Docket No. 20000-~~405~~ER-11
Witness: Stefan A. Bird

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

ROCKY MOUNTAIN POWER

Direct Testimony of Stefan A. Bird

December 2011

Q. Please state your name, business address and present position.

A. My name is Stefan A. Bird. My business address is 825 NE Multnomah, Suite 600, Portland, Oregon 97232. I am Senior Vice President, Commercial and Trading, for PacifiCorp Energy, a division of PacifiCorp ("the Company").

Q. What are your responsibilities in your current position?

A. I oversee the Company's Commercial and Trading organization which is responsible for dispatch of the Company's owned and contracted generation resources, procurement of new generation resources, and wholesale purchases and sales of natural gas and electricity to balance the Company's load and resources. I am also responsible for the Company's load and revenue forecast, integrated resource plan ("IRP") and net power costs modeling.

Q. Please describe your educational and business background.

A. I hold a B.S. in mechanical engineering from Kansas State University. I joined PacifiCorp Energy and assumed my current position in January 2007. From 2003 to 2006, I served as president of CalEnergy Generation U.S., an owner and operator of Qualifying Facility and merchant generation assets, including geothermal and natural gas-fired cogeneration projects across the United States. From 1999 to 2003, I was vice president of acquisitions and development for MidAmerican Energy Holdings Company ("MEHC"). From 1989 to 1997, I held various positions at Koch Industries, Inc., including energy marketing, financial services, corporate acquisitions, project engineering and maintenance planning in the Americas and Europe.

Since the middle of 2008, forward market prices for natural gas and electricity have generally steadily fallen. When market prices fall, given the Company's generally short natural gas position and long wholesale electricity position, it results in natural gas hedge losses and wholesale electricity hedge gains. Conversely, when market prices rise, it results in natural gas hedge gains and wholesale electricity hedge losses. Accordingly, the Company's historical realized hedging gains shown previously in Chart 1 are primarily driven by market price reductions that have occurred since the middle of 2008 and a load and resource balance that resulted in electricity hedge gains that more than offset natural gas hedge losses.

In the current test period, forecast gains in electricity hedges do not offset forecast losses in natural gas hedges because of the change in the Company's load and resource balance and changes in forward market versus hedge contract prices. The natural gas hedging losses in this case are less than the comparable losses in the Company's 2010 general rate case. In the prior case, however, large gains from power hedges offset all of the natural gas hedging losses. In this case, the offset is only partial.

Q. Is the change from hedging gains in the recent past to hedging losses in the test period reflective of a problem with the Company's hedging program?

A. No, hedging is designed to minimize volatility and will always be accompanied by both gains and losses. The hedging losses in this case remain far less than the cumulative hedging gains demonstrated in Chart 1.