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

A. My name is C. Craig Paice. My business address is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232. I am currently employed as a Regulatory Consultant in the Regulation Department.

Qualifications

Q. Please describe your education and business experience.

A. I received a Bachelor of Science Degree in Business Management from Brigham Young University in 1976. I have also attended various educational, professional and electric industry seminars during my career with the Company. I have been employed by PacifiCorp since the merger in 1989. Prior to that time, I was employed with Utah Power & Light Company beginning in 1978 holding various positions in the accounting, customer service, and regulatory areas.

Q. Please describe your present duties.

A. My primary responsibilities are to prepare, present, and explain the results of the Company's cost of service studies to regulators and interested parties in jurisdictions where PacifiCorp provides retail electric service.

Q. Have you been a witness in other regulatory proceedings?

A. I have previously provided cost of service testimony in the states of Utah, Wyoming, Idaho, Oregon, Washington, and California.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. I will present the Company's functionalized Class Cost of Service Study based on

the 12 month forecasted test period ending May 31, 2013.

Summary of Results

Q. Please identify Exhibit RMP___(CCP-1) and explain what it shows.

A. Exhibit RMP___(CCP-1) shows the summary of results from the embedded class cost of service study for the State of Utah. It is based on the Company's revenue requirement for the state of Utah as presented in the testimony and exhibits of Mr. Steven R. McDougal. It summarizes, both by customer group and function, the results of the class cost of service study for the 12 months ending May 31, 2013. Page 1 of Exhibit RMP___(CCP-1) presents results at the Company's May 2013 rate of return assuming current rate levels. Page 2 shows results using the target rate of return based on the requested $172.3 million 2010 Protocol revenue requirement increase.

Q. Please identify Exhibit RMP___(CCP-2) and explain what it shows.

A. Exhibit RMP___(CCP-2) shows the cost of service results in more detail by class and by function. Page 1 summarizes the total cost of service summary by class and pages 2 through 6 contain a summary by class for each major function.

Changes in Cost of Service Study

Q. Are there any differences between this cost of service ("COS") study and the study filed with the Utah Commission in Docket No. 10-035-124?

A. Yes. The COS study filed in the previous docket employed the Revised Protocol methodology. The COS study filed in this proceeding employs the same 2010 Protocol revenue requirement methodology used in the jurisdictional allocation model ("JAM") presented by Mr. McDougal. It also eliminates the seasonal

weighting of generation and transmission fixed costs and the allocation of Net Power Costs ("NPC") on a monthly basis.

Q. Why did the Company remove the seasonal weighting of generation and transmission fixed costs and the allocation of NPC by month?

A. The Company removed this methodology in the current COS study in order to be more consistent with the JAM. The Commission clearly expressed its desire for more consistency between jurisdictional and class allocations as indicated in the Report and Order in Docket No. 97-035-01 and again in the Report and Order in Docket No. 09-035-23. In fact, the order in Docket No. 09-035-23 recommended that a work group be established for the express purpose of investigating and resolving possible cost allocation inconsistencies between the JAM and the embedded COS study. A report detailing the work group's findings was filed with the Commission on November 30, 2010. Additionally, COS study results based on either the inclusion or exclusion of seasonally weighted peaks and monthly NPC produce minimal cost allocation differences.

Classification and Allocation of Wind Generation Costs

Q. How are wind generation costs classified and allocated in the COS study?

A. Wind resources are separately identified within various accounts in the COS study and allocated to customer classes employing the same system coincident peak allocation factor ("F10") used to allocate all demand-related generation resources as directed by the Commission.

Description of Procedures

Q. Please explain how the Cost of Service Study was developed.

A. Based on the results from Mr. McDougal's Exhibit RMP___(SRM-3), the COS study employs a three-step process referred to as functionalization, classification, and allocation. These three steps recognize the way a utility provides electrical service and assigns cost responsibility to the groups of customers for whom those costs were incurred.

Q. Please describe functionalization and how it is employed in the Cost of Service Study.

A. Functionalization is the process of separating expenses and rate base items according to five utility functions - production, transmission, distribution, retail and miscellaneous.

- The production function consists of the costs associated with power generation, including coal mining, and wholesale purchases.
- The transmission function includes the costs associated with the high voltage system utilized for the bulk transmission of power from the generation source and interconnected utilities to the load centers.
- The distribution function includes the costs associated with all the facilities that are necessary to connect individual customers to the transmission system. This includes distribution substations, poles and wires, line transformers, service drops and meters.
- The retail services function includes the costs of meter reading, billing, collections and customer service.

- The miscellaneous function includes costs associated with Demand Side Management, franchise taxes, regulatory expenses, and other miscellaneous expenses.

Q. Describe classification and explain how it is used by the Company in the COS study.

A. Classification identifies the component of utility service being provided. The Company provides and customers purchase service that includes at least three different components: demand-related, energy-related, and customer-related. Demand-related costs are incurred by the Company to meet the maximum demand imposed on generating units, transmission lines, and distribution facilities. Energy-related costs vary with the output of a kWh of electricity. Customer-related costs are driven by the number of customers served.

Q. How does PacifiCorp determine cost responsibility between customer groups?

A. After the costs have been functionalized and classified, the next step is to allocate them among the customer classes. This is achieved by the use of allocation factors that specify each class' share of a particular cost driver such as system peak demand, energy consumed, or number of customers. The appropriate allocation factor is then applied to the respective cost element to determine each class' share of cost. A detailed description of PacifiCorp's functionalization, classification and allocation procedures and the supporting calculations for the allocation factors are contained in my workpapers.

Q. How are generation and transmission costs apportioned among customer classes?

A. The Company classifies production and transmission plant and non-fuel expenses as 75 percent demand-related and 25 percent energy-related. The demand-related portion is allocated using 12 monthly peaks coincident with the Company's total system firm peak. The energy-related portion is allocated using annual class MWhs adjusted for losses at the generation level.

Q. How are distribution costs classified and allocated?

A. Distribution costs are classified as either demand related or customer related. In this study, only meters and services are considered as customer related with all other costs considered demand related. Distribution substations and primary lines are allocated using the weighted monthly coincident distribution peaks. Distribution line transformers and secondary lines are allocated using the weighted non-coincidental peak method. The meter allocation factor is developed using the installed costs of new metering equipment for different types of customers.

Q. How are services costs allocated to customers?

A. Services costs continue to be allocated to secondary voltage delivery customers using an allocation factor based on the installed cost of new services for different customer types. The cost of new services reflects the Company's current method of allocating service costs assuming a single service drop per average customer regardless of class. This methodology is used since Company records do not contain data regarding the number of customers per service drop.

Q. Have there been concerns with how the Company allocates service drop costs?

A. Yes. Due to concerns expressed by various parties in Docket No. 09-035-23, the Commission's order directed the Division of Public Utilities ("Division") to conduct a comprehensive analysis regarding the Company's current method of allocating service drop costs and to recommend possible alternatives. In Docket No. 10-035-124, the Division presented its analysis on this issue. Although the Division made a recommendation for that case only, it acknowledged that it had not come up with the proper estimate of the number of residential service drops.[1]

Since Docket No. 10-035-124 was settled through a stipulated agreement, the Division's analysis and subsequent recommendations regarding shared services were unable to be thoroughly reviewed and analyzed by the parties, and no Commission decision was issued. As such, it remains undetermined if the Division's analysis and alternative recommendations would have satisfied the Commission's request.

Q. Please explain how customer accounting, customer service, and sales expenses are allocated.

A. Customer accounting expenses are allocated to classes using weighted customer factors. The weightings reflect the resources required to perform such activities as meter reading, billing, and collections for different types of customers. Customer service expenses are allocated on the number of customers in each class.

[1] See the direct testimony of DPU witness Abdinasir Abdulle, lines 107 – 109, in Docket 10-035-124, filed June 2, 2011.

Q. How are administrative & general expenses, general plant and intangible plant allocated by PacifiCorp?

A. Most general plant, intangible plant, and administrative and general expenses are functionalized and allocated to classes based on generation, transmission, and distribution plant. Costs that have been identified as supporting customer systems are considered part of the retail services function and have been allocated using customer factors. Coal mine plant costs are allocated using the energy factor.

Q. How are costs and revenues associated with wholesale contracts and other electric revenues treated in the Cost of Service Study?

A. No costs are assigned to wholesale contracts and other electric revenues. The revenues from these transactions are treated as revenue credits and are allocated to customer groups using appropriate allocation factors. Revenue credits reduce the revenue requirement that is to be collected from firm retail customers. This is consistent with treatment of these revenues in the inter-jurisdictional results of operations.

Special Contracts

Q. Have you included cost of service results for the Utah special contracts?

A. Yes. Consistent with the 2010 Protocol the loads and revenues associated with service to special contract customers are included as part of the jurisdictional allocation and included in the revenue requirement. The loads and revenues for special contract customers are also included in the COS Study.

Partial Requirements/Back-up/Electric Furnace Service

Q. Does the Cost of Service Study include results for partial requirements, back-up service and electric furnace customers?

A. No. Cost of service results were not calculated for these categories of customers, which includes one special contract customer and those customers taking service on Schedule 21 and Schedule 31.

Q. Why are these customers removed from the Cost of Service Study?

A. Partial requirements, back-up service and electric furnace customers are not included in the embedded COS Study because they do not lend themselves well to this type of analysis. These customers usually have very sporadic loads from year-to-year producing volatile cost of service results depending on whether or not service is required during the hour of monthly system peak. It is the Company's practice to derive prices for partial requirements and back-up service from the prices and costs for full requirements service.

Workpapers

Q. Have you included your workpapers?

A. Yes. Workpapers showing the complete functionalized results of operations and embedded class cost of service detail are included as Exhibit RMP___(CCP-3). Also included is a detailed narrative describing the Company's functionalization, classification and allocation procedures.

Q. Does this conclude your direct testimony?

A. Yes, it does.