BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF PACIFICORP FOR APPROVAL OF ITS PROPOSED ELECTRIC RATE SCHEDULES & ELECTRIC SERVICE REGULATIONS	))))))))	Docket No. 03-2035-02 SUPPLEMENTAL TESTIMONY OF J. TED WESTON

OCTOBER 2003

Q. Are you the same Ted Weston who previously testified in these proceedings?

A. Yes.

Summary of Testimony

Q. Please summarize your testimony.

A. Pursuant to the Commission's order in this case, the Company has updated its filing for known and measurable changes through the end of the test period. Those changes are shown in the replacement pages for Exhibits UP&L ___(JTW-1) and UPL ___(JTW-2) which are attached to my testimony. All of the pages behind Tabs 1 and 2 of Exhibit UPL __(JTW-2) will be replaced along with each of the summary pages behind Tabs 3 through 8, except Tab 6, and the impacted top sheets and supporting work papers as described in this testimony. Based on these changes, the price increase supported by the Company was reduced from $128.4 to $127.5 million.

Q. Please explain the revisions to the revenue adjustments summarized under replacement page 3.0 of Tab 3.

A. **Effective Price Change** (Adjustment 3.2) – Adjustment 3.2 increased $822,869 from $444,710, to $1,267,579. While preparing the Cost of Service study, the Company determined that revenues for one special contract were understated in the present revenues. In addition, a few minor corrections were made to present revenues from other rate schedules. These corrections increase present revenues an additional $822,869.

Q. Please explain Exhibit UPL ___S (JTW-1S).

A. **Unbilled Revenues** (Adjustment 3.8) – After Price Waterhouse Coopers completed an audit of unbilled revenues, they recommended that PacifiCorp change its unbilled revenue calculation from an income statement method to a balance sheet method. As previously disclosed in response to a discovery request, the old method overstated Utah revenues by $8,497,546. Exhibit UPL___S (JTW-1S) reduces present revenues by this amount. Adjustment 3.8 is consistent with how unbilled revenue corrections were treated in Docket No. 99-035-10.

Q. Please explain Exhibit UPL ___S (JTW-2S).

A. **Pole Attachment Revenues** (Adjustment 3.9) – During the summer, the Company completed an audit of the Wasatch front, which identified over 23,400 unauthorized pole attachments. In addition, a rate increase for telecommunication attachments was noticed in May and is expected to go into effect before the end of the year. Exhibit UPL ___S (JTW-2S) shows the impact of both those changes which increases annual rental revenues by $143,590.

Q. Please explain any revisions to the O&M adjustments summarized under replacement page 4.0 of Tab 4.

A. **Pension and Benefit Adjustment** (Adjustment 4.6) – Adjustment 4.6 is reduced by $392,803 to $10,610,248. This reflects a reduction to employee medical and dental benefit costs from the amount reflected in the original filing by $1,005,092 total company, or $392,803 on a Utah basis as noted in the replacement pages of Mr. Rosborough.

Miscellaneous General Expense (Adjustment 4.8) – This adjustment removes from results of operations certain miscellaneous expenses that should not have been charged to customers. As part of the Wyoming audit, an additional $30,134 of expenses, $11,777 to Utah, associated with an employee assigned to the Wyoming's governor's office was identified. Also, a review of Price Waterhouse Coopers' invoices to the Tax department has identified $734,824 total Company, or $287,268 to Utah, that needs to be removed from results. This adjustment originally reduced Utah operating expense by $380,532, that reduction is increased to $675,580.

FERC Price Cap Accrual (Adjustment 4.10) – This adjustment was revised to remove a joint-owner bad debt accrual associated with trail mountain amortization, reducing bad debt expense an additional $267,650.

Pro-Forma General Wage Increase (Adjustments 4.14 & 4.15) – These adjustments normalize labor expenses to better match labor costs during the period the proposed prices will be in effect. From April through the end of August, 124 employees left PacifiCorp, during the same time period there were 250 additional employees hired for a net increase of 126 employees. We have revised this adjustment to remove salaries paid to employees who left since March and annualize the salary paid to the new hires. This update increases Utah allocated expenses by $2,515,997 from the original filing for a total general wage increase of $4,054,975.

FICA Adjustment (Adjustment 4.16) – The revised FICA tax adjustment is $165,576, a net decrease of $1,088,949 from the original filing. This adjustment was updated for two items. First, FICA taxes are increased by $169,975 associated with the update to the Pro-Forma General Wage Increase adjustment.

Second, the adjustment is reduced by $1,258,925 to correct an error in the FICA cap increase calculation included in the original filing. When the increase in wages applicable to the change in the FICA cap was calculated, the social security rate was not applied to that amount, instead, the wages rather than the social security tax was included. This overstated FICA taxes by $1,258,925.

Q. **Please explain Exhibit UPL ___S (JTW-3S).**

A. Exhibit UPL ___S (JTW-3S) International Assignee Costs (Adjustment 4.17) removes the costs of international assignees that have returned to Scotland. Since March, twenty-three international assignees have returned to Scotland. This adjustment removes their associated costs, reducing test period expenses by $1,261,222.

Q. **Are there any revisions to the Net Power Cost adjustments in Tab 5?**

A. Yes. Mr. Widmer has provided supplemental testimony describing the changes to his original study. These updates increase net power costs from $522,281,763 to $534,254,123, an increase of $11,972,360, or $4,611,920 to Utah. This update is reflected in replacement pages 5.1 of Tab 5.

US Magnesium Replacement Power (Adjustment 5.2) – Replacement page 5.2 of Tab 5 removes the revenues associated with the purchase of replacement power during the US Magnesium economic curtailment period. This adjustment was originally prepared assuming that the load for US Magnesium was included in GRID during the economic curtailment periods. However, the US Magnesium load during the economic curtailment is excluded from GRID, therefore the cost of replacement power was not included in the normalized net power costs.

Because the cost of replacement power is not included in the results of operations, the revenues associated with the purchase of replacement power should not be included. As filed, adjustment 5.2 overstated Utah operating income by $528,352.

Q. Please explain any revisions to the tax adjustments summarized under replacement page 7.0 of Tab 7.

A. **Interest True-Up** (Adjustment 7.1) – This adjustment has been updated to reflect the impact of these changes to rate base. The changes decreased the interest reduction from $7,090,843 to $4,502,356, an increase to interest expense of $2,588,487.

IRS Settlement (Adjustment 7.5) – Mr. Larry Martin has provided supplemental testimony describing the changes to these costs. These revisions reduce Utah's allocated share of the tax settlement costs from $32.5 to $23 million, thereby decreasing the five-year amortization by $1,893,166 to $4,601,029. The un-amortized rate base would be $18,404,118.

Allocation of Tax Depreciation (Adjustment 7.6) – While responding to discovery, the Company identified a Schedule M-1 adjustment that had incorrectly been categorized as book depreciation rather than tax depreciation in our filing. This item was correctly recorded as tax depreciation on the Company records. Since the entry was recorded correctly on books, there is no impact to accumulated deferred income taxes. This adjustment simply corrects the allocation, increasing tax expense by $372,235.

Q. Please explain any revisions to the miscellaneous rate base adjustments summarized under replacement page 8.0 of Tab 8.

A. **Update Cash Working Capital** (Adjustment 8.1) – It is necessary to update this adjustment to capture the impact of these revisions on cash working capital. These revisions reduce the reduction to cash working capital from $1,580,371 to $934,436, increasing rate base $645,935.

Proforma Major Plant Additions (Adjustment 8.8) – This adjustment has been updated to capture any known changes to the project completions, as well as updating the accumulated deferred income tax for bonus tax depreciation. These revisions decrease Utah rate base by $19,645,906 and depreciation expense by $565,545.

Demand Side Management Tariff Rider (Adjustment 8.10) – An additional $185,320 of the Utah DSM program deferral was removed from rate base, increasing the deduction from $6,740,784 to $6,926,104.

Q. **Please explain Exhibit UPL ___ S (JTW-4S).**

Exhibit UPL ___ S (JTW-3S) Deductions to Rate Base (Adjustment 8.11) – Adjustment 8.8 shows the major plant additions through the end of the test period. These additions represent approximately twenty-four percent of the fiscal year capital additions. This was determined by comparing the capital additions included in adjustment 8.8 of $210 million to total capital expenditures of $665 million. Then since the test period walks forward nine months we have taken nine-twelfths, which produces a percent of 23.68%. To be consistent with the treatment of plant additions, the Company has reduced rate base by taking this same percentage of rate base deductions. This was accomplished by taking the test period depreciation, amortization, and accumulated deferred income taxes multiplied by the twenty-four percent factor. The impact of these changes is to reduce rate base by $33,689,831.

Q. Does this conclude your testimony?

A. Yes.