Witness CCS-4

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

	)	Docket No. 04-035-42
In the Matter of the Application	)	
Of PacifiCorp for Approval of	)	PRE-FILED DIRECT TESTIMONY OF
Its Proposed Electric Service	)	MICHAEL L. ARNDT
Schedules and Electric	)	FOR THE COMMITTEE OF
Service Regulations	)	CONSUMER SERVICES

---

6 December 2004

REDACTED

TABLE OF CONTENTS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, OCCUPATION AND ADDRESS.

A. My name is Michael L. Arndt. I am a public utility rate consultant and my address is 3602 S.W. Zona Circle, Ankeny, Iowa 50021.

Q. HAVE YOU PROVIDED AN ATTACHMENT, WHICH DETAILS YOUR EDUCATION BACKGROUND AND PROFESSIONAL EXPERIENCE?

A. Yes. Attached Appendix A is a statement of my educational background and professional experience.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony on behalf of the Utah Committee of Consumer Services ("Committee" or "CCS") is to address certain revenue requirement issues related to PacifiCorp's ("Company") current rate filing, Docket No. 04-035-42, before the Utah Public Service Commission ("Commission"). My testimony addresses issues related to federal income tax savings, ScottishPower plc ("ScottishPower")[1] cross charges and cash working capital.

---

1 The "plc" is public limited company in the United Kingdom. The UK is comprised of England, Scotland, Wales and Northern Ireland.

III. OVERVIEW

Q. WHEN DID SCOTTISHPOWER ACQUIRE PACIFICORP?

A. On December 6, 1998, PacifiCorp signed an Agreement and Plan of Merger with ScottishPower and NA General Partnership ("NAGP").[2] ScottishPower's acquisition of PacifiCorp became effective on November 30, 1999.

Q. PLEASE DESCRIBE SCOTTISHPOWER.

A. ScottishPower plc, a public limited company registered in Scotland, is an international energy company headquartered at 1 Atlantic Quay, Glasgow, Scotland. ScottishPower's stock is listed on both the London and New York Stock Exchanges. Through its foreign and domestic operating subsidiaries, ScottishPower provides regulated and non-regulated electric, gas and other services across the United Kingdom ("UK") and in the western United States. It provides electricity, generation, transmission, distribution and supply services in both countries. ScottishPower's United States operations include coal mining and gas storage with gas facilities in western Canada and in Texas. In Great Britain, ScottishPower also stores and supplies gas. During the year ended March 31, 2004, ScottishPower reported sales of $10,666,000,000 and operating profits of $1,882,000,000.[3]

2 PacifiCorp's 1998 FERC Form No. 1, page 123.4.
3 ScottishPower's Annual Report and Accounts 2003/04, page 9.

Q. PLEASE DESCRIBE SCOTTISHPOWER'S BUSINESS STRATEGY.

A. ScottishPower's business strategy is to become a leading international energy company, managing both regulated and competitive businesses in the United States and the UK. ScottishPower uses its regulated businesses investment and expertise to provide a base for growth in competitive businesses.[4]

Q. PLEASE DESCRIBE PACIFICORP'S CURRENT UTAH ELECTRIC RATE FILING.

A. In PacifiCorp's last Utah rate case, Docket No. 03-2035-02, the Company was authorized to increase its Utah electric rates by $65.0 million effective April 1, 2004.[5] On August 4, 2004 (i.e., approximately four months after the $65.0 million increase), the Company filed its current Utah rate case claiming an additional Utah revenue deficiency of $123.6 million.[6]

Q. WHY IS THIS CASE SO IMPORTANT?

A. This is the first Utah rate case in approximately twenty years based on a fully forecasted test year. The Commission in this case will decide major issues related to projected investment, revenues and expenses; affiliate transactions; income tax savings; and other key issues.

4 Ibid., page 9.
5 PacifiCorp's 2003 FERC Form No. 1, page 109.6.
6 Company witness J. Ted Weston, Direct Testimony, page 2. PacifiCorp cites a $111 million Utah revenue deficiency based on the Revised Protocol methodology, with the rate mitigation cap applied.

IV. INCOME TAX SAVINGS

Q. PRIOR TO SCOTTISHPOWER'S ACQUISITION OF PACIFICORP, HOW DID PACIFICORP FILE ITS FEDERAL INCOME TAX RETURNS?

A. Prior to the merger, PacifiCorp filed annual consolidated federal income tax returns on behalf of itself and its various subsidiaries.[7] The Company has consistently filed consolidated federal income tax returns in prior years due to the significant tax benefits provided by filing on a consolidated tax basis.

Q. DOES PACIFICORP CONTINUE TO FILE CONSOLIDATED FEDERAL INCOME TAX RETURNS AFTER THE MERGER WITH SCOTTISHPOWER?

A. Yes. After the November 30, 1999 ScottishPower acquisition, PacifiCorp and ScottishPower's other United States subsidiaries began filing consolidated federal income tax returns with NA General Partnership (i.e., ScottishPower's parent company for its United States subsidiaries). Concurrent with the acquisition, PacifiCorp adopted ScottishPower's non-calendar fiscal year of April 1 through March 31. This required the Company to file two short-period tax returns for the eleven-month period ending November 30, 1999 and for the four-month period between December 1, 1999 and March 31, 2000. Since then, the Company has filed consolidated federal income tax returns each year for the

7 Company response to CCS 19.10.

twelve months ended March 31.[8]

On December 1, 2003, NA General Partnership and PacifiCorp Holdings, Inc. ("PHI") merged. PacifiCorp Holdings, Inc. became the parent company of the ScottishPower's U.S. consolidated group.[9] The Company's consolidated federal income tax return for the twelve months ended March 31, 2004 will be filed by PacifiCorp Holdings, Inc.

Q. HAS THE COMPANY FILED ITS CONSOLIDATED FEDERAL INCOME TAX RETURN FOR THE TWELVE MONTHS ENDED MARCH 31, 2004?

A. No. The Company's consolidated federal income tax return for the twelve months ended March 31, 2004 is scheduled to be filed on December 15, 2004.

Q. WHAT ARE THE PRIMARY BENEFITS OF FILING A CONSOLIDATED FEDERAL INCOME TAX RETURN?

A. The annual consolidated taxable incomes for the parent company and its subsidiaries are consistently less than the combined taxable incomes of the gain companies computed on a stand-alone basis. Thus, the lower taxable income achieved by filing a consolidated tax return reduces the annual federal income tax expense.

Q. WAS THE ISSUE OF CONSOLIDATED INCOME TAX SAVINGS ADDRESSED BY THE COMMISSION IN THE SCOTTISHPOWER-PACIFICORP MERGER CASE?

8 Company response to CCS 19.10.
9 Ibid.

A. Yes. In its Report and Order issued November 23, 1999 in Docket No. 98-2035-04, the Commission stated that it would preserve the issue of consolidated tax savings for subsequent general rate treatment. As a condition of the approval of the ScottishPower/PacifiCorp merger, the Commission adopted the following language.

> The parties to this Docket preserve their right to raise the issue of the treatment of upstream tax savings and costs in future rate cases. All parties preserve their positions and have not waived their rights on this issue. ScottishPower commits to retain records regarding upstream tax savings and costs relating to the merger and make these records available to the DPU, CCS and other parties in accordance with Stipulation Ex. 1 and the discovery rules of the Commission. (Commission's Report and Order, Docket No. 98-2035-04, page 19.)

Q. HAS THE COMPANY INCLUDED ANY INCOME TAX SAVINGS IN ITS CURRENT UTAH RATE CASE FILING?

A. No.

Q. SHOULD INCOME TAX SAVINGS REALIZED FROM A UTILITY'S PARTICIPATION IN A CONSOLIDATED TAX RETURN BE TAKEN INTO CONSIDERATION IN CALCULATING A REASONABLE AND REPRESENTATIVE FEDERAL INCOME TAX EXPENSE TO BE COLLECTED FROM ITS RATEPAYERS?

A. Yes. PacifiCorp's income is taxed in combination with other subsidiaries permitted by law to participate in the consolidated return. There is one tax paid to the federal government based upon the combined taxable income of the affiliated companies. The consolidated tax savings calculation recognizes this fact.

Q. IS THE RECOGNITION OF CONSOLIDATED TAX SAVINGS ACCEPTED BY THE INTERNAL REVENUE SERVICE ("IRS") AND CONSISTENT WITH NORMALIZATION REQUIREMENTS?

A. Yes. On September 11, 1991, the Subcommittee on Select Revenue Measures of the Committee on Ways and Means of the United States House of Representatives held a hearing on the subject. At the hearing, a statement of the issue and the IRS's present position was given by Michael J. Graetz, Deputy Assistant Secretary of Tax Policy, U.S. Department of Treasury. In the absence of regulations specifically prohibiting consolidated tax adjustments, the IRS's position is that these adjustments can be made without violating the normalization requirements of the Internal Revenue Code.

Q. IS RECOGNITION OF SAVINGS RESULTING FROM FILING A CONSOLIDATED FEDERAL INCOME TAX RETURN REASONABLE FOR RATEMAKING PURPOSES?

A. Yes. Failure to recognize that PacifiCorp pays taxes as part of a consolidated entity would result in an over recovery of PacifiCorp's revenue requirement.

Q. HOW MANY SUBSIDIARIES PARTICIPATE IN SCOTTISHPOWER'S UNITED STATES CONSOLIDATED FEDERAL INCOME TAX RETURN?

A. For the twelve months ended March 31, 2003, approximately 35 subsidiaries participated in the Company's consolidated federal income tax return.[10]

Q. DOES THE FILING OF A CONSOLIDATED TAX RETURN SHARPLY REDUCE SCOTTISHPOWER'S UNITED STATES INCOME TAX LIABILITY?

A. Yes. ScottishPower's United States subsidiaries include gain companies (i.e., subsidiaries reporting positive taxable income) and loss companies (i.e., subsidiaries reporting taxable losses). For federal income tax purposes, the gains and losses of all the subsidiaries are combined in determining ScottishPower's United States income tax liability. The table below illustrates ScottishPower's federal income tax liability for the fiscal tax years 2001, 2002 and 2003 (i.e., tax years filed since the ScottishPower-PacifiCorp merger). As shown in Table 1, the filing of a consolidated tax return results in a huge tax savings for ScottishPower.

10 The subsidiaries include NA General Partnership; PacifiCorp Holdings, Inc.; PacifiCorp; Centralia Mining Company; Energy West Mining Company; Glenrock Coal Company; Interwest Mining Company; Pacific Minerals, Inc.; PacifiCorp Future Generations, Inc.; PacifiCorp Investment Management, Inc.; PacifiCorp Environmental Remediation Company; On!Corp; PPM Energy, Inc.; Enstor, Inc.; Pacific Klamath Energy, Inc.; PacifiCorp Group Holdings Company; PacifiCorp Financial Services, Inc.; Birmingham Syn Fuel I, Inc.; CS Holdings, Inc.; Pacific Development (Property), Inc.; Pacific Harbor Capital, Inc.; PHC Properties Corporation; PCC Holdings, Inc.; Hillsborough Leasing Services Inc.; PacifiCorp Capital, Inc.; PNF Holdings, Inc.; VCI Acquisition Company; PacifiCorp International Group Holdings Company; New Energy Holdings I, Inc.; Pace Group, Inc.; Pacific Kinston Energy, Inc.; PacifiCorp Development Company; PacifiCorp Energy Inc.; PacifiCorp Energy Services, Inc.; PacifiCorp Energy Ventures, Inc.; and PacifiCorp Trans Inc.

[BEGIN HIGHLY CONFIDENTIAL]

TABLE 1

Fiscal Tax Year	Taxable Income of Gain Companies $	Tax Losses of Loss Companies $	Con-solidated Taxable Income $	Percent Consolidated Taxable Income Is of Gain Cos. Taxable Income
2001	$	$	$	. %
2002				.
2003				.

Note: Fiscal year 2003 net tax gains were eliminated with net operating loss ("NOL") carry forwards and other deductions. [END HIGHLY CONFIDENTIAL]

Source: Company response to CCS 19.11.

Q. DOES THE FILING OF A CONSOLIDATED FEDERAL INCOME TAX RETURN REDUCE UNITED STATES FEDERAL INCOME TAXES PAID BY SCOTTISHPOWER?

A. Yes. Table 2 provides a comparison of the federal income taxes paid on ScottishPower's consolidated taxable income and the taxable income of its gain companies for fiscal years ("FY") 2001, 2002 and 2003. As shown below, the filing of a consolidated federal income tax return results in a significant reduction in the federal income taxes paid by ScottishPower.

[BEGIN HIGHLY CONFIDENTIAL]

TABLE 2

	FY 2001	FY 2002	FY 2003
	$	$	$
Taxable income of gain cos	$	$	$
Tax losses of loss cos.			
Tax. income. before deductions			
Adjustments			
Consolidated tax. income or loss	$	$	
Total regular income tax	$	$	$
Alternative minimum tax			
Total income tax paid	$	$	$
Taxes paid as % of gain income:			
Regular income tax	. %	. %	. %
Alternative minimum tax	.	.	.
Total income taxes paid	. %	. %	. %

Note: Alternative minimum tax ("AMT") is a prepaid tax which is available as a credit to offset regular income taxes in later years. [END HIGHLY CONFIDENTIAL]

Source: Company response to CCS 19.11.

Q. HOW HAS PACIFICORP COMPUTED ITS FEDERAL INCOME TAX EXPENSE FOR RATEMAKING PURPOSES IN THIS RATE CASE?

A. PacifiCorp has calculated and shown its federal income tax expense for ratemaking purposes as though it were a stand-alone company. This is despite the fact that PacifiCorp files as part of a consolidated federal income tax return and has no intention to file federal income taxes on a stand-alone basis. As a result, PacifiCorp's calculation of income tax expense creates a "phantom income tax" which substantially overstates its actual federal income tax expense.

Q. WHAT DOES SCOTTISHPOWER DO WITH FEDERAL INCOME TAXES CHARGED RATEPAYERS BUT NOT PAID TO THE FEDERAL GOVERNMENT?

A. The Company has an intra-company, non-arm's length tax allocation agreement[11] among its affiliates that provides for cash transfers from gain companies (e.g., PacifiCorp, etc.) to its loss companies. The agreement specifies that the income tax liability for each gain company (i.e., subsidiaries with positive taxable income) is calculated as if the gain company filed a separate income tax return. Funds charged gain companies for federal income taxes not paid to the federal government are then paid to affiliated loss companies (i.e., subsidiaries with tax losses).

Q. IN THE LAST THREE TAX YEARS, HOW MUCH MONEY HAS PACIFICORP AVOIDED PAYING TO THE U.S. GOVERNMENT BY FILING A CONSOLIDATED RATHER THAN A SEPARATE INCOME TAX RETURN?

A. For the fiscal tax years 2001, 2002 and 2003, PacifiCorp has saved approximately [BEGIN HIGHLY CONFIDENTIAL] $ [END HIGHLY CONFIDENTIAL] by filing a consolidated rather than a separate income tax return.

Q. WHAT IS YOUR OPINION OF THE SIGNIFICANT FUND TRANSFERS FROM PACIFICORP TO SCOTTISHPOWER'S LOSS COMPANIES (I.E., NON-

---

11 The Amended Tax Allocation Agreement between PacifiCorp Holdings, Inc. and subsidiaries is dated April 1, 2004.

REGULATED COMPANIES, ETC.) LOCATED IN THE UNITED STATES?

A. ScottishPower's non-regulated companies are competing in a competitive environment with other non-regulated companies. It is unfair for a regulated utility like PacifiCorp to subsidize ScottishPower's non-regulated losses through a consolidated tax agreement.

Q. ARE THERE OTHER PROBLEMS WITH THESE FUND TRANSFERS FROM PACIFICORP TO SCOTTISHPOWER'S LOSS COMPANIES?

A. Yes. The intra-company income tax agreement allows ScottishPower to retain funds from phantom income tax charges to pay for acquisition indebtedness costs[12] related to ScottishPower's acquisition of PacifiCorp.

The Commission's Report and Order in the ScottishPower-PacifiCorp merger case specifically cited provisions of the Stipulation agreement among ScottishPower, PacifiCorp, the Committee and the Division supporting approval of the merger. One of the provisions of the Stipulation provides, "Applicants testify that no merger-related transaction costs will be allowed in rates (Condition

---

12 The Amended Tax Allocation Agreement defines "Acquisition Indebtedness" as follows. "Acquisition Indebtedness" means any indebtedness incurred by NA General Partnership, a Nevada general partnership ("NAGP"), active until merged with and into PHI on December 1, 2003, with PHI surviving to finance the acquisition (including related costs) by NAGP of all of the issued and outstanding common stock of PacifiCorp. PHI's rention of its tax benefit associated with acquisition indebtedness is prospective only with the amendment of this Agreement. NAGP incurred acquisition indebtedness in consideration for ScottishPower's agreement to issue its voting shares in exchange for the common shares held by PacifiCorp shareholders. Loan notes were issued pursuant to the Amended and Restated Merger Agreement by and among ScottishPower, NAGP and PacifiCorp dated November 29, 1998, as amended and restated. Acquisition Indebtedness also includes any renewals, extensions and refinancings of the loan notes originally incurred by NAGP relating to the acquisition (including related costs) of all the issued and outstanding common stock of PacifiCorp. The definition of refinancing includes, but is not limited to, transactions regarded as a refinancing for the purposes of U.S. Federal Income Taxes.

3); any premium paid by ScottishPower for PacifiCorp stock will be disregarded for ratemaking purposes (Condition 26); and rates in Utah will not increase as a result of the merger (Condition 44).[13]

If PacifiCorp is allowed to charge Utah ratepayers for phantom income taxes related to ScottishPower's acquisition indebtedness costs, ratepayers will be forced to pay for 35 cents of every $1.00 (i.e., the 35% federal income tax rate) related to these acquisition costs. This would be a clear violation of the merger stipulation agreement and should not be allowed.

Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY'S INTRA-COMPANY INCOME TAX AGREEMENT?

A. I recommend that it be disregarded for ratemaking purposes. The tax agreement is a self-serving agreement designed to force ScottishPower's United States gain companies (e.g., PacifiCorp, etc.) to subsidize the loss companies by charging the gain companies for income taxes, which are never paid to the federal government. The agreement is designed to enrich the non-regulated companies at the expense of PacifiCorp's captive ratepayers.

While ScottishPower may transfer intra-company funds from its gain companies to its loss companies for internal purposes, such transfers represent a cross-subsidization, which should not be recognized for ratemaking purposes. The Commission cannot prevent the transfer of intra-company funds for internal

13 Commission's Report and Order, Docket No. 98-2035-04, page 5.

purposes, but it can and should protect ratepayers from being charged excessive income tax expense in order to subsidize such intra-company transfers. This self-serving tax agreement should not be allowed to artificially inflate income tax expense in Utah's base rates.

Q. DO LOSS AFFILIATES BENEFIT FROM THEIR AFFILIATION WITH PACIFICORP'S ELECTRIC UTILITY?

A. Yes. Loss affiliates benefit from their affiliation with PacifiCorp's electric utility operations in many ways. For example, the loss affiliates benefit from their access to expertise available from PacifiCorp's electric utility operations. Services are provided to loss affiliates at reduced costs due to economies of scale. In addition, loss affiliates benefit from their access to utility technical expertise to develop new business opportunities. Loss affiliates would not have access to this expertise and savings on a stand-alone basis.

In addition, loss affiliates benefit from their access to capital as a result of their affiliation with PacifiCorp's electric utility. PacifiCorp's electric utility generates revenues and earnings, which produce capital available for expansion into non-regulated ventures. Loss affiliates on a stand-alone basis would have greater difficulty attracting capital without the revenues and earnings generated by PacifiCorp's electric utility operations.

Q. ARE THESE BENEFITS AVAILABLE TO LOSS AFFILIATES RELEVANT TO INCOME TAXES?

A. Yes. Since loss affiliates do not pay for access to affiliated expertise, capital and other benefits on a stand-alone basis, the income taxes which PacifiCorp expects its ratepayers to pay should not be calculated on a hypothetical stand-alone basis.

Q. HOW SHOULD CONSOLIDATED TAX SAVINGS BE TAKEN INTO ACCOUNT WHEN CALCULATING A REASONABLE AND REPRESENTATIVE INCOME TAX EXPENSE?

A. Income taxes should be assigned to the members of the consolidated group on the basis of taxable income relative to the total taxable income of all participants having positive taxable income.

Q. HAS PACIFICORP PROVIDED FORECASTED CONSOLIDATED FEDERAL INCOME TAX INFORMATION FOR THE FUTURE TEST YEAR ENDED MARCH 31, 2006 IN THIS CASE?

A. No. The Company does not forecast consolidated federal income tax information. Actual consolidated tax information for PacifiCorp's fiscal tax year ending March 31, 2004 will not be available until about December 15, 2004.

Q. WHAT INFORMATION DO YOU RECOMMEND USING IN THIS CASE TO CALCULATE THE COMPANY'S INCOME TAX SAVINGS FROM THE CONSOLIDATED FEDERAL INCOME TAX RETURN?

A. The Commission should use information from the Company's actual income tax returns for the fiscal tax years 2001, 2002 and 2003. As noted previously, the

Company's actual income tax returns for fiscal tax years 2001, 2002 and 2003 are the Company's most recent actual federal income tax returns based on complete tax years. Due to the ScottishPower-PacifiCorp merger, the Company filed two short-period tax returns for the eleven-month period ending November 30, 1999 and for the four-month period between December 1, 1999 and March 31, 2000[14].

Q. DO YOU HAVE THE COMPANY'S ACTUAL FEDERAL INCOME TAX INFORMATION FOR THE FISCAL TAX YEARS 2001, 2002 AND 2003?

A. Yes. This information is provided in Exhibit CCS 4.1.2. This document contains information the Company considers to be highly confidential and has been filed under seal with the Commission. Exhibit CCS 4.1.2, provides taxable income and losses for all companies included in the Company's consolidated federal income tax returns filed for the fiscal tax years 2001, 2002 and 2003 by ScottishPower's U.S. parent company, NA General Partnership. Line 48 shows the actual income taxes paid to the U.S. federal government by ScottishPower's U.S. companies (e.g., PacifiCorp, etc.) during those tax years and line 55 shows the effective federal income tax rate paid by ScottishPower's U.S. companies for each fiscal tax year.[15]

Q. PLEASE EXPLAIN YOUR RECOMMENDED INCOME TAX SAVINGS ADJUSTMENT FOR THIS CASE.

---

14 Company response to CCS 19.10.

15 The Company used a 35% federal income tax rate in its income tax calculations in this case.

A. My recommended income tax savings adjustment is calculated on CCS Exhibit 4.1.1. This document contains information the Company considers to be highly confidential and has been filed under seal with the Commission. CCS Exhibit 4.1.1, lines 1 through 11, computes the actual average tax losses available for PacifiCorp and the other companies due to the filing of a consolidated federal income tax return. Lines 11 through 16 show the computation of PacifiCorp's share of the consolidated tax benefits and line 18 shows PacifiCorp's income tax savings.

Q. PLEASE EXPLAIN THE ADJUSTMENT TO THE COMPANY'S ACTUAL AVERAGE TAX LOSSES SHOWN ON EXHIBIT CCS 4.1.1, LINE 2.

A. The adjustment reduces the Company's actual average tax losses for the fiscal tax years 2001, 2002 and 2003 due to the reduction in the interest expense deductions of PacifiCorp Holdings, Inc. and NA General Partnership forecasted in fiscal year 2006.

The calculation of the adjustment is provided on CCS Exhibit 4.1.3. This document contains information the Company considers to be highly confidential and has been filed under seal with the Commission. CCS Exhibit 4.1.3, lines 1 through 3, show the actual interest deductions for NAGP for the fiscal tax years 2001, 2002 and 2003, and lines 4 through 6, show the Company's forecasted interest deductions for the parent company of ScottishPower's U.S. companies (i.e., PacifiCorp Holdings, Inc. and NA General Partnership)[16] for the fiscal tax years 2004, 2005 and 2006. As shown in lines 1 through 6, PHI/NAGP's interest deductions for income tax purposes are projected to decline.

Since the test year in this case is the forecasted fiscal year ending March 31, 2006, the actual average income tax losses for fiscal tax years 2000, 2001 and 2003 need to be adjusted for the forecasted reduction in PHI/NAGP's interest expense deduction. The forecasted reduction in PHI/NAGP's interest expense deduction is shown on CCS Exhibit 4.1.3, line 9, and is used on CCS Exhibit 4.1.1, line 2, to reduce the tax losses used for the income tax savings adjustment.

Q. WHAT IS THE UTAH JURISDICTIONAL REVENUE REQUIREMENT IMPACT OF YOUR RECOMMENDED INCOME TAX SAVINGS ADJUSTMENT?

A. The Utah jurisdictional revenue requirement impact is [BEGIN HIGHLY CONFIDENTIAL] $. [END HIGHLY CONFIDENTIAL] The revenue requirement impact is calculated by multiplying the income tax savings adjustment shown on CCS Exhibit 4.1.1, line 18, times the Company's 1.6246 revenue conversion factor.[17]

Q. PLEASE SUMMARIZE YOUR INCOME TAX SAVINGS ADJUSTMENT.

A. The adjustment recognizes PacifiCorp's share of the tax savings realized through

---

16 NA General Partnership was the parent company for ScottishPower's U.S. companies prior to December 1, 2003. On December 1, 2003, PacifiCorp Holdings, Inc. became the parent company for ScottishPower's U.S. companies. See Company response to CCS 19.10.

17 The 1.6246 revenue conversion factor is computed on Exhibit UP&L___(JTW-1), page 1.2.

its participation in the filing of a consolidated federal income tax return. The adjustment represents PacifiCorp's share of the tax savings allocated on the basis of the taxable income of the each gain company relative to the total taxable income of all participants having positive taxable income. The derivation of the adjustment is provided in Exhibits CCS 4.1.1 through CCS 4.1.3.

V. AFFILIATE TRANSACTIONS

A. GENERAL

Q. WHAT IS AN AFFILIATE TRANSACTION?

A. An affiliate transaction is a transaction for goods or services between two companies, which share common ownership through a holding company structure. A holding company is a form of business organization consisting of a parent company and its subsidiaries. The parent company exercises control over its subsidiaries through the ownership of the stock of the subsidiaries. This control is enhanced through the parent company's appointment of the subsidiaries' directors and officers and the creation of service agreements which bind the separate subsidiaries to the parent company determined overall corporate goals such as profit maximization. Since affiliated companies share common ownership, these transactions lack arm's length bargaining and have been contested in public utility rate proceedings for years.

Q. WHY IS THE AFFILIATE TRANSACTIONS ISSUE INCREASINGLY IMPORTANT?

A. The electric utility industry’s desire to enlarge and maximize profits through expansion into other regulated and non-regulated ventures using utility expertise and capital has substantially increased the number of affiliate transactions. These affiliate transactions are increased further as utilities merge and are acquired by foreign companies.

Q. WHY SHOULD REGULATORS BE CONCERNED ABOUT AFFILIATE TRANSACTIONS?

A. Utility companies or their parent companies are expanding into ventures with increasing risks in an effort to achieve greater profits. There is no guarantee that these new and bigger companies are more efficient. In fact, they may be more inefficient due to the increased complexities introduced by the mingling of a multitude of regulated and non-regulated business under a single corporate umbrella.

Regulators must insure that non-regulated affiliates are not gaining unfair competitive advantages through the under-allocation of common costs to the non-regulated affiliates and the over-allocation of common costs to regulated utility operations and their captive ratepayers. In essence, regulators must assure that ratepayers are not subsidizing affiliate ventures through inter-company arrangements which lack arm’s length bargaining.

Q. WHY IS THE AFFILIATE TRANSACTION ISSUE IMPORTANT IN THIS CASE?

A. ScottishPower is a multi-utility conglomerate with multiple layers of management overseeing various regulated and non-regulated activities. The Utah Commission must review all utility expenses involving an affiliate, particularly after an acquisition, to ascertain that ratepayers are only being charged for reasonable and necessary expenses.

Q. GIVEN THAT AFFILIATE TRANSACTIONS ARE MAJOR ISSUES IN THIS PROCEEDING, CAN YOU PLEASE IDENTIFY THE COMPANY'S <u>ENTIRE</u> PREFILED DIRECT TESTIMONY ON AFFILIATE TRANSACTIONS?

A. Yes. The Company's entire prefiled direct testimony on affiliate transactions consists of J. Ted Weston's testimony, page 23, line 13, to page 25, line 3, and Stan K. Watters' testimony, page 1, line 17, to page 3, line 17.[18] Mr. Weston's testimony, page 19, lines 8-12, provides a brief description of an adjustment to ScottishPower costs related to international assignees.

Q. PLEASE DESCRIBE HOW THE COMMITTEE WILL ADDRESS AFFILIATE TRANSACTIONS IN THIS CASE.

A. My testimony will address ScottishPower costs. Committee witness Kimberly H. Dismukes will address PacifiCorp's management fee, PacifiCorp's Corporate Business Services ("CBS") costs, PacifiCorp Environmental Remediation Company ("PERCO") settlement funds, West Valley lease costs, and the Bridger Coal Company contract.

---

18 Company responses to CCS 2.31 and CCS 19.3.

B. <u>SCOTTISHPOWER CROSS CHARGES</u>

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED ADJUSTMENTS FOR SCOTTISHPOWER CROSS CHARGES.

A. ScottishPower UK plc ("SPUK") and PacifiCorp executed a cross charge agreement governing the allocation of costs incurred by each entity on behalf of the other. ScottishPower UK plc is the non-trading holding company for most of ScottishPower's UK companies.[19] ScottishPower UK plc is a first tier subsidiary of ScottishPower plc.[20]

ScottishPower began billing PacifiCorp for these SPUK cross charges in April 2004. The Company has proposed an adjustment in this case to increase PacifiCorp's expenses by $13,044,000 per year for ScottishPower corporate overhead charges to PacifiCorp. The costs relating to ScottishPower cross charges increase Utah jurisdictional expenses by $5,427,443.[21]

Q. CAN YOU PROVIDE A BREAKDOWN OF THE COMPANY'S PROPOSED SCOTTISHPOWER CROSS CHARGES?

A. Yes. Attached CCS Exhibit 4.2.2, provides details of the Company's total forecasted ScottishPower cross charges of $69.663 million. Column D shows PacifiCorp's allocated share of the ScottishPower cross charges. Columns E and F show PacifiCorp's requested share of the ScottishPower cross charges in this case and the Utah jurisdictional portion. The following is a summary of

19 ScottishPower's Annual Report and Accounts 2003/04, page 161.
20 Company response to CCS 2.54.
21 Company witness J. Ted Weston, Direct Testimony, page 23.

PacifCorp's proposed ScottishPower cross charges in this case.

ScottishPower Cross Charges	PacifiCorp Share
Corporate and shareholder services	$6,500,000
Corporate finance	3,000,000
Group human resources	1,500,000
Corporate office space	1,000,000
Strategic planning	500,000
IT services	500,000
Total	$13,000,000

Source: Company witness J. Ted Weston, Direct Testimony, page 24.

Q. HOW DOES SCOTTISHPOWER CATEGORIZE THE SPUK CROSS CHARGES?

A. ScottishPower's SPUK group corporate cross charges involve six categories: (1) Corporate Secretarial; (2) Corporate Communications; (3) Group Strategy; (4) Group Legal; (5) Group Human Resources; and (6) Group Finance. Each of the six categories contain ScottishPower UK budget/cost centers which are detailed on attached CCS Exhibit 4.2, page 2. The Corporate Secretarial category for example includes budget/cost centers for Executive Directors, Corporate Secretarial, Atlantic Quay, London Office, Company Secretary/Security, and Other Properties.

Q. HOW DOES SCOTTISHPOWER ASSIGN ITS SPUK CROSS CHARGES?

A. ScottishPower's SPUK cross charges are assigned to five of its group business divisions including: (1) ScottishPower plc; (2) UK Division; (3) UK Wires

Infrastructure Division; (4) PacifiCorp; and (5) PPM Energy, Inc..

Q. PLEASE DESCRIBE SCOTTISHPOWER'S FIVE GROUP BUSINESS DIVISIONS.

A. The following is a brief description of each group business division.

ScottishPower plc: ScottishPower plc is the holding company for ScottishPowers UK and United States operations.

UK Division: The United Kingdom ("UK") Division covers a major part of ScottishPower's UK business activities, with the exception of power networks, which come under the Infrastructure Division. The UK Division includes ScottishPower Generation Ltd., which operates just over 6.000 MW of generation plant including coal-fired power stations, combined cycle gas power stations, combined heat and power plant, hydro-electric schemes and wind farms.

UK Division's other companies include ScottishPower Energy Retail, ScottishPower Trading Ltd., ScottishPower DataServe Ltd., and ScottishPower Gas.

Energy management is another key part of the UK Division. Energy management focuses on the commercial aspects of the energy value chain, from forward planning and fuel procurement, to wholesale trading in electricity and gas. Energy management also manages contracts between ScottishPower and other generators and suppliers.

Customer sales and service provides a direct link between the Company and its 4.5 million retail electricity and gas customers. Its activities include sales and marketing, billing and processing of payments, as well as handling customer enquiries at three call centers in Glasgow, Warrington and Rhostyllen.

ScottishPower DataServe Ltd., Scottish Power's UK metering business, provides a full range of metering services from installation and maintenance to data collection and data processing.

UK Wires Infrastructure Division: ScottishPower's Infrastructure Division takes in the UK wires businesses, which include three asset owner companies and an asset management business. This structure was introduced in October 2001 to comply with the UK Utilities Act. The companies within the Infrastructure Division are:

ScottishPower Transmission Ltd. owns the transmission network in south and central Scotland (132 kV and above), including the interconnector between Scotland and England and the Scottish land-based part of the interconnector linking Scotland and Northern Ireland.

ScottishPower Distribution Ltd. owns the distribution network (from 33 kV downwards) in south and central Scotland.

ScottishPower Manweb plc owns the distribution system in Merseyside, Cheshire and North Wales.

<u>ScottishPower Power Systems Ltd.</u> manages and maintains the network on behalf of the asset owners. Power Systems launched a new business in 2002, “Core Utility Solutions Limited.” The company operates in the newly competitive market for multi-utility connections, providing a specialist service to national and regional house builders and commercial developers throughout the UK.

<u>PacifiCorp:</u> PacifiCorp is ScottishPower’s regulated business in the United States. PacifiCorp conducts its retail electric operations as Pacific Power in Oregon, Wyoming, Washington and California; and as Utah Power in Utah and Idaho. PacifiCorp serves approximately 1.6 million customers, covering an area of about 136.000 square miles. Generation and wholesale trading of electricity is carried out under the PacifiCorp name. PacifiCorp has 8,400 MW of generation capacity, including coal-fired, hydro-electric, gas-fired, geothermal and wind power. PacifiCorp has mining interests, which provide fuel for its coal-fired plants.

<u>PPM Energy, Inc.:</u> PPM (i.e., PacifiCorp Power Marketing) Energy is ScottishPower’s competitive non-regulated energy business in the United States and Canada. PPM Energy is involved in power and gas, serving a wide variety of wholesale energy customers including municipal agencies, public utility districts, investor-owned utilities, producers, marketer/traders and others. PPM Energy interests include generating assets, long-term energy contracts and renewable energy resources. PPM Energy has gas storage interests in Alberta, Canada and Texas.

Q. HOW DOES SCOTTISHPOWER ALLOCATE THE SPUK CROSS CHARGES AMONG ITS FIVE GROUP BUSINESS DIVISIONS?

A. ScottishPower allocates the SPUK cross charges based on a four-factor formula. The four factors included in the formula include: (1) turnover; (2) operating profit; (3) net assets; and (4) employee headcount.

The following are definitions of the four factors provided by the Company: **(1) Turnover.** This represents total revenue for the legal entity concerned per the statutory reporting system. **(2) Operating profit.** Profit before charging goodwill amortization; share of associates & joint ventures results; interest and tax. **(3) Net assets.** Operating net assets (with exception of ScottishPower plc) under UK Statement of Standard Accounting Practice ("SSAP") 25.[22] This basically represents net assets after removing investments, debt, tax interest and dividend balances. ScottishPower plc is excluded due to it being the Group Holding Company and has only non-operating net assets. **(4) Employees.** Total number of employees at the period end, such as March 31. For these purposes a full time employee counts as one employee as does a part time employee.[23]

---

22 SSAP is Statement of Accounting Practice in the UK. See ScottishPower's Annual Report and Accounts 2003/04, page 161.

23 Company response to CCS 19.33.

Q. HOW MUCH OF THE SCOTTISHPOWER CROSS CHARGES FOR COMMON CORPORATE COSTS ARE ALLOCATED TO EACH OF THE GROUP BUSINESS DIVISIONS?

A. My attached CCS Exhibit 4.2.3, provides the Company's proposed allocation factors under the ScottishPower's four factor formula for allocating common SPUK corporate costs. PacifiCorp is allocated 26.8% by the turnover factor; 47.1% by the operating profit factor; 44.2% by the net assets factor; and 47.4% by the employee factor. Using all four factors, PacifiCorp is allocated 41.4% of the SPUK costs. PacifiCorp receives the highest allocation of SPUK costs under all four factors.

Q. DO YOU AGREE WITH THE COMPANY'S PROPOSED INCLUSION OF SCOTTISHPOWER CROSS CHARGES IN THIS CASE?

A. No. ScottishPower UK plc is the non-trading holding company for ScottishPower's UK companies (i.e., not its U.S. companies). The Company has not demonstrated in its testimony that Utah ratepayers should be charged for costs of a holding company for ScottishPower's UK companies.

Q. ARE THERE OTHER REASONS FOR DISALLOWING THE SPUK CROSS CHARGES FOR UTAH RATEMAKING PURPOSES?

A. Yes. For these costs to be charged to Utah ratepayers, there must be a showing that:(1) they are reasonable and necessary for serving Utah ratepayers, i.e. costs should be linked to benefits; and (2) the allocation methods produce reasonable and representative results relative to the cost to serve Utah ratepayers.

The Company has neither shown that these costs are necessary nor that the proposed allocation methods proposed produce reasonable and representative results. Furthermore, the Company has not shown these additional costs provide benefits to ratepayers or result in additional cost savings. As noted previously, the Company's entire prefiled direct testimony on the ScottishPower cross charge issue consists of less than two pages (i.e., Direct Testimony of J. Ted Weston, page 23, line 13, to page 25, line 3).

Q. ARE THERE OTHER REASONS FOR DISALLOWING THE SPUK CROSS CHARGES FOR UTAH RATEMAKING PURPOSES?

A. Yes. The Committee has asked numerous data requests concerning ScottishPower's UK operations to test the reasonableness of the Company's proposed allocation of these costs between its UK and U.S. operations. The Company has refused to provide most of this information or simply refers to the ScottishPower web site, www.scottishpower.plc,uk, without providing the specific information requested. The Company cannot be allowed to pass along the SPUK corporate overhead costs unless these costs are fully supported and the Company is fully cooperative in providing information. The Company has done neither.

Q. WAS THE ISSUE OF BOOKS AND RECORDS APPLICABLE TO AFFILIATE ISSUES ADDRESSED IN THE COMMISSION'S SCOTTISHPOWER-PACIFICORP MERGER ORDER?

A. Yes. The Commission specifically addressed books and records relating to affiliate issues stating:

> **Affiliation Issues and the Ability to Properly Regulate the Utility.** Applicants testify that they agree to comply with all existing statutes and Commission requirements regarding transactions with affiliates, and that the Commission will retain jurisdiction over transactions with affiliates (Condition 23). PacifiCorp will maintain an accounting system separate from ScottishPower's and corporate records will be available for inspection in Utah or Portland, Oregon (Condition 11). They assure us (Conditions 10 and 11) of all necessary access to officers and employees, and to the books and records of ScottishPower, including those pertaining to transactions between PacifiCorp and affiliates. They acknowledge Commission authority to audit any ScottishPower and unregulated subsidiary accounting records that are the basis for charges to PacifiCorp. (Commission's Report and Order, Docket No. 98-2035-04, pages 13 and 14.)

Q. ARE THERE OTHER REASONS FOR DISALLOWING THE SPUK CROSS CHARGES FOR UTAH RATEMAKING PURPOSES?

A. Yes. First, the ScottishPower SPUK cross charges introduces another layer of corporate management costs which have not been shown to be reasonable or necessary for providing electric service to Utah ratepayers. In its Report and Order in the ScottishPower-PacifiCorp merger case, the Commission noted the following:

> When pressed in cross examination, a ScottishPower witness acknowledged that the true benefit of the merger is replacement of PacifiCorp's existing management with a new management that will be

> focused, committed, and armed with both different management practices and new technologies. With its experience, it will be able to deliver higher quality service to customers **at lower cost.** These improvements, Applicants assert, will be accomplished faster and with greater certainty than the former management could have done. (Emphasis added.) (Commission's Report and Order, Docket No. 98-2035-04, page 8.)

The Company has not shown how this additional layer of corporate management will deliver higher quality service or reduce costs for Utah ratepayers. As noted previously, the Company's Utah electric rates were increased by $65.0 million effective April 1, 2004. On August 4, 2004, the Company filed again claiming an additional Utah revenue deficiency of $123.6 million. The Company needs to show how its new management is striving to lower costs in Utah.

Second, as noted previously, the Company's proposed four-factor formula for allocating SPUK cross charges results in PacifiCorp receiving the majority of the ScottishPower UK costs. There has been no showing that these four allocation factors are indicative of the level of benefits being provided to PacifiCorp or Utah ratepayers. For costs to be allocated between regulated electric operations and non-regulated operations and among foreign and domestic companies, there must be a clear showing that the allocated costs vary in relation to the allocation method being used. There has been no showing that the SPUK costs vary in relationship to the four factors selected by the Company.

Q. DO YOU HAVE ANY OTHER COMMENTS CONCERNING THE COMPANY'S PROPOSED ALLOCATION OF SPUK CROSS CHARGES?

A. Yes. The Company's four factors are size-based allocators. Mature electric operations such as PacifiCorp tend to be labor and capital intensive. Non-regulated companies, such as PPM Energy, require less labor and are not as capital intensive but often involve greater risks and require additional management oversight. There has been no showing that the size-based allocators selected by the Company don't overallocate costs to PacifiCorp's regulated electric operations.

Q. DO YOU HAVE ANY OTHER COMMENTS CONCERNING THE COMPANY'S PROPOSED ALLOCATION OF SPUK CROSS CHARGES?

A. Yes. My attached Exhibit CCS 4.2.4 provides a comparison of the Company's four factors between the ScottishPower's UK operations, PacifiCorp and PPM Energy, Inc. As shown in Exhibit 4.2.4, columns F through I, PacifiCorp is allocated a significantly greater share of SPUK's costs due to PacifiCorp's higher profits, assets and employees relative to sales. The Company has failed to show why PacifiCorp's Utah ratepayers should be charged significantly greater expenses related to UK operations simply because of PacifiCorp's higher profits, assets and number of employees in the United States.

Q. ARE THERE OTHER PROBLEMS WITH THE COMPANY'S FOUR FACTORS?

A. Yes. PacifiCorp's accounting records are maintained in the United States based on the Financial Accounting Standards Board's ("FASB") Statements of Financial Accounting Standards ("SFAS"). ScottishPower's accounting records are maintained based on the UK's Statement of Standard Accounting Practice ("SSAP"). The Company has not shown that the amounts used in ScottishPower's formulas are comparable given the accounting differences in the United States and the UK.

In addition, three of ScottishPower's four factors require conversion from U.S. dollars to UK currency. Fluctuations in currency values can result in changes in costs to PacifiCorp's ratepayers without any change in the services provided.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATION REGARDING THE COMPANY'S PROPOSED SPUK CROSS CHARGES.

A. The Company has failed to justify the inclusion of the SPUK cross charges in Utah's revenue requirement. These costs represent affiliate costs which lack arm's length bargaining and must be fully supported to be included in regulated electric utility rates. Given the Company's failure to justify these costs, the SPUK cross charges should not be allowed in Utah rates. Details of my proposed ScottishPower cross charges adjustment are provided on attached CCS Exhibit 4.2.1.

VI. <u>CASH WORKING CAPITAL</u>

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED CASH WORKING CAPITAL ALLOWANCE.

A. The Company has requested a Utah jurisdictional cash working capital allowance of $24,818,000.[24]

Q. ARE YOU RECOMMENDING ANY CHANGES TO THE COMPANY'S CASH WORKING CAPITAL CALCULATIONS?

A. Yes. I am recommending that the Company's cash working capital allowance be adjusted to include interest expense on long-term debt and to recognize income tax savings. These two recommendations are incorporated in the Committee's cash working capital calculations prepared by Committee witness Donna DeRonne.

Q. PLEASE DEFINE CASH WORKING CAPITAL.

A. Cash working capital is the investment required to meet current cash expenses. Cash working capital is measured by comparing the timing difference between the utility's payment of current expenses incurred in providing service and its receipt of payment for service by its customers.

Q. PLEASE EXPLAIN THE CASH WORKING CAPITAL ISSUE RELATED TO LONG-TERM DEBT INTEREST EXPENSE.

A. The Company's proposed cash working capital allowance fails to recognize the cash working capital impact of interest expense on long-term debt. Interest on

24 Company Exhibit UP&L___(JTW-1), page 2.32, line 2221.

long-term debt is a cash expense which is paid by the Company on a semi-annual basis. Between the time the Company receives funds from its customers for interest on long-term debt and the time it is required to make a disbursement of funds for interest on long-term debt, these funds are available for cash working capital purposes.

Q. WHAT IS THE AVERAGE EXPENSE LAG FOR INTEREST ON LONG-TERM DEBT?

A. The average expense lag for interest on long-term debt is 91.25 days. This expense lag is significantly longer than the Company's Utah jurisdictional revenue lag of 44.8 days and must be recognized for cash working capital purposes.

Q. PLEASE EXPLAIN HOW THE IMPACT OF LONG-TERM DEBT INTEREST EXPENSE IS CALCULATED FOR CASH WORKING CAPITAL PURPOSES.

A. The cash working capital impact of long-term debt interest expense is calculated the same as the cash working capital impact of all other expenses. The average daily expense is calculated by dividing the annual expense by 365 days. The net revenue/expense lag is computed by subtracting the average revenue lag days from the average expense lag days (e.g., 91.25 day expense lag minus the 44.8 day revenue lag equals a net revenue/expense lag of 46.5 days). The cash working capital impact is calculated by multiplying the average day expense for long-term debt interest times the net revenue/expense lag days. Since the expense lag for interest on long-term debt is greater than the Company's revenue lag, the inclusion of interest expense on long-term debt reduces the Company's cash working capital requirement.

Q. PLEASE PROVIDE YOUR CASH WORKING CAPITAL RECOMMENDATION RELATED TO FEDERAL INCOME TAXES.

A. My recommendation is that the federal income tax expense amount used for cash working capital purposes recognizes the income tax savings adjustment addressed previously in my testimony.

Q. DOES THIS COMPLETE YOUR TESTIMONY AT THIS TIME?

A. Yes, it does.

Appendix A
Docket No. 04-035-42
Page 1 of 2

STATEMENT OF EDUCATION AND EXPERIENCE

MICHAEL L. ARNDT

Arndt & Associates
3602 S.W. Zona Circle
Ankeny, Iowa 50021
(515) 964-8902

Mr. Arndt received a Bachelor of Arts degree in Business Administration from Northwestern College in 1974 and a Master of Business Administration degree from Drake University in 1978. He has also taken additional graduate level courses in accounting, auditing, economics, finance and taxation at the University of Maryland. Mr. Arndt is a Certified Public Accountant in Maryland.

Mr. Arndt has attended numerous seminars and training courses related to public utility regulation, income taxes and other issues, including the National Association of Regulatory Utility Commissioners (“NARUC”) Annual Regulatory Studies Program at Michigan State University.

Following graduation in 1974, Mr. Arndt was employed by the Utilities Division of the Iowa State Commerce Commission in Des Moines, Iowa. His responsibilities with the Iowa Commission included analyses of cost of service issues and testifying in rate proceedings of electric, gas, telephone and water utilities.

In 1979, Mr. Arndt joined Hess & Lim, Inc., a public utility consulting firm

Appendix A
Docket No. 04-035-42
Page 2 of 2

located in the Washington, D.C. area providing consulting services to a variety of clients including state regulatory commissions, consumer advocate agencies, municipalities and corporations. His responsibilities included performing analyses of utility ratemaking issues and testifying in proceedings before federal and state regulatory commissions on behalf of the firm’s clients.

In December 1990, Mr. Arndt formed the public utility consulting firm of Arndt & Associates and has continued performing analyses of utility rate filings and testifying in proceedings on behalf of various clients.

Mr. Arndt has testified in over 90 public utility rate proceedings before the Federal Energy Regulatory Commission and the state regulatory commissions of Alabama, Arizona, Arkansas, Colorado, Iowa, Maryland, Oklahoma, Pennsylvania, Rhode Island, Texas, Utah, Vermont and West Virginia. In addition, Mr. Arndt has worked on cases in several other states, the District of Columbia and Barbados. His testimony in prior proceedings has involved issues related to the determination of revenue requirements, income taxes, affiliated transactions, depreciation, securitization, ECOM, allocations and rate design.

In addition to public utility rate cases, Mr. Arndt has participated in various court proceedings on behalf of clients involving antitrust, Modified Final Judgment (“MFJ”) violations, breach of contract, utility property damage and telephone directory cases.