BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

	)	**Docket No. 99-035-10**
In the Matter of the Application of	)	
PacifiCorp for Approval of its	)	**PRE-FILED DIRECT TESTIMONY OF**
Proposed Electric Rate Schedules	)	**DONNA DERONNE**
and Electric Service Regulations	)	**FOR THE COMMITTEE OF**
	)	**CONSUMER SERVICES**

February 4, 2000

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INTRODUCTION

Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?

A. I am Donna DeRonne, a Certified Public Accountant licensed in the State of Michigan. I am a regulatory consultant in the firm Larkin & Associates PLLC, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

Q. **PLEASE DESCRIBE THE FIRM LARKIN & ASSOCIATES.**

A. Larkin & Associates PLLC is a Certified Public Accounting and Regulatory Consulting Firm. The firm performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorney generals, etc.). Larkin & Associates has extensive experience in the utility regulatory field as expert witnesses in over 400 regulatory proceedings, including numerous electric, gas, telephone and water and sewer utilities.

Q. **HAVE YOU PREPARED AN EXHIBIT DESCRIBING YOUR QUALIFICATIONS AND EXPERIENCE?**

A. Yes. I have attached Appendix I, which is a summary of my experience and qualifications.

Q. **ON WHOSE BEHALF ARE YOU APPEARING?**

A. Larkin & Associates was retained by the Committee of Consumer Services (CCS or Committee) to analyze the submission of PacifiCorp's request for an increase in general rates utilizing the test year ended December 31, 1998, and to make recommendations to the Utah Public Service Commission

(Commission) based on that analysis.

Hugh Larkin, Jr., also of Larkin & Associates, PLLC, presents the Committee's overall recommendations and recommended revenue requirement. I will be presenting specific adjustments to the 1998 test year. The impact of my recommended adjustments is reflected in the overall revenue requirement calculation presented by Mr. Larkin. Each of the adjustments I am sponsoring is discussed below.

RECOMMENDED RATE BASE ADJUSTMENTS

Bridger Coal Company Rate Base

Q. **HAS PACIFICORP MADE AN ADJUSTMENT TO REFLECT ITS INVESTMENT IN THE BRIDGER COAL COMPANY?**

A. Yes. PacifiCorp's subsidiary, Pacific Minerals, Inc., is a part owner of Bridger Coal Company. Since the investment is on the subsidiary's books, the Company made Adjustment 8.4 to increase test year rate base to reflect the investment in the Bridger Coal Company based on its portion of Bridger's average rate base.

Q. SHOULD ANY REVISIONS BE MADE TO THE COMPANY'S ADJUSTMENT?

A. Yes. Included in the Company's adjustment is the Bridger Coal Company's average accounts receivable balance of $10,805,808. The average balance was determined based on a December 1997 balance of $7.57 million and a December 1998 balance of $14 million. According to the response to CCS 4.58, the accounts receivable balance is due entirely from PacifiCorp for coal sales and the enhanced retirement program. Obviously, PacifiCorp should not be allowed to earn a return on amounts it owes to another Company. As shown on Exhibit 3.1, rate base should be reduced by

$3,742,592 on a Utah jurisdictional basis to remove the accounts receivable due from PacifiCorp to Bridger from rate base.

SO2 Emissions Allowances

Q. IS PACIFICORP'S TREATMENT OF SO2 EMISSIONS ALLOWANCES CONSISTENT WITH THE STIPULATION REACHED ON THIS ISSUE IN DOCKET NO. 97-035-01?

A. Yes, with one exception. On page 3.4 of its current filing, PacifiCorp decreased the amount of offset to rate base for the regulatory deferred emission sales by $2,111,250 for an accounts receivable balance. The SO2 emissions allowance calculation agreed to by the parties in the last case did not include an offset for an accounts receivable balance.

Q. IS THE $2,111,250 OFFSET APPROPRIATE?

A. No, it is not. According to the response to CCS 4.8, the accounts receivable related to 1996 emissions sales. According to the same response, the Company indicated that the accounts receivable balance related to a 1996 sale "was inadvertently left in this adjustment." The 1996 emissions sales are not included in the four-year amortization of emissions sales in this filing or in the stipulation reached in the last case. The Company's offset to the rate base credit for the accounts receivable balance should be removed. As shown on Exhibit 3.2, this adjustment decreases rate base by $2,111,250 on a total Company basis and $731,225 on a Utah basis.

RECOMMENDED OPERATING INCOME ADJUSTMENTS

Relocation Expense

Q. WHAT IS THE PURPOSE OF YOUR ADJUSTMENT TO RELOCATION EXPENSE SHOWN ON EXHIBIT 3.3?

A. During 1998, PacifiCorp undertook numerous relocation projects. PacifiCorp moved the accounting staff from Salt Lake City, Utah to Portland, Oregon. The Company also underwent a data center relocation and a Lloyd Center Tower relocation project. Test year expenses recorded in Account 921.6 - Relocation Costs were $4,516,493. In response to CCS 4.111, the Company indicated that test year relocation expenses in Account 921.6 were $3,395,165. Presumably, the variance is caused by the Company's adjustment to amortize the accounting staff relocation costs over a five-year period as part of its workforce reduction adjustment, leaving $3,395,165 of remaining relocation costs in Account 921.6 in the test year. The remaining $3.4 million is considerably higher than the historic cost level for relocation expense. The adjustment on Exhibit 3.3 normalizes the test year relocation expense and amortizes the costs above the normal, recurring level.

Q. PLEASE DISCUSS PACIFICORP'S ADJUSTMENT TO AMORTIZE THE ACCOUNTING STAFF RELOCATION COSTS.

A. As part of its workforce reduction adjustment, the Company amortized $2,311,000 of accounting relocation costs over a five-year period. The $2,311,000 was recorded in several different accounts during the test year, including Account 921.6 - Relocation Costs. Apparently, the Company realizes that the accounting staff relocation is not a recurring cost and should be amortized as opposed to expensed entirely in the test year. The amortization will also result in the costs associated with the relocation being matched with the cost savings and economies resulting from the relocation.

Q. ARE THE TEST YEAR RELOCATION COSTS REFLECTIVE OF A NORMAL, RECURRING LEVEL AFTER THE COMPANY'S ADJUSTMENT IS MADE?

A. No. As indicated above, test year expenses still include $3,395,165 for relocation costs in Account 921.6. As shown on Exhibit 3.3, relocation costs have ranged from $730,003 in 1993 to $2,802,486 in

1997, with a five-year average cost of $1,787,018. The Company has recently undergone numerous relocations. Now that several relocation projects are completed and PacifiCorp has undergone numerous workforce reductions, it is unlikely that the test year level of relocation expense will recur.

Q. WHAT IS YOUR RECOMMENDATION?

A. As shown on Exhibit 3.3, I recommend that relocation costs in Account 921.6 be based on the five-year average relocation expense and a five-year amortization of the difference between PacifiCorp's adjusted test year relocation expense and the five-year average amount. This would result in relocation costs being based on a normalized level. It also allows for the recovery of the costs incurred during 1998 that are above the normalized level over the periods in which the cost savings and economies resulting from the relocations will occur.

Rent Expense

Q. DID THE NUMEROUS EMPLOYEE RELOCATIONS AND EMPLOYEE REDUCTIONS THAT OCCURRED IN THE TEST YEAR RESULT IN REDUCTIONS TO RENT EXPENSE?

A. Yes. CCS 24.10 specifically asked the Company if its rent expense declined as a result of the relocations and work force reductions. The question also asked the Company to provide the amount of rent expense included in the test year that discontinued as a result of the relocations and reductions. In the response, PacifiCorp indicated that the rent expense related to the Public Service Building in Portland discontinued in December 1998, as the lease was terminated December 20, 1998. Test year rent expense includes $204,651 for this vacated building. The response also stated: "There was no decline in rent expense at One Utah Center in Salt Lake City during the test year because the vacated accounting department space was used by the BSIP project for the remainder of 1998."

Q. WHAT HAPPENED TO THE VACATED ACCOUNTING DEPARTMENT SPACE AFTER THE BSIP PROJECT WAS COMPLETED?

A. According to the response to CCS 24.12: "As the Company downsized and the BSIP project was completed, excess office space at One Utah Center was subleased; excess office space on the company-owned floors of the Lloyd Center Tower was leased out as well." CCS 24.12 asked PacifiCorp to provide the amount of income associated with the subleasing or renting out of any space included in the test year and as projected for the future. PacifiCorp did not include the requested information in its original response. It merely indicated that the One Utah Center space was subleased and the Lloyd Center Tower space was leased, and that "None of this occurred during the test period." It did not provide the estimated income that was requested.

Q. DID YOU ASK PACIFICORP TO SUPPLEMENT ITS RESPONSES TO PROVIDE THE INFORMATION SPECIFICALLY REQUESTED?

A. Yes. As a result, PacifiCorp provided supplemental responses to CCS 24.10 and 24.12. In the response to CCS 24.10, the Company indicated that the "...1998 rent expense for the two floors at One Utah Center that were vacated by the Accounting Department was $692,290." In response to CCS 24.12, the Company indicated that the sub-lease revenues for the two vacated floors at One Utah Center are expected to be $765,099 net of shared revenues received from the building owner in the year 2000. However, the supplemental response to CCS 24.12 still did not provide the rental income that PacifiCorp receives as a result of leasing the excess office space on the Company owned floors in the Lloyd Center Tower.

Q. DID YOU ASK PACIFICORP TO PROVIDE A SECOND SUPPLEMENT TO ITS RESPONSE TO

PROVIDE ALL OF THE INFORMATION ORIGINALLY REQUESTED?

A. Yes. I asked the Company once again to supplement its response to provide the information requested regarding the lease income from the leasing of the Lloyd Center Tower space. As previously mentioned, PacifiCorp's original response to CCS 24.12 stated that "...excess office space on the company-owned floors of the Lloyd Center Tower was leased out as well." In its second supplemental response to CCS 24.12, PacifiCorp responded, in part, as follows:

> Contrary to our initial response to CCS Request 24.12, the company did not sublease any Lloyd Center Tower space in 1998. Therefore, lease revenue for the Lloyd Center Tower will be $0. Since 1997 the company has occupied all of the space it owns in this building.

Q. DOES THE SECOND SUPPLEMENTAL RESPONSE ANSWER YOUR QUESTIONS REGARDING THE LLOYD CENTER TOWER SPACE?

A. Not entirely. The terminology used by the Company is not entirely clear. The response indicates that "Contrary to our initial response" the company "did not sublease any Lloyd Center Tower space in 1998." It is not entirely clear from the responses if the Company has either leased or subleased any of the Lloyd Center Tower space after the test year or projects to do so. The Company's original response specifically stated that it leased out space in the Lloyd Center Tower as the Company downsized and the BSIP project was completed. With the terminology used by the Company in its second supplemental response, it is not clear if the original response was incorrect, or if there will be lease revenues received by PacifiCorp on the space in the future.

Q. SINCE THE LEASE AND SUBLEASE INCOME DID NOT START UNTIL AFTER THE TEST YEAR, SHOULD IT BE EXCLUDED IN CALCULATING REVENUE REQUIREMENT?

A. No. The Company's adjusted test year and our adjusted test year include costs associated with the workforce reductions and the numerous employee relocations. The annual level of cost savings and increased rental incomes that are a <u>direct result</u> of these costs should be reflected in the adjusted test year. To do otherwise would result in a mismatch of costs and benefits, which clearly is not appropriate.

Q. WHAT IS YOUR RECOMMENDATION?

A. First, the amount of expense included in the test year associated with the vacated Public Service Building in Portland of $204,651 should be removed, particularly since the lease was terminated December 20, 1998.

Second, the amount of income that will result from the leasing of the space in the Lloyd Center Tower (amount not yet provided by PacifiCorp) and subleasing of space in One Utah Center of $765,099 should be reflected in the adjusted test year. Test year expenses include $692,290 in rent expense associated with the vacated space in One Utah Center and costs associated with operating and maintaining the space in the Lloyd Center Tower. My recommended adjustment of $340,896 on a Utah basis is shown on Exhibit 3.4.

Since the Company has not provided clear information regarding the lease income for Lloyd Center Towers, the amount for this item is currently blank in the exhibit. I recommend that the Company clarify this issue in its Rebuttal Testimony. At a minimum, the Company should state whether or not it either has or is planning to lease any of its owned space in the Lloyd Center Tower. If so, it should provide the annualized rental incomes anticipated as a result of leasing the space. It should also specifically indicate if its original response to 24.12 was incorrect regarding the Lloyd Center Tower space. If the Company's Rebuttal Testimony does not clarify this issue, I recommend that the Commission order the Company to provide the information.

Workers Compensation Expense

Q. ON EXHIBIT 3.5, YOU ARE SPONSORING AN ADJUSTMENT TO REDUCE WORKERS COMPENSATION EXPENSE. PLEASE DISCUSS THIS ADJUSTMENT.

A. Test year workers compensation expense recorded in Account 925.4 was $4,115,026. This is considerably higher than the actual 1997 workers compensation expense of $3.27 million and the budgeted 1998 expense of $3.37 million. CCS data request 24.47 asked the Company to explain the increase in workers compensation insurance between 1997 and 1998. The Company responded as follows:

> An adjustment was made to the Workers Compensation liability account during 1998 to recognize an underaccrual from prior years. This adjustment was approximately $1 million.

This Company adjustment to recognize under-accruals from prior years should be removed from test year expense. Based on the Company's response to CCS 24.47, the adjustment was clearly for out-of-period costs.

Q. HOW DID YOU DETERMINE THE AMOUNT OF THE ADJUSTMENT?

A. In response to CCS 24.47, the Company indicated that the adjustment "was approximately $1 million." However, in response to CCS 16.15, the Company provided a journal voucher made in September 1998 for "Employee Benefits Reconciliation." This journal voucher showed net increases to the Workers Compensation expense account of $1,016,000. This is the amount used in determining the adjustment on CCS Exhibit 3.5.

Q. ARE YOU EXPECTING ANY FURTHER INFORMATION FROM THE COMPANY ON THIS ISSUE?

A. Yes. There are several Committee data requests outstanding regarding the Company's journal voucher for the "Employee Benefits Reconciliation." I may provide supplemental testimony on this issue and on the Employee Benefits Reconciliation adjustment made by PacifiCorp during the 1998 test year after the responses are received.

Solar II Amortization Expense

Q. DID THE COMPANY REMOVE THE SOLAR II AMORTIZATION EXPENSE CONSISTENT WITH THE COMMISSION'S DECISION IN THE LAST CASE?

A. No. Test year expenses include $434,884 on a total Company basis and $152,875 on a Utah basis for the amortization of Solar II Project costs. This is an experimental research and development project. In the last case, Docket No. 97-035-01, in response to CCS 15-20, the Company indicated that the costs "were initially incurred in June 1996." In the same response, the Company stated that the project "is an experimental R&D project, the deferred costs and amortization expense should not have been included in electric utility operations." In the Decision in Docket No. 97-035-01, the Commission removed the amortization from test year expense.

Q. HAS THE COMPANY'S POSITION CHANGED ON THIS ISSUE?

A. Yes. According to the Company's response to CCS 4.119(2), the project costs were incurred by PacifiCorp during the period 1992 through 1995, not June 1996. Additionally, the Company is requesting that the amortization expense associated with this project be included in test year expense.

Q. SHOULD THESE COSTS BE INCLUDED IN THE TEST YEAR?

A. No. Consistent with the Committee's position and the Commission's findings in the last case, these costs should be excluded from the test year. These costs were incurred by the Company during the period 1992 through 1995, well before the beginning of the test year in this case. These amounts were also specifically removed from 1997 test year expenses in the Company's last rate case. I have reflected this recommendation on Exhibit 3.7.

Noell Kempff Climate Action Project

Q. WHAT IS THE NOELL KEMPFF CLIMATE ACTION PROJECT?

A. According to a March 23, 1998 Network employee newsletter, the Noell Kempff Climate Action Project is a partnership between PacifiCorp, the government of Bolivia and other partners entered into during 1998 to create a forest preservation project. The project will prevent logging and clearing of approximately 3.6 million acres. PacifiCorp has committed $1.75 million to the project. PacifiCorp indicated that the project will be crucial in "debating" carbon dioxide credits in the next two years. However, the Company noted that it is not certain that it will be able to receive credit for forestry projects.

Q. ARE ANY COSTS INCLUDED IN THE TEST YEAR FOR THIS PROJECT?

A. Yes. Test year expenses in Account 923.1 include $763,500 for this project.

Q. SHOULD RATEPAYERS BE CHARGED FOR THIS PROJECT?

A. No. In the newsletter, the Company indicated that receiving carbon dioxide credits for the project is not a certainty. Ratepayers should not be responsible for funding a rainforest preservation project when the potential benefits are not known or measurable. Furthermore, the newsletter indicated that the project will offset carbon dioxide emissions in the next 30 years. Clearly 50% of the cost of this project should not be included in one year. As shown on Exhibit 3.6, I recommend that this cost be removed, reducing test year expenses by $763,500 on a total Company basis and $268,393 on a Utah basis.

Uncollectible Expense

Q. HOW DID PACIFICORP CALCULATE THE LEVEL OF UNCOLLECTIBLE EXPENSE INCLUDED IN ITS FILING?

A. PacifiCorp's adjusted uncollectible expense is based on a three-year average of write-offs as a percentage of accounts receivable and a three-year average of write-offs to recoveries. The three years used by the Company in determining the average percentage and ratio were the years 1996, 1997 and 1998.

Q. IS PACIFICORP'S ADJUSTMENT CONSISTENT WITH THE METHODOLOGY APPROVED BY THE COMMISSION IN THE LAST RATE CASE?

A. The calculation methodology is the same, however, the years used by PacifiCorp to determine the average ratios in its calculation are inconsistent with the Commission's decision and are inappropriate for use in this case.

Q. HOW ARE THE YEARS USED BY PACIFICORP IN DETERMINING THE AVERAGES INCONSISTENT WITH THE COMMISSION'S DECISION IN DOCKET NO. 97-035-01?

A. As stated in the Decision in Docket No. 97-035-01, at page 24, "Uncollectible bills increased in 1997 as a result of billing problems and a reduced collections effort associated with movement of customer service operations from local offices to a centralized billing center." In its Decision, the Commission agreed with the Committee's and the Division's position that 1997 was an anomaly and not appropriate for determining normalized uncollectible expense. The Commission adopted the Division's position that uncollectible expense should be based on the three-year average uncollectibles ratio using the years 1994 through 1996 in determining the average. As stated in the Decision: "...consolidation of the functions of many local offices in the new business service center created a temporary lapse in the Company's effort to collect overdue bills." The Decision continued, stating

"Fewer resources were expended to collect unpaid bills." Clearly, consistent with the last case, 1997 should not be used in determined the average uncollectibles ratio.

Q. DID YOU INQUIRE WHY THE COMPANY USED 1997 IN DETERMINING ITS AVERAGE RATIO WHEN THAT YEAR WAS SPECIFICALLY EXCLUDED BY THE COMMISSION IN THE LAST CASE?

A. Yes. The Company was asked this question in CCS 4.30. It responded as follows:

> In the last rate case, it appeared to the Division and the Committee that 1997 was an anomalous year and collection of unpaid bills would improve. 1997 may not be an anomalous year. In 1998 the ratio of write-offs to uncollectible accounts actually increased. The Company has used an average of the last three years as representative, much like what the Division and Committee did in the 1997 case.

Q. DOES THE COMPANY'S RESPONSE PERSUADE YOU THAT A THREE-YEAR AVERAGE RATIO USING THE YEARS 1996 THROUGH 1998 IS APPROPRIATE FOR CALCULATING ADJUSTED UNCOLLECTIBLE EXPENSE?

A. Definitely not. In numerous internal documents, the Company acknowledged that it had problems with its collections during 1997 <u>and</u> 1998. The collections problem was also discussed several times at Board of Directors meetings. Although I am not sure why, the Company has marked most of that documentation as highly sensitive confidential and provided access to it only at its attorney's office in Salt Lake City in this case. This highly sensitive confidential information consisted of the following reports/documents:

– Debt Recovery Activity Report (CCS 16.3c)

– Debt Recovery and Payment Processes Report (CCS 16.11a)

– Debt Recovery Performance Improvement Management Briefing (CCS 16.11d)

The Company also identified the following reports as confidential (although not highly sensitive confidential): Collection and Write-off Processing internal audit report dated February 23, 1998 (CCS

16.9); Customer Collection Processing internal audit report dated July 17, 1999 (CCS 16.9); and Other Accounts Receivable Follow-Up Review internal audit report dated January 27, 1999 (CCS 16.9).

Q. DO THE REPORTS INDICATE THAT THERE WERE PROBLEMS WITH THE COMPANY'S COLLECTION PROCESSES AND PROCEDURES DURING 1997 AND 1998?

A. Definitely. Since the reports have been identified as confidential and highly sensitive confidential by the Company, I will not get into the specifics contained within the reports. However, the reports do identify numerous problems with the Company's collection processes and procedures during 1997 and 1998. In fact, the Company implemented a task force during 1998 and 1999 to address its problems and hired external consultants to help it get a handle on its collections process. The reports also acknowledge that the 1997 and 1998 uncollectibles levels are not reflective of historic levels and discuss measures being taken to correct the problems.

Q. DID ANY NON-CONFIDENTIAL INFORMATION PROVIDED BY THE COMPANY INDICATE THAT 1997 AND 1998 UNCOLLECTIBLE LEVELS ARE NOT REPRESENTATIVE OF NORMAL LEVELS?

A. Yes. According to the Company's response to CCS 16.11c, "Collection activities were halted in last quarter of 1997 and resumed in February 1998." Consequently, parts of both 1997 and 1998 do not reflect a normal level of collection activities. In response to CCS 16.11b, the Company provided the following information:

> Following the conversion of CSS, it was discovered that statements were being sent with an amount due that was incorrect. Since it was possible that customers were being noticed for the wrong amount and it was not feasible to discern which accounts were correct, the company elected that the prudent measure was to suspend field collection activities. Once the issue was corrected, collection activities resumed.

Obviously, the fact that no collection efforts were undertaken during parts of 1997 and 1998 would impact the collection levels and uncollectible expense in both of those years.

Page 4.6.1 of the Company's filing also illustrates the problems with 1997 and 1998. The page shows the 1996 ratio of write-offs to the average accounts receivable as .0412. This ratio increases to .0851 in 1997 and .1016 in 1998. During the period 1994 through 1996, the average ratio was .0409.

PacifiCorp's August 3, 1998 Network employee newsletter indicates regarding uncollectibles that "The debt began to mount when – as field offices closed, the first 24-hour business center opened and the new customer service system went online – PacifiCorp eased up on collecting past-due bills to focus on correctly billing customers."

Additionally, the Company indicated in Docket No. 97-035-01 that the consolidation of functions of many local offices in a new business service center created a lapse in the Company's collection efforts during 1997.

Q. WHAT IS YOUR RECOMMENDATION?

A. Uncollectible expense should be adjusted to be based on the average write-offs to accounts receivable percentage and average uncollectible recovery ratio using the three-year period 1994 through 1996. This is consistent with the Commission's findings in the previous rate case. As shown on Exhibit 3.8, this would allow for adjusted test year normalized net write-offs of $1,700,236. This is $1,359,261 less than the amount proposed by the Company. The Company should not be rewarded for its collections problems by basing the uncollectible expense on a three-year average that includes 1997 and 1998 levels.

Q. ARE YOU RECOMMENDING ANY ADDITIONAL ADJUSTMENTS ASSOCIATED WITH THE COMPANY'S COLLECTION PROBLEMS?

A. Yes. As previously mentioned, the Company retained outside experts during the test year to assist it with its collection problems. On Exhibit 3.9, I removed the costs included in the test year for these outside consultants, Price Waterhouse, LLP. This reduces test year expense by $210,443 on a Utah jurisdictional basis. I note that the Company's response to CCS 33.6 indicated that the total cost in the test year for these services was $500,000, with $175,767 allocated to Utah. However, the amount allocated to Utah in the response would be based on the 35.153% SO allocation factor. According to page 2.13 of the Company's filing, all costs in Account 903 were either situs or allocated based on the CN allocation factor, which is 42.0885% for Utah. My adjustment on Exhibit 3.9 uses the CN allocation factor.

Hopefully, for both ratepayers and shareholders sake, it will not be necessary for the Company to retain outside experts on an annual basis to address problems with its collection policies and procedures, particularly since the Company has assigned internal task forces to address the problems.

Miscellaneous Expense Adjustment

Q. WHAT IS THE PURPOSE OF YOUR ADJUSTMENT ON EXHIBIT 3.10?

A. Test year expenses include several costs that should not be charged to ratepayers. These include the Nike World Games volunteer party sponsorship, Portland Power Basketball sponsorship, Capture the Moment sponsorship and cost paid to No Problem International for promotional products. Ratepayers should not be required to fund these costs in rates. Exhibit 3.10 reduces Utah allocated costs by $58,485 to remove these items from the test year.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, at this time. However, the Company was tardy (in some cases extremely so) in responding to numerous Committee data requests, making a detailed review and follow-up of such information extremely difficult within the established time constraints in this case. Additionally, several of the responses were not fully responsive to the questions asked, resulting in needing either additional follow-up questions or requesting that the Company supplement its original responses. There are also several Committee data requests still outstanding. Consequently, it may be necessary for the Committee and its consultants to file supplemental testimony on several issues that are still under investigation.