was related to the fact that the cost of the electricity required to supply adequate and reliable power has gone up substantially in the five past years. The other major contributor to past increases was the need to invest in assets that allow the Company to meet its obligation to serve.

In spite of these recent price increases, the Company has been unable to meet its authorized return on equity. The increase in rates proposed in this case will allow the Company to have a reasonable chance to make its authorized return.

Q. Does the Company understand the impact that rising electricity prices have on Utah businesses, governmental entities, schools and residential customers?

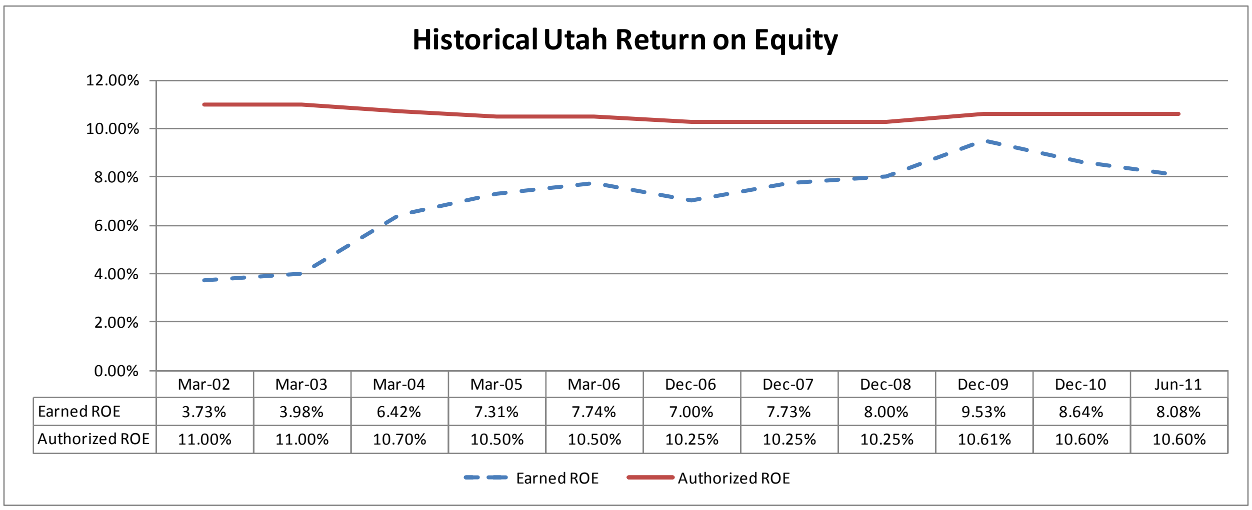
A. The Company understands the vital role electric service has in our economy and society. It does not ask for price increases cavalierly or without assuring itself that the items included in the request are in the best near- and long-term interests of its customers. Even though the Utah economy is doing better than in most states, and is forecast to continue to improve, we recognize the impact that electric price increases have on businesses, individuals on fixed incomes, and the economy at large.

The following chart demonstrates the admirable job the Company has done in keeping electricity price increases below the general consumer price index (“CPI”). Because of the increased cost of electricity and the investments made to support increased capacity and reliability in recent years, the cost of electricity has gone up faster than the CPI. Our expectation is that once we get through this period, which will last another few years, our customers will yet again benefit from the prudent longer-term investments the Company is now making.



Q. Generally describe the Company's earning experience since 2002.

A. It has been a challenge for the Company to earn its authorized returns, particularly during a period of rising costs and when the Company makes significant investments in infrastructure to satisfy load growth and mandatory regulatory requirements. The following chart shows the Company's returns against its authorized returns over the approximate past decade.



Q. Would the requested rate increase guarantee that the Company receive its authorized ROE?

A. No. It is important to note that the Company's returns are in no way guaranteed, and even with price increases, extraneous factors beyond the Company's complete control can suppress earnings. Indeed, the Company's earnings have been declining since 2009.

Q. What has the Company done to mitigate its costs?

A. Among the actions we have undertaken to manage our costs and investments are the following:

The Company has maintained a strong focus on managing administrative and general costs ("A&G costs"). This has been a priority for the Company, as evidenced by the fact that these A&G costs are actually lower than they were in 2005.

In addition, Company employees make a larger contribution to their health care costs, and their retirement plans have been evolved to a fixed contribution, which removes market risk and reduces retirement obligation risk from the Company's customers.

Further, the Company entered into reasonable five-year contracts with its unions and has judiciously managed pay increases and incentive programs for its non-represented employees in order to protect ratepayers from inflation to labor costs. In fact, the Company's average merit increase in 2011 for non-represented employees was only 1.93 percent, as compared to the CPI increase of 3.6 percent.[2]

Q. Has the Company undertaken any cost containment activities?

A. Yes. The Company has undertaken several cost containment measures in the areas of customer service and transmission and distribution ("T&D") operations. Examples of cost containment activities that we have undertaken in the customer service department are:

(1) The Company finished a roll-out of automated meter reading in Utah and Wyoming. All customers are now using automated meters. This project was completed in 2011 when 100 percent bonus depreciation was applied for taxes.

[2] U.S. Social Security Administration, Cost of Living Adjustment.

(2) The Company began processing customer electronic payments in-house in January 2012. This results in better customer service and saves the Company $600,000 annually in vendor fees.

(3) The Company has encouraged customers to switch to paperless billing, which reduces costs and is good for the environment.

(4) The Company has actively assisted customers with bills in arrears, which has resulted in savings. Every $1 spent on at-risk customer balances and past due collection activities saves the Company $5 in bad debt expense.

(5) The Company has reduced its memberships in community organizations.

In the area of Transmission and Distribution Operations, the Company has engaged in numerous cost containment activities. Notable examples are:

(1) The Company reviewed its leased service centers, which resulted in the decision that it would be most cost effective to buy two service centers in Wyoming.

(2) The Company reviewed its safety programs and eliminated employee safety recognition gifts for T&D employees, which results in a cost savings of approximately $100,000 annually.

(3) The Company converted the annual estimator seminar to an online forum resulting in $50,000 savings in travelling expenses.

(4) Finally, the Company achieved significant cost savings through a streamlined Line Services Agreement bidding process.

Q. Has the Company adjusted its investment plans based on load projections and in response to overall economic conditions?

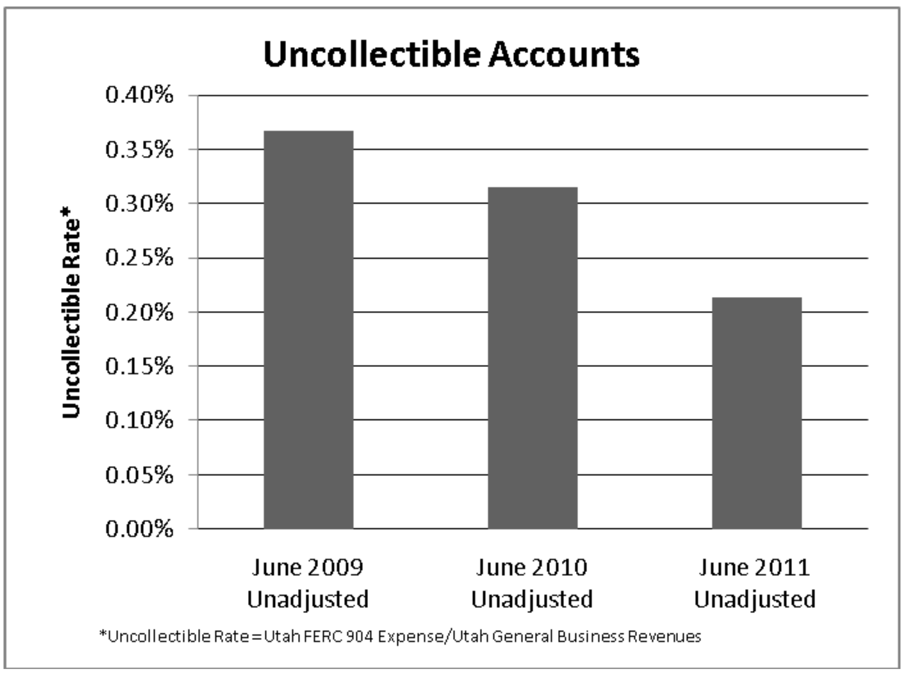
A. Yes. The Company completes a comprehensive review of its generation and transmission investment needs on a biannual basis through its integrated resource plan ("IRP"). The Utah Commission acknowledged the 2009 IRP and acknowledgement of the 2011 IRP is pending. This plan starts with projected load increases (or decreases) over the next 10 years, looks at the resources available to meet that load, includes an examination of external conditions that are likely to occur (such as environmental regulations) and generates multiple scenarios to help guide the Company's decision making. This is a rigorous public process.

At the local distribution level projects are directly aligned with needs many times during the course of the year. As an example, even though the recession might suppress overall load increases, there can be local pockets of growth or areas of inadequate reliability that still must be addressed by distribution system investments.

Q. What actions has the Company taken to assist those customers most impacted by the current economy?

A. We are very cognizant of the impact electric prices have on our customers and strive to find ways to minimize the impacts. We strive to make our customers aware of options to get help through LIHEAP and the Company's low income contribution, payment plans that relieve near term obligations, focus on net write-offs and bad debt expense, and the broad array of effective energy efficiency programs the Company offers.

The following chart shows the Company's net write-offs as a percentage of revenue. During a period of economic recession, one would expect to see an increase in net write-offs; however, that is not the case for our Utah customers. This has been accomplished by assisting customers and requesting deposits from those customers who appear to be headed for difficulty. Though it is challenging to ask a company that appears to be having financial difficulty for a deposit, we do it when appropriate to protect all of our customers.



Q. Please discuss briefly the Company's commitment to energy efficiency programs.

A. Interestingly, the Company continues to provide an award-winning portfolio of energy efficiency programs, even though there are rate structure disincentives for it to do so. Utah actually has the lowest monthly customer charge of all surrounding states. The Company depends on energy use by its customers to pay for its fixed and variable costs. Because the monthly charge is so low, the

Company needs customers to use more energy than it otherwise would in order to compensate the Company for costs it has already incurred or must incur to provide electricity and service.

Another example of the Company's commitment to energy savings is that, notwithstanding the steeply inverted residential tariff structure, the Company continues to support energy efficiency programs. When a disproportionate amount of the Company's costs must be recovered though high electricity usage in the residential tail block, it is noteworthy that the Company supports programs that suppress consumption. In essence the structure of the tail block and the demand site management ("DSM") programs make it more difficult for the Company to achieve its authorized ROE, because the tariff does not fairly compensate the Company if it actively reduces the amount of use in the tail block.

In spite of these two structural impediments to the Company's opportunity to earn its authorized return, the Company still actively works to reduce electricity consumption because of the value to the participating customers and the overall cost reduction it provides to all customers.

Q. Is the Company sensitive to its role as a publicly regulated monopoly?

A. One of the most difficult decisions any company makes is the one to increase prices. We are particularly sensitive to our role in the economy and to the fact that we have a monopoly position with our customers. I stress to our employees a message they readily embrace, that our monopoly position actually places a higher standard of care in asking for a price increase because our customers can't "vote with their feet or pocket book" to do business with another electricity provider. We clearly understand that we are regulated by a *public service* commission and endeavor always to remember that in all we do.

Q. Would you please summarize your testimony?

A. In summary, our request for this price increase is driven by lower projected electricity consumption, lower REC revenues, mandatory investments required by federal regulators, investments required by the Company's obligation to serve, and some inflationary operating costs pressures in the business. Our ability to mitigate the cost impacts of these requirements is limited. Though we have done much to mitigate our costs, it is not much comfort for customers when prices have gone up and are forecasted to go up more in the future. Nevertheless, even with this request, our customers will retain their relatively low priced electricity compared to customers in other states, whose already higher prices are increasing too. Our electricity is and will remain a great value, as demonstrated by the preceding graphs and examples.

But, because of the impact electricity prices have on the economy and our customers, we are committed to continue to make prudent near- and long-term decisions that are in the best interests of our customers' needs and desires.

Introduction of Witnesses

Q. Please identify the witnesses that support the Company's application and the subject of their testimony.

A. The Company witnesses that have filed direct testimony in support of the application and the subjects of their testimony are as follows:

Steven R. McDougal, Director, Revenue Requirement, will present the Company's overall revenue requirement based on the forecasted results of operations for the test period. He will describe the sources of the forecast data and present certain normalizing adjustments related to revenue, operations and maintenance expense, depreciation and amortization, taxes, and rate base.

Bruce N. Williams, Vice President and Treasurer, will testify concerning the Company's cost of debt, preferred stock and capital structure including the Company's overall return on rate base of 7.91 percent requested in this case.

Samuel C. Hadaway, FINANCO, Inc. will testify concerning the Company's return on equity.

Peter C. Eelkema, Senior Consultant, Load and Revenue Forecasting, will testify on the forecast test period loads and sales in Utah. He will explain how he computed Utah sales during the test period in this case and how this forecast compares to historical results and the time period used in the 2011 general rate case upon which existing rates are based.

Gregory N. Duvall, Director, Long Range Planning and Net Power Costs, will describe the Company's total net power costs and the influences that are driving up total net power costs beyond the level recently approved in the 2011 general rate case.

Cindy A. Crane, Vice President of Inter-West Mining, will specifically address the issue of rising coal costs and the cost drivers associated with this fuel.

Stefan A. Bird, Senior Vice President, Commercial and Trading, PacifiCorp Energy, will provide testimony describing the reduction in renewable energy credit revenues.

Dana M. Ralston, Vice President of Thermal Generation, will testify on the operations and maintenance expenses related to the thermal generation fleet.

Mark R. Tallman, Vice President of Renewable Resources, will testify on the operations and maintenance expenses related to hydroelectric and wind generation facilities and two additions to hydro generation plant.

Darrell T. Gerrard, Vice President Transmission Planning, will testify on capital investments in the Company's main grid transmission system.

Douglas N. Bennion, Vice President, Engineering Services and Capital Investment, will explain the Company's capital investments in transmission and distribution facilities to serve customer loads and deliver reliable power in Utah.

Andrea L. Kelly, Vice President, Regulation, will testify on the relicensing of the Klamath hydro project and the Klamath Hydro Settlement Agreement.

Erich D. Wilson, Director, Human Resources, will describe the Company's compensation and benefit plans, and explain why the Company's incentive and base compensation, retirement and healthcare costs should be included in rates.

Scott D. Thornton, Manager, Metered Data Management, will provide an overview of load research and the processes surrounding the development of load estimates used in this filing.

C. Craig Paice, Regulatory Consultant, Cost of Service, will present the Company's class cost of service study.

William R. Griffith, Director, Pricing, Cost of Service, & Regulatory Operations, will present the Company's rate spread and rate design proposals.

Jeffrey M. Kent, Director Distribution, will present a proposed reduction to the Company's pole attachment rate.

Q. Does this conclude your direct testimony?

A. Yes.