

1 **Q. Please state your name.**

2 A. My name is A. Richard Walje.

3 **Q. Are you the same A. Richard Walje who has testified previously in this case?**

4 A. Yes.

5 **Purpose and Summary of Rebuttal Testimony**

6 **Q. What is the purpose of your rebuttal testimony?**

7 A. The purpose of my testimony is to provide an overview of the Company's rebuttal
8 filing and address the overall revenue requirement recommendations of the
9 intervening parties.

10 **Overview of Rebuttal Filing**

11 **Q. Please provide a general summary of the Company's rebuttal filing.**

12 A. The Company's rebuttal filing reduces the proposed revenue requirement increase
13 to approximately \$55 million, or a 4.0 percent overall increase. The primary
14 driver of the reduction in the Company's filing is the recently-approved
15 Stipulation related to tax issues, which decreased the Company's requested
16 revenue requirement by approximately \$10 million. The Company's rebuttal
17 filing also incorporates some of the other parties' adjustments and updates to the
18 filing,

19 **Q. Please comment on the overall fairness of the revenue requirement increase
20 proposed.**

21 A. The Company's proposed rate increase of 4.0 percent overall is fair and
22 reasonable in light of the costs established in this filing. Under the Stipulation on
23 the test year for this case, the Company agreed not to file another general rate case

24 until January 2011. Thus, the rate effective period on rates set in this case, except
25 those related to new major capital investment and possibly net power costs if an
26 energy cost adjustment mechanism is established, is through at least August 2011.
27 The Company needs full recovery of the costs established in this case in order to
28 sustain a reasonable level of earnings for the almost two-year period in which the
29 rates will be in effect.

30 **Q. Please comment on the Company's proposed cost of capital in its rebuttal**
31 **filing.**

32 A. As presented in the cost of capital hearings by company witnesses, the Company
33 continues to support its request for an overall 8.54 percent rate of return, based
34 upon an 11.0 percent return on equity and a 51.0 percent capital structure.

35 **Q. You indicated that the Company has accepted some of the adjustments and**
36 **updates proposed by the other parties. Can you elaborate?**

37 A. Yes. The major adjustments the Company has accepted, including increasing the
38 green tag revenues in the case, incorporating new QF and special contracts, and
39 updating the forward price curve for net power costs, are based on information
40 unavailable to the Company at the time of its filing and are in the nature of
41 updates to the Company's filing. The Company has generally accepted these
42 proposed updates and has added other related updates in order to assure that the
43 costs reflected in the case are accurate and complete. In all cases, however, the
44 Company's updates were limited to new information that was available to the
45 other parties at the time of their direct testimony. By setting a deadline for the
46 updates reflected in the rebuttal testimony as the filing date of the other parties'

47 direct testimony, it assures that the updating process is fair and generally matches
48 costs and revenues in the case. In order to set rates fairly for the rate effective
49 period in this case, which will extend through at least August 2011, the
50 Commission needs to update this filing in a balanced and complete manner. The
51 approach presented in the Company's rebuttal filing accomplishes this objective.

52 **Q. Is the Company reserving its right to file additional rebuttal testimony in this**
53 **case on certain contested issues?**

54 A. Yes. The Company has moved to strike the Supplemental Testimony of the
55 Division of Public Utilities (DPU), filed in this case after the due date for the
56 other parties' direct testimony, except for the testimony of Michael J. McGarry,
57 and requested additional time to respond to any supplemental testimony allowed
58 by the Commission. The Company will supplement its rebuttal filing if necessary
59 depending on the outcome of this motion.

60 **Overall Reaction to Intervening Party Recommendations**

61 **Q. As president of Rocky Mountain Power (RMP), what is your reaction to the**
62 **recommendations of the intervening parties in this case?**

63 A. While seven parties filed testimony, only two, the DPU and the Office of
64 Consumer Services (OCS) filed full revenue requirement proposals. I am
65 dismayed with the recommendations made by the DPU and OCS, both of which
66 incomprehensibly propose actual rate decreases and clearly is not in the long term
67 best interests of customers.

68 As I discussed in my direct testimony, because of past, current and future
69 load growth in Utah and our other states, the Company is required to engage in a

70 major construction program that ranges in annual capital expenditures over the
71 next several years of between \$1 billion to \$2 billion. The capital expenditure
72 program requires the Company to raise significant amounts of new capital,
73 through retained earnings, equity infusions from MidAmerican Energy Holdings
74 Company (MEHC) or from the capital markets, at the time when investors have
75 become increasingly more selective and cautious in their decisions on which
76 companies to fund. To demonstrate the owners' commitment to serving Utah
77 customers, they have not received a dollar of dividends from their investment in
78 the company. Yet, in the face of these conditions and commitments, both the DPU
79 and OCS have recommended rate changes that simply cannot support RMP's
80 operating costs and unavoidable capital investments required to serve its
81 customers now and in the future.

82 This is an especially disappointing position for the DPU to take, as its role
83 has traditionally been one of balancing the interests of customers and that of the
84 company, and monitoring the financial health of the utility. The revenues
85 recommend by the OCS and DPU make achievement of a Commission authorized
86 rate of return virtually impossible.

87 In spite of the negative signals from intervenors, our owners (MEHC)
88 presently remain committed to making the capital investments required by
89 PacifiCorp required necessary to provide its customers with the level of service
90 quality they require. However, their commitment to invest requires, in turn, a
91 supportive regulatory environment that provides the Company with a reasonable
92 opportunity to earn a fair return on that investment. Even if capital investments

93 are allowed into rates without a disallowance, not providing the company
94 adequate revenues through rates to provide its investors with a reasonable return
95 is indistinguishable from a capital addition disallowance.

96 I cannot accept that either the DPU or the OCS proposed rate decreases
97 would be in the long-run best interest of our customers and the state's economic
98 vitality. This is especially true given the extended rate effective period for the
99 general rates set in this case. I urge the Commission to authorize a revenue
100 requirement increase to Rocky Mountain Power consistent with the testimony of
101 the Company's witnesses.

102 **Q. Does this conclude your rebuttal testimony?**

103 A. Yes.