Q. Please state your name, business address and present position with Rocky Mountain Power (the Company).

A. My name is Norman K. Ross. My business address is PacifiCorp, 825 NE Multnomah, Suite 1900, Portland, Oregon 97232. I am a Director within the Company's corporate tax department. Prior to assuming my present duties in 1998, I served from 1987 through 1998 within the corporate tax department of Pacific Telecom, Inc., a former PacifiCorp subsidiary.

Qualifications

Q. Please describe your education and business experience.

A. I received a Bachelor of Business Administration with a concentration in accounting from Seattle Pacific University in June 1980. I also received the Certified Public Accountant designation in 1984. I have been employed by PacifiCorp or its affiliates for the past 20 years. My business experience includes all areas of the corporate tax function.

Q. Please describe your present duties.

A. I am currently responsible for all activities related to the Company's property, sales, use, excise, gross receipt and miscellaneous tax obligations.

Purpose of Testimony

Q. What is the purpose of your testimony in this proceeding?

A. My involvement in this proceeding is limited to providing testimony concerning the Company's property tax expense.

Q. Does the Company agree with the adjustment proposed by DPU witness David Thomson to reduce the property tax expense filed in Exhibit RMP___(SRM-1S)?

A. Yes. In the Company’s response to data request DPU 21.1 the Company identified an adjustment to decrease property tax expense by approximately $2.7 million on a total Company basis. This decrease is in direct response to receiving calendar 2007 Utah tax bills that were not available when the Company prepared the December 2008 test year filing. This adjustment to the case was proposed by Mr. Thomson, and has been incorporated into the revenue requirement in Mr. McDougal’s Exhibit RMP___(SRM-1R-RR), page 11.8.

Q. Does the Company believe that its revised 2008 property tax expense reflects the best estimate of tax expense given the rise of both property subject to assessment and operating earnings?

A. Yes.

Q. CCS witness Ms. Donna DeRonne disputes the accuracy of the Company’s revised estimate of property taxes and has submitted an alternative calculation. Do you agree with the property tax expense estimated by Ms. DeRonne?

A. No.

Q. Please explain.

A. Ms. DeRonne proposes to calculate property taxes for the December 2008 test year based on the net percentage increase experienced from 2006 to 2007. Testimony provided by Ms. DeRonne in support of her alternative calculation relies upon the following three claims.

1. The Company's projected increase in property tax expense is "*significantly out of line with historical changes in the level of property tax expense…*"
2. Actual property taxes have both risen and fallen "*during a period of rapid investment and significant increases in net plant in service.*"
3. There "*is no reason to now assume that the annual increase in property tax expense will jump significantly…*"

Each of these claims, which reveal an insufficient understanding of the factors which influence the values assigned to the Company's operating property, are discussed below.

Q. Is the Company's projected property tax expense out of line with historical levels?

A. No. While the projected increase in property tax expense for this case is significant, the increase is driven by a correspondingly significant increase in the level of property subject to assessment and in the level of earnings that taxing jurisdictions rely upon when estimating the value of the Company's property.

Q. Does Ms. DeRonne's calculation capture all aspects necessary to reliably compute expected property taxes based on the level of capital investment included in the case?

A. No. Ms. DeRonne's adjustment relies exclusively upon year over year percentage changes in historical property tax expense. Previous year tax expense amounts were influenced by multiple factors such as unanticipated changes in property tax rates (such as those which reduced 2007 tax rates for Utah and certain other states) and legislative activity (such as the Idaho legislature's passage of a 2006 tax bill which shifted a considerable portion of school funding from locally assessed property taxes to the state's general fund). Ms. DeRonne's proposed adjustment necessarily assumes that those same factors will reduce 2008 tax expense to an equivalent degree. There is no logical basis for such an assumption. Moreover, it is illogical to believe that such factors are individually or collectively able to offset the affect that a substantial increase in both earnings and property subject to assessment will have on the assessed value of the Company's operating property.

Q. Do you agree with Ms. DeRonne's assessment that actual property taxes have both risen and fallen during a period of rapid investment?

A. No. This claim is invalid for at least two reasons. First state assessment staffs regard utility property as "income producing property." Thus, the level of net operating income significantly affects the value assigned to the Company's assets. Ms. DeRonne's analysis fails to consider the affect that increases in the Company's net operating income will have on assessed values. Additionally, Ms. DeRonne has not accounted for the fact that approximately $6 million in property tax paid to taxing authorities during the 2005 to 2007 period was recorded as an increase in the capitalized cost of the Company's Lake Side and Currant Creek generating plants. Going forward, tax associated with those projects will be charged to property tax expense. Calendar year 2005 to 2007 property tax expense would have been higher absent this capitalization process.

Q. Do you agree with Ms. DeRonne that there is no reason to assume the annual increase in property tax expense will jump significantly?

A. No. As indicated previously, the values assigned to the Company's operating property are influenced significantly by the level of investment in taxable property and the level of net operating income derived by the Company from the operation of its business. The table shown below summarizes the reported amounts of operating property and income as reflected on each year's FERC Form 1.

Recap of Changes in Property Subject to Assessment and Net Operating Income

	Net Utility Plant	Materials and Supplies	Fuel	Property Subject to Assessment	Net Utility Operating Income
Source: FERC Form 1	Page 110, Line 6	Page 110	Page 110		Page 114, Line 26
December 31, 2002	7,896,903,614	92,508,235	69,561,552	8,058,973,401	479,675,695
December 31, 2003	8,120,324,805	91,550,850	53,546,693	8,265,422,348	465,716,559
December 31, 2004	8,450,786,258	105,246,617	48,450,942	8,604,483,817	459,091,927
December 31, 2005	8,997,534,918	117,959,772	56,631,067	9,172,125,757	519,453,886
December 31, 2006	9,852,669,038	129,731,866	82,230,862	10,064,631,766	580,803,409
December 31, 2007	10,887,535,383	150,050,022	98,334,182	11,135,919,587	694,791,749
Increases over December 31, 2002 Amounts				3,076,946,186	215,116,054
% Increases over December 31, 2002 Amounts				38%	45%

Contrary to witness DeRonne's claims, there is substantial "reason to now assume" that property tax expense in headed "significantly" higher. Note that property subject to assessment and net operating income for the year ended December 31, 2002 represented the basis on which 2003 assessed values were determined and property subject to assessment and net operating income for the year ended December 31, 2007 represents the basis on which 2008 values will be determined. Despite the fact that property subject to assessment has climbed by 38 percent and net operating earnings by 45 percent since 2002 with most of the increase occurring in the past two years, witness DeRonne proposes a level of property tax expense that is only 5.5 percent ((70,736,062 – 67,067,823)/67,067,823 = 5.5%) higher than in 2003.

Q. Does this conclude your rebuttal testimony?

A. Yes