

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)
PACIFICORP for Approval of Its)
Proposed Electric Service Schedules &) Docket No. 03-2035-02
Electric Service Regulations)

DIRECT TESTIMONY OF JOHN STEWART

DECEMBER 16, 2003

1 Q. Please state your name and business address.

2 A. My name is John Stewart. My business address is One Utah Center, Suite 2300,
3 201 South Main Street, Salt Lake City, Utah.

4 **Qualifications**

5 Q. What is your current position at PacifiCorp?

6 A. I am the Director of Regulation for PacifiCorp's Utah jurisdiction.

7 Q. What are your responsibilities as the Director of Regulation?

8 A. My responsibilities include managing the regulatory proceedings in the states of
9 Utah, Wyoming and Idaho, including the management of all filings that are made
10 by PacifiCorp with the Utah Public Service Commission.

11 Q. Are you familiar with the terms and conditions of the Revenue Requirement
12 Stipulation ("Stipulation") before the Commission?

13 A. Yes.

14 **Background**

15 Q. Please describe PacifiCorp's revenue requirement request in this case.

16 A. The Company has requested an increase of \$125 million. The amount of this
17 request was capped by the Company's initial filing on May 15, 2003. However,
18 the results of Company operations during the test period would justify, as shown
19 in the Company's July 31 and September 15, 2003 filings, a larger increase.

20 Q. Please describe the negotiations that led to the stipulation.

21 A. Over the last six months, the parties submitted over 1,400 discovery requests,
22 many with multiple parts, to the Company in this case. This is far more than the
23 combined total we have received in our other general rate case proceedings in

1 other jurisdictions. Based on that extensive discovery, the parties prepared and
2 exchanged, pursuant to the terms of the approved by the Commission on May 6,
3 2003 (“Test Period Stipulation”), their initial list of proposed revenue requirement
4 adjustments on November 10, 2003. The parties then began, also pursuant to the
5 Test Period Stipulation, settlement negotiations on November 14, 2003. Those
6 negotiations continued on November 19, 20, 24 and 25, 2003 and finally resulted
7 in the before the Commission.

8 Q. Were the negotiations open to all parties in the proceeding?

9 A. Yes.

10 **Terms of Stipulation**

11 Q. Please generally describe the terms of the Stipulation.

12 A. The provides for an overall revenue increase of \$65 million. As part of the , the
13 Company has agreed to waive its right under the Test Period Stipulation to collect
14 any part of this \$65 million for the period January 1, 2004 through March 31,
15 2004. As a result, this \$65 million increase will become effective on April 1,
16 2004.

17 The also provides for an authorized return on equity in Utah of 10.7 percent and
18 an overall authorized return on Utah rate base of 8.427 percent. The also
19 includes audit rights and interim rate change provisions that were important to
20 some parties to address any overearning concerns.

21 The also includes the commitments by the Company regarding the completion of
22 Lead/Lag and Line Loss studies and an update of the Company’s coal
23 procurement policies and procedures.

1 Finally, the also provides that PacifiCorp can increase, as stated in the , its
2 insurance reserve to \$25 million.

3 Q. Was there general agreement on the adjustments that comprise the \$65 million
4 increase?

5 A. No. As stated in the , the parties were unable, with the exception of the cost-of-
6 capital provisions, to reach complete agreement on the specific revenue
7 requirement adjustments that make up the \$65 million.

8 Q. What was the basis for the Company's agreement on a \$65 million increase?

9 A. Like the other parties, the Company had adjustments that it was willing to
10 consider for the purposes of settlement discussions. In general, these were
11 adjustments that did not involve the disallowance of expenditures made by the
12 Company to serve customers, including the investments made in new generating
13 plant and new infrastructure along the Wasatch Front.

14 Q. I hand you an Exhibit marked PacifiCorp Exhibit _____ and ask if you can
15 identify it?

16 A. Yes. It is a list of the adjustments the Company was willing to consider.

17 Q. In your view, is the just and reasonable in result?

18 A. Yes.

19 Q. Does this complete your testimony?

20 A. Yes.