McDowell & Rackner PC

KATHERINE MCDOWELL
Direct (503) 595-3924
katherine@mcd-law.com

September 25, 2009

VIA ELECTRONIC FILING AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket UE 210

Enclosed for filing in the above docket are an original and five copies of the Revenue Requirement Stipulation and the Joint Testimony in Support of Revenue Requirement Stipulation. A copy of this filing has been served on all parties to this proceeding as indicated on the attached Certificate of Service.

Very truly yours,

Katherine McDowell

cc: UE 210 Service List

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UE 210 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

G. Catriona McCracken Citizens' Utility Board catriona@oregoncub.org	Robert Jenks Citizens' Utility Board bob@oregoncub.org
Gordon R. Feighner Citizens' Utility Board gordon@oregoncub.org	Greg Addington Executive Director Klamath Water Users Association greg@cvcwireless.net
Deborah Garcia Oregon Public Utility Commission P.O. Box 2148 Salem, OR 97301 Deborah.garcia@state.or.us	Jason Jones Assistant Attorney General 1162 Court St. NW Salem, OR 97301-4096 Jason.w.jones@state.or.us
Randall Falkenberg RFI Consulting, Inc. PMB 362, 8343 Roswell Road Sandy Springs, GA 30350 consultrfi@aol.com	Melinda Davison Davison Van Cleve PC 333 SW Taylor - Ste 400 Portland, OR 97204 mjd@dvclaw.com
Richard Lorenz Cable Huston Benedict et al rlorenz@cablehuston.com	Larry Cable Cable Huston Benedict et al lcable@cablehuston.com
Douglas C. Tingey Portland General Electric Company doug.tingey@pgn.com	Randy Dahlgren Portland General Electric Company pge.opuc.filings@pgn.com

Kurt J. Boehm
Boehm Kurtz & Lowry
36 E. Seventh St. – Ste 1510
Cincinnati, OH 45202
kboehm@bklawfirm.com

Michael L. Kurtz
Boehm Kurtz & Lowry
36 E. Seventh St. – Ste 1510
Cincinnati, OH 45202
mkurtz@bklawfirm.com

DATED: September 25, 2009

Katherine McDowell
Of Attorneys for PacifiCorp

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UE 210

In the Matter of: PacifiCorp d/b/a Pacific Power's Request for a General Rate Increase in the Company's Oregon Annual Revenues	**REVENUE REQUIREMENT STIPULATION**

This Revenue Requirement Stipulation ("Stipulation") is entered into for the purpose of resolving the issues among the parties to this Stipulation related to PacifiCorp's (or the "Company") requested revenue requirement increase in this docket. This Stipulation does not address issues related to rate spread or rate design. The parties to this Stipulation and the Industrial Customers of Northwest Utilities ("ICNU") have filed a separate stipulation in this proceeding that resolves rate spread and rate design issues.

PARTIES

1. The initial parties to this Stipulation are PacifiCorp, Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board ("CUB"), Fred Meyer Stores and Quality Food Centers, divisions of The Kroger Company ("Kroger") and the Klamath Water Users Association ("KWUA") (together, the "Parties"). This Stipulation will be made available to the other parties to this docket, who may participate by signing and filing a copy of the Stipulation.

BACKGROUND

2. On April 2, 2009, PacifiCorp filed revised tariff sheets to be effective May 2, 2009, for Oregon that would result in a base price increase of approximately $92.1 million or 9.1 percent. PacifiCorp based its filing on a 2010 calendar year test period.

3. At the public meeting on April 21, 2009, the Public Utility Commission of Oregon ("Commission") suspended the Company's application for revised tariff sheets for a period of

nine months. Based on the suspension, the effective date of the revised tariff sheets would be February 2, 2010.

4. Pursuant to Administrative Law Judges Wallace's and Hardie's Prehearing Conference Memorandum of April 22, 2009, the parties to this docket convened a settlement conference on June 24, 2009. The parties held additional settlement conferences on August 20 and September 10, 2009. The settlement conferences were noticed and all parties were invited to participate.

5. As a result of the settlement conferences, the Parties have reached a settlement in this case resolving all issues related to revenue requirement. The net effect of this Stipulation reduces PacifiCorp's proposed increase in test period revenue requirement to $41.5 million, which will result in an overall increase of approximately 4.4 percent. The net overall increase, including the tariff riders discussed below, will be 4.6 percent. The effective date of these new rates is February 2, 2010.

AGREEMENT

6. The Parties agree to submit this Stipulation to the Commission and request that the Commission approve the Stipulation as presented. The Parties agree that the adjustments and the rates resulting from their application are fair, just, and reasonable.

7. Revenue Requirement: The Parties agree to a total revenue requirement increase of $41.5 million in base rates, which in conjunction with the other terms identified below, represents a settlement of all revenue requirement issues in this case. Exhibit A includes an agreed-upon calculation of the $41.5 million increase in base rates based on resolution of adjustments proposed by the Parties. The Parties agree that the acceptance of these adjustments for purposes of settlement is not binding on Parties in future proceedings and does not imply agreement on the merits of adjustments.

8. Rate of Return and Taxes in Rates: The Parties agree that the Company's overall ROR should be set at 8.08 percent. The Parties do not agree on the individual capital

components that result in the ROR of 8.08 percent. Without accepting the individual capital components, the Parties derive the ROR of 8.08 percent consistent with Table 1 below. The Parties agree on the tax expense levels generated by the Company's revenue requirement model, which are calculated on a stand-alone basis and provided as Exhibit B. For the calculation of taxes collected in rates for Oregon and other Oregon regulatory purposes, the Parties agree that such analysis will use the rate of return components specified in Table 1 below:

Table 1

Capital Component	Percent Capitalization	Cost	Weighted Cost
Long Term Debt	48.70%	5.960%	2.90%
Preferred Stock	0.30%	5.410%	0.02%
Common Equity	51.00%	10.125%	5.16%
TOTAL	100.00%		8.08%

9. Prudence of Major Resource Additions: The Parties agree that the Company prudently acquired the following generating resources: Lake Side, Chehalis, Seven Mile Hill II, Glenrock III, and High Plains. The Parties agree the resources listed in this section are used and useful, and that the costs of the resources should be included in the Company's Oregon rate base.

10. AFUDC Equity Flow-Through: The Parties agree that the Company will use flow-through treatment for AFUDC equity in this and future cases, effective January 1, 2010. The Company agrees that this will not have an adverse affect on customers through SB 408 filings.

11. New Tariff Riders: The Company will recover the remaining amortization for the following regulatory assets through three new, separate tariff riders: Schedules 193, 194, and 195 as described and proposed in the Company's Reply Testimony of Mr. William R. Griffith

filed on August 31, 2009 in this docket. The tariff riders will be designed to collect the following balances over the specified amortization period:

- Transition Plan – Oregon: $2.008 million amortized through January 31, 2011.
- MEHC Change in Control: $4.709 million, amortized at $2.144 million per year through March 31, 2012.
- Grid West: $1.073 million, amortized at $0.401 million per year through December 31, 2012.

12. Rate Change Effective Date: The Parties agree that rates to recover the stipulated revenue requirement and new tariff riders will go into effect on February 2, 2010.

13. Tariff: Upon approval of this Stipulation and the Rate Spread and Rate Design Stipulation filed in this proceeding, PacifiCorp will file its revised tariff sheets and new tariff riders as a compliance filing in Docket UE 210, effective February 2, 2010.

14. Rate Spread and Rate Design: The Parties agree that this Stipulation does not resolve issues related to rate spread or rate design. The tariff sheets and new tariff riders filed pursuant to Section 13 of this Stipulation will reflect rates designed as agreed in the separate Rate Spread and Rate Design Stipulation, filed by the Parties and ICNU in this docket.

15. This Stipulation will be offered into the record of this proceeding as evidence pursuant to OAR 860-014-0085. The Parties agree to support this Stipulation throughout this proceeding and any appeal, (if necessary) provide witnesses to sponsor this Stipulation at the hearing, and recommend that the Commission issue an order adopting the settlements contained herein.

16. If this Stipulation is challenged by any other party to this proceeding, the Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation. The Parties agree to cooperate in cross-examination and put on such a case as they deem appropriate to respond fully to the issues presented, which may include raising issues that are incorporated in the settlements embodied in this Stipulation.

17. The Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, any Party disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek reconsideration or appeal of the Commission's Order.

18. By entering into this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other Party in arriving at the terms of this Stipulation, other than those specifically identified in the body of this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except as specifically identified in this Stipulation.

19. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

This Stipulation is entered into by each party on the date entered below such Party's signature.

STAFF

By: ______________________________

Date: 9/25/9

CUB

By: ______________________________

Date: ______________________________

KROGER

By: ______________________________

Date: ______________________________

KWUA

By: ______________________________

Date: ______________________________

PACIFICORP

By: ______________________________

Date: ______________________________

STAFF

By: ____________________

Date: ____________________

CUB

By: [signature]

Date: 9-25-09

KROGER

By: ____________________

Date: ____________________

KWUA

By: ____________________

Date: ____________________

PACIFICORP

By: ____________________

Date: ____________________

STAFF

By: ______________________

Date: ______________________

CUB

By: ______________________

Date: ______________________

KROGER K Boehm

By: Kurt J. Boehm

Date: 9-25-09

KWUA

By: ______________________

Date: ______________________

PACIFICORP

By: ______________________

Date: ______________________

STAFF

By: ______________________

Date: ______________________

CUB

By: ______________________

Date: ______________________

KROGER

By: ______________________

Date: ______________________

KWUA

By: [illegible signature]

Date: 9/25/09

PACIFICORP

By: ______________________

Date: ______________________

STAFF

By: ______________________________

Date:______________________________

CUB

By: ______________________________

Date:______________________________

KROGER

By: ______________________________

Date:______________________________

KWUA

By: ______________________________

Date:______________________________

PACIFICORP

By: Andrea Kelly

Date:______________________________

Docket UE 210

REVENUE REQUIREMENT STIPULATION

Exhibit A

Results of Operations

September 25, 2009

Exhibit A

PACIFICORP UE 210

Stipulated Adjustments to Oregon Allocated Results
Year Ending December 31, 2010
($000)

Item	Adjustments	Revenue Requirement Effect
	Company Filed Revenue Requirement (non-power costs)	**$92,057**
Item	**Adjustments**	
S-0	**Rate of Return- 8.08% ROR**	**($22,532)**
S-4, S-2, S-9, and ICNU/CUB Adj.	**A&G Adjustments** Includes the revenue requirement impact of adjustments proposed by Staff and CUB/ICNU, accepted as part of the Company's Reply filing. These adjustments relate to 401k expense, insurance expense, workers compensation expense, challenge grants and FAS 112 expense. Also reflects Staff adjustments associated with uncollectibles, incentives, and insurance; Staff and ICNU/CUB adjustments associated with incentives, benefits, and pensions; and ICNU/CUB adjustments associated with wages.	**($16,271)**
S-5	**Distribution O&M Adjustments**	**($1,230)**
S-6	**Transmission O&M Adjustments and Property Taxes**	**($1,619)**
S-3 , S-7, S-8, S-10, S-11	**Miscellaneous Rate Base Adjustments** Reflects adjustment to rate base. Includes the revenue requirement impact of adjustments proposed by Staff and accepted as part of of the Company's Reply filing, which relate to new tariff riders (MEHC severance, Grid West, and OR Transition plan), change in allocation factors, ECD updates, and other rate base adjustments.	**($8,905)**
	Total Adjustments	**($50,557)**
	Stipulated Adjusted Revenue Requirement	**$41,500**

PACIFICORP UE 210
Results of Operations
Year Ending December 31, 2010
($000)

			Stipulated Adjustments			Required Change for Reasonable Return		
		UE 210 Oregon Results per Company Filing (1)	UE 207 Transition Adjustment Mechanism (TAM) Increase (2)	UE 210 General Rate Case Increase (3)	2010 Adjusted (4)	UE 207 Transition Adjustment Mechanism (TAM) Increase (5)	UE 210 General Rate Case Increase (6)	Results at Reasonable Return (7)
1	**Operating Revenues**							
2	General Business Revenues	$949,341	0	0	$949,341	$4,000	$41,500	$994,841
3	Interdepartmental	0	0	0	0	0	0	0
4	Special Sales	201,717	(2,455)	0	199,262	0	0	199,262
5	Other Operating Revenues	42,876	0	0	42,876	0	0	42,876
6	**Total Operating Revenues**	$1,193,934	($2,455)	$0	$1,191,479	$4,000	$41,500	$1,236,979
7	**Operating Expenses**							
8	Steam Production	$251,950	($1,394)	$4	$250,559	$0	$0	$250,559
9	Nuclear Production	0	0	0	0	0	0	0
10	Hydro Production	9,912	0	0	9,912	0	0	9,912
11	Other Power Supply	275,008	(18,928)	2,662	258,742	0	0	258,742
12	Transmission	51,260	1,296	(408)	52,148	0	0	52,148
13	Distribution	70,711	0	(1,163)	69,548	0	0	69,548
14	Customer Accounting	31,711	0	(554)	31,157	0	215	31,373
15	Customer Service & Info	3,695	0	0	3,695	0	0	3,695
16	Sales	0	0	0	0	0	0	0
17	Administrative & General	57,052	0	(19,602)	$37,450	0	0	$37,450
18	**Total Operation & Maintenance**	$751,298	($19,027)	($19,060)	$713,212	$0	$215	$713,427
19	Depreciation	$148,046	$0	($201)	$147,845	$0	$0	$147,845
20	Amortization	16,476	0	1	16,476	0	0	16,476
21	Taxes Other Than Income	51,965	0	(1,168)	50,797	0	1,053	51,849
22	Income Taxes - Federal	20,969	5,382	8,127	34,479	1,336	13,442	49,257
23	Income Taxes - State	4,470	1,193	390	6,053	182	1,827	8,061
24	Income Taxes - Def Net	17,792	0	(678)	17,114	0	0	17,114
25	Investment Tax Credit Adj.	0	0		0	0	0	0
26	Misc Revenue & Expense	(2,077)	0	0	(2,077)	0	0	(2,077)
27	**Total Operating Expenses**	$1,008,940	($12,451)	($12,589)	$983,900	$1,518	$16,536	$1,001,954
28	**Net Operating Revenues**	$184,994	$9,996	$12,589	$207,579	$2,482	$24,964	$235,025
29	**Average Rate Base**							
30	Electric Plant In Service	$5,550,442	$0	($35,408)	$5,515,035	$0	$0	$5,515,035
31	Plant Held for Future Use	(0)	0	0	(0)	0	0	(0)
32	Misc Deferred Debits	32,823	0	(12,689)	20,134	0	0	20,134
33	Elec Plant Acq Adj	18,568	0	0	18,568	0	0	18,568
34	Nuclear Fuel	0	0	0	0	0	0	0
35	Prepayments	12,200	0	1	12,201	0	0	12,201
36	Fuel Stock	41,007	0	0	41,008	0	0	41,008
37	Material & Supplies	49,318	0	1	49,320	0	0	49,320
38	Working Capital	12,867	0	(378)	12,489	0	0	12,489
39	Weatherization Loans	(1)	0	(0)	(1)	0	0	(1)
40	Misc Rate Base	1,206	0	0	1,206	0	0	1,206
41	**Total Electric Plant**	5,718,431	0	(48,472)	$5,669,960	0	0	$5,669,960
42	**Less:**							
43	Accum Prov For Deprec	($2,041,424)	$0	$256	($2,041,168)	$0	$0	($2,041,168)
44	Accum Prov For Amort	(141,099)	0	(6)	(141,105)	0	0	(141,105)
45	Accum Def Income Tax	(548,748)	0	(2,256)	(551,005)	0	0	(551,005)
46	Unamortized ITC	(4,172)	0	0	(4,172)	0	0	(4,172)
47	Customer Adv For Const	(3,499)	0	0	(3,499)	0	0	(3,499)
48	Customer Service Deposits	0	0	0	0	0	0	0
49	Misc Rate Base Deductions	(21,182)	0	(1)	(21,182)	0	0	(21,182)
50	**Total Rate Base Deductions**	(2,760,125)	0	(2,007)	($2,762,132)	0	0	($2,762,132)
								$0
51	**Total Average Rate Base**	$2,958,307	$0	($50,479)	$2,907,828	$0	$0	$2,907,828
52	**Rate of Return**	6.253%			7.139%			8.083%
53	**Implied Return on Equity**	6.539%			8.274%			10.125%

Exhibit A

PACIFICORP UE 210
Stipulated Adjustments to Oregon Results
Year Ending December 31, 2010
($000)

		Rate of Return Adjustment (S-0)	A&G Adjustments (S-4, S-2, S-9, and ICNU/CUB)	Distribution O&M Adjustments (S-5)	Transmission O&M Adjustments (S-6)	Miscellaneous Rate Base Adjustments (S-3, S-7, S-8, S-10, S-11)	Total Stipulated Adjustments
1	**Operating Revenues**						
2	General Business Revenues	$0	$0	$0	$0	$0	$0
3	Interdepartmental	0	0	0	0	0	0
4	Special Sales	0	0	0	0	0	0
5	Other Operating Revenues	0	0	0	0	0	0
6	**Total Operating Revenues**	$0	$0	$0	$0	$0	$0
7	**Operating Expenses**						
8	Steam Production	$0	$0	$0	$0	$4	$4
9	Nuclear Production	0	0	0	0	0	0
10	Hydro Production	0	0	0	0	0	0
11	Other Power Supply	205	(1)	0	0	2,459	2,662
12	Transmission	0	0	0	(408)		(408)
13	Distribution	0	0	(1,163)	0	0	(1,163)
14	Customer Accounting	0	(554)	0	0	0	(554)
15	Customer Service & Info	0	0	0	0	0	0
16	Sales	0	0	0	0	0	0
17	Administrative & General	0	(14,860)	0	0	(4,742)	(19,602)
18	**Total Operation & Maintenance**	$205	($15,415)	($1,163)	($408)	($2,279)	($19,060)
19	Depreciation	$0	$0	$0	$0	($201)	($201)
20	Amortization	0	0	0	0	1	1
21	Taxes Other Than Income	0	0	0	(1,170)	2	(1,168)
22	Income Taxes - Federal	(92)	5,265	399	526	2,029	8,127
23	Income Taxes - State	(9)	377	23	77	(78)	390
24	Income Taxes - Def Net	0	0	0	0	(678)	(678)
25	Investment Tax Credit Adj.	0	0	0	0	0	0
26	Misc Revenue & Expense	0	0	0	0	0	0
27	**Total Operating Expenses**	$104	($9,773)	($741)	($976)	($1,204)	($12,589)
28	**Net Operating Revenues**	($104)	$9,773	$741	$976	$1,204	$12,589
29	**Average Rate Base**						
30	Electric Plant In Service	$0	$0	$0	$0	($35,408)	($35,408)
31	Plant Held for Future Use	0	0	0	0	0	0
32	Misc Deferred Debits	0	0	0	0	(12,689)	(12,689)
33	Elec Plant Acq Adj	0	0	0	0	0	0
34	Nuclear Fuel	0	0	0	0	0	0
35	Prepayments	0	0	0	0	1	1
36	Fuel Stock	0	0	0	0	0	0
37	Material & Supplies	0	0	0	0	1	1
38	Working Capital	(1)	(138)	(10)	(14)	(214)	(378)
39	Weatherization Loans	0	0	0	0	(0)	(0)
40	Misc Rate Base	0	0	0	0	0	0
41	**Total Electric Plant**	($1)	($138)	($10)	($14)	($48,309)	($48,472)
42	Less:						
43	Accum Prov For Deprec	$0	$0	$0	$0	$256	$256
44	Accum Prov For Amort	0	0	0	0	(6)	(6)
45	Accum Def Income Tax	0	0	0	0	(2,256)	(2,256)
46	Unamortized ITC	0	0	0	0	0	0
47	Customer Adv For Const	0	0	0	0	0	0
48	Customer Service Deposits	0	0	0	0	0	0
49	Misc Rate Base Deductions	0	0	0	0	(1)	(1)
50	**Total Rate Base Deductions**	$0	$0	$0	$0	($2,007)	($2,007)
51	**Total Average Rate Base**	($1)	($138)	($10)	($14)	($50,316)	($50,479)
52	**Revenue Requirement Effect**	($22,532)	($16,271)	($1,230)	($1,619)	($8,905)	($50,557)

Docket UE 210

REVENUE REQUIREMENT STIPULATION

Exhibit B

Taxes

September 25, 2009

Exhibit B

UE 210 and UE 207
Taxes Included in Rates (CY 2010)

		Oregon 2010 Normalized Results	Price Increase TAM UE 207	Price Increase GRC UE 210	Oregon 2010 Normalized Results w/Price Increases
1	**TAX CALCULATION:**				
2	Operating Revenues	1,191,479,357	4,000,000	41,500,000	1,236,979,357
3	Operating Deductions:				
4	Total O&M Expenses	713,212,111	-	215,155	713,427,267
5	Depreciation & Amortization	164,321,586	-	-	164,321,586
6	Taxes Other Than Income	50,796,868	-	1,052,507	51,849,375
7	Misc. Revenue & Expenses	(2,076,505)	-	-	(2,076,505)
8	Total Operating Deductions	926,254,060	-	1,267,662	927,521,722
9					
10	Other Deductions:				
11	Interest (AFUDC)	-	-	-	-
12	Interest (See Calc Below)	84,400,281	-	-	84,400,281
13	Schedule "M" Additions	252,520,086	-	-	252,520,086
14	Schedule "M" Deductions	289,540,060	-	-	289,540,060
15	Income Before Taxes	143,805,043	4,000,000	40,232,338	188,037,381
16					
17	State Income Taxes	6,213,462	181,600	1,826,548	8,221,610
18	State Income Tax Credit	(160,228)	-	-	(160,228)
19	**Total State Income Taxes**	**6,053,234**	**181,600**	**1,826,548**	**8,061,382**
20					
21	Total Taxable Income	137,751,809	3,818,400	38,405,790	179,975,999
22					
23	Federal Income Taxes	48,213,133	1,336,440	13,442,026	62,991,600
24	Federal Income Tax Credits	(13,734,625)	-	-	(13,734,625)
25	**Total Federal Income Taxes**	**34,478,508**	**1,336,440**	**13,442,026**	**49,256,974**
26					
27	Deferred Tax Expense:				
28	Deferred Taxes (Debit - 41010)	163,056,610	-	-	163,056,610
29	Deferred Taxes (Credit - 41110)	(145,942,505)	-	-	(145,942,505)
30	**Total Deferred Tax Expense**	**17,114,105**	-	-	**17,114,105**
31					
32	Accumulated Deferred Income Taxes:				
33	190 - Accum Def. Taxes	21,823,502	-	-	21,823,502
34	281 - Accum Def. Taxes	-	-	-	-
35	282 - Accum Def. Taxes	(561,942,966)	-	-	(561,942,966)
36	283 - Accum Def. Taxes	(10,885,187)	-	-	(10,885,187)
37	**Total Accum. Deferred Taxes**	**(551,004,650)**	-	-	**(551,004,650)**
38					
39	**Unamortized ITC Balance**	**(4,172,305)**	-	-	**(4,172,305)**
40					
41	**Interest Calculation:**				
42	Rate Base	2,907,827,703			2,907,827,703
43	Weighted Cost of Debt	2.9025%			2.9025%
44	Interest Expense	84,400,281			84,400,281

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 210

In the Matter of:

PacifiCorp d/b/a Pacific Power's Request for a General Rate Increase in the Company's Oregon Annual Revenues

STAFF-PACIFICORP-CUB-KROGER-KWUA

JOINT TESTIMONY IN SUPPORT OF
REVENUE REQUIREMENT STIPULATION

WITNESSES: DEBORAH GARCIA, DUSTIN BALL, BRYCE DALLEY, JOELLE STEWARD, BOB JENKS, KEVIN HIGGINS, and GARY SALEBA

September 2009

Q. Who is sponsoring this testimony?

A. This testimony is jointly sponsored by PacifiCorp (or the "Company"), Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), Fred Meyer Food Stores and Quality Food Centers, Divisions of The Kroger Co. ("Kroger"), and Klamath Water Users Association ("KWUA"). In this Joint Testimony, the parties are referred to collectively as the "Parties."

Q. Please state your names.

A. Deborah Garcia, Dustin Ball, Bryce Dalley, Joelle Steward, Bob Jenks, Kevin Higgins, and Gary Saleba. Ms. Garcia's qualifications are set forth in Staff/101; Mr. Ball's qualifications are set forth in Staff/201; Mr. Dalley's qualifications are set forth in PPL/700; Ms. Steward's qualifications are attached as Joint–Revenue Requirement/101; Mr. Jenks' qualifications are set forth in CUB Exhibit/101; Mr. Higgins' qualifications are set forth in FM Exhibit/101; and Mr. Saleba's qualifications are set forth in KWUA/101.

Q. What is the purpose of your testimony?

A. This testimony describes and supports the Revenue Requirement Stipulation dated and filed in this case on September 25, 2009 among PacifiCorp, Staff, CUB, Kroger, and KWUA (the "Stipulation"). Our testimony supports all provisions of the Stipulation.

Q. Does your testimony discuss the rate spread and rate design of the revenue requirement resulting from the Stipulation?

A. No. The Stipulation does not address issues related to rate spread or rate design. The Parties and the Industrial Customers of Northwest Utilities ("ICNU") have filed a separate stipulation that resolves rate spread and rate design issues ("Rate Spread and

Rate Design Stipulation"). The Rate Spread and Rate Design Stipulation is supported by separate testimony.

Q. How did the Parties arrive at the Stipulation?

A. Administrative Law Judges Wallace's and Hardie's Prehearing Conference Memorandum scheduled settlement conferences in this docket commencing on June 24, 2009. The conferences were open to all parties. The parties held additional settlement conferences on August 20, 2009 and September 10, 2009, resulting in the Stipulation.

Q. Have all Parties joined in the Stipulation?

A. No. ICNU is not a party to the Stipulation. Portland General Electric Company ("PGE"), which has not been an active participant in this docket, is not a party to this Stipulation. PGE, however, does not object to the Stipulation. The Stipulation has been provided to all parties and all parties have been invited to join by signing and filing a copy of the Stipulation.

Background

Q. Please describe PacifiCorp's original revenue requirement increase request.

A. On April 2, 2009, PacifiCorp filed revised tariff sheets for Oregon that would result in a price increase of approximately $92.1 million or 9.1 percent. Based on the suspension period of the filing, the effective date of the revised tariffs sheets would be February 2, 2009. PacifiCorp based its filing on a 2010 calendar year test period.

Q. Did Staff and other parties conduct a thorough examination of the Company's filing?

A. Yes. The parties conducted extensive discovery on PacifiCorp's filing. Over the course of this proceeding, the Company provided responses to more than 600 data requests, two-thirds of which were from Staff.

Q. Did the parties file extensive reply testimony to the Company's direct case?

A. Yes. Five parties filed reply testimony in this case. Four of these are now parties to the Stipulation. As discussed below, the reply testimony informed the calculation of the stipulated revenue requirement in this case.

Revenue Requirement Increase

Q. What is the revenue requirement increase to which the Parties agree?

A. The Parties agree to a revenue requirement increase of $41.5 million in base rates, which in conjunction with the other terms in the Stipulation, represents a settlement of all revenue requirement issues in this case. Exhibit A to the Stipulation includes an agreed-upon calculation of the $41.5 million increase in base rates based on resolution of adjustments proposed by the Parties, as described in further detail later in this Joint Testimony.

Q. Does the Stipulation provide for the creation of new tariff riders?

A. Yes. In addition to increasing base rates by $41.5 million, the Stipulation calls for the creation of three new tariff riders that will allow the Company to recover the remaining amortization for the following regulatory assets through Schedules 193, 194, and 195, as described and proposed in the Company's Reply Testimony of Mr. William R. Griffith filed on August 31, 2009 in this docket. The tariff riders will be designed to collect the following balances over the specified amortization period:

- Transition Plan – Oregon: $2.008 million amortized through January 31, 2011.
- MEHC Change in Control: $4.709 million, amortized at $2.144 million per year through March 31, 2012.
- Grid West: $1.073 million, amortized at $0.401 million per year through December 31, 2012.

Q. What is the overall increase to rates resulting from the Stipulation?

A. The Stipulation results in an increase in test period revenue requirement of $41.5 million, or approximately 4.4 percent. The net rate increase, including the new tariff riders discussed above, is 4.6 percent.

Q. When will the rates to recover the stipulated revenue requirement increase and new tariff riders go into effect?

A. Rates will go into effect on February 2, 2010, which is the end of the full statutory suspension period applicable to the Company's filing. The Stipulation does not accelerate the date of the rate increase resulting from the Company's filing.

Rate of Return/Taxes

Q. Please describe the Stipulation's terms related to cost of capital and taxes.

A. The Parties agree that the Company's overall rate of return ("ROR") should be set at 8.08 percent. The Parties do not agree on the individual capital components that result in the ROR of 8.08 percent. Without accepting the individual capital components, the Parties derive the ROR of 8.08 percent consistent with Table 1 below. The Parties agree on the tax expense levels generated by the Company's revenue requirement model, which are calculated on a stand-alone basis and provided as Exhibit B to the Stipulation. Further, the Parties agree that for the calculation of taxes collected in rates for Oregon and other Oregon regulatory purposes, such analysis will use the rate of return components specified in Table 1 below:

Table 1

Capital Component	Percent Capitalization	Cost	Weighted Cost
Long Term Debt	48.70 %	5.960 %	2.90 %
Preferred Stock	0.30 %	5.410 %	0.02 %
Common Equity	51.00 %	10.125 %	5.16 %
TOTAL	100.00 %		8.08 %

Q. Please explain the Parties' agreement with respect to treatment of AFUDC equity in this and future cases.

A. The Parties agree that the Company will use flow-through treatment for AFUDC equity in this and future cases, effective January 1, 2010. Consistent with the recommendation contained in Staff's reply testimony on this issue, the Company agrees that this treatment will not have an adverse affect on customers through filings under ORS 757.268.

Calculation of Stipulated Revenue Requirement

Q. How did the Parties calculate the agreed upon revenue requirement increase?

A. For purposes of supporting this Stipulation, the Parties agreed to incorporate specific adjustments to the Company's proposed revenue requirement to reduce it to the stipulated level. These adjustments were based on the reply testimony filed by Staff and intervenors in this case. However, the Parties expressly agreed that their acceptance of adjustments for purpose of settlement is not binding in future proceedings and does not imply agreement on the merits of the adjustments.

Q. What is the Parties' agreement with respect to these specific adjustments?

A. The stipulated revenue requirement begins with the $92.1 million originally filed non-power cost revenue requirement as shown in Exhibit A of the Stipulation.

First, the stipulated revenue requirement includes the 8.08 percent ROR described earlier in the testimony. This reduces revenue requirement by $22.5 million.

Second, the stipulated revenue requirement takes into account Administrative & General ("A&G") adjustments to address issues raised by Staff and jointly by ICNU/CUB that the Company accepted in its reply Testimony filed on August 31, 2009. These adjustments related to 401(k) expense, insurance expense, workers compensation expense, challenge grants, and FAS 112 expense. In addition to the adjustments accepted in the Company's reply Testimony, the A&G adjustments also reflect resolution of Staff adjustments associated with uncollectibles, incentives, and insurance; Staff and ICNU/CUB adjustments associated with incentives, benefits, and pensions; and ICNU/CUB adjustments associated with wages. The A&G adjustments described in this paragraph produce a revenue requirement decrease of $16.3 million.

Third, the stipulated revenue requirement takes into account Distribution O&M adjustments addressing issues raised by Staff related to CWIP, meals and entertainment, and escalation factors for a revenue requirement decrease of $1.2 million.

Fourth, the stipulated revenue requirement takes into account Transmission O&M and property tax adjustments addressing issues raised by Staff related to meals and entertainment, funding for compliance with enhanced reliability standards, and property tax expense for a revenue requirement decrease of $1.6 million.

Fifth, the stipulated revenue requirement takes into account various rate base adjustments which reflect the revenue requirement impact of certain adjustments to rate base proposed by Staff and accepted in the Company's reply testimony. The adjustments relate to the removal of the revenue requirement impact of new tariff riders (MEHC severance, Grid West, and OR Transition plan) from base rates, change in allocation factors, Embedded Cost Differential updates, and other rate base adjustments. These adjustments plus a further adjustment to resolve other rate base adjustments proposed by Staff produce a revenue requirement decrease of $8.9 million.

The total of these adjustments reduces PacifiCorp's original filed revenue requirement by $50.6 million and produces the agreed upon revenue requirement increase of $41.5 million.

Q. Does the stipulated revenue requirement address issues raised by ICNU, even though ICNU is not a party to this Stipulation?

A. Yes. ICNU's opening testimony proposed adjustments to the Company's revenue requirement for issues related to ROR, wages and salaries, and payroll related costs such as employee benefits and incentive pay.

ICNU proposed an ROR for PacifiCorp of 8.01 percent. ICNU-CUB/300, Gorman/2. The ROR in the Stipulation is only 7 basis points higher than that proposed by ICNU. Staff, which had initially proposed a lower ROR than ICNU—7.68 percent—agrees that the stipulated ROR is reasonable. Additionally, CUB, cosponsor of Mr. Gorman as a witness, agrees that the stipulated ROR is reasonable. The stipulated ROR is close to the figure proposed by ICNU and is within the range of reasonableness of figures presented by the parties as a whole, indicating that objections to the Stipulation on the basis of an unreasonable ROR would be baseless.

ICNU also proposed a number of labor-related adjustments in the Opening Testimony of ICNU-CUB witness Ellen Blumenthal. These adjustments are largely subsumed in the A&G adjustment of $16.3 million. Both CUB and Staff agree that the A&G adjustment in the stipulated revenue requirement fairly addresses their proposed labor adjustments; CUB's adjustments are identical to those proposed by ICNU.

Prudence of New Resources

Q. Does the Stipulation address the prudence of certain resources?

A. Yes. The Parties agree that the Company prudently acquired the following generating resources: Lake Side, Chehalis, Seven Mile Hill II, Glenrock III, and High Plains. The Parties agree the resources listed in this section are used and useful, and that the costs of the resources should be included in the Company's Oregon rate base.

Q. Did the reply testimony of any Party challenge the prudence of these new resources?

A. No. Staff's reply testimony analyzed each of these resources and concluded that they were prudent. See Staff/400, Durrenberger/5-13 (Lake Side and Chehalis); Staff/1300, Brown/1-5 (Seven Mile Hill II, Glenrock III and High Plains).

Other Terms of Stipulation

Q. Do the terms of the Stipulation apply to other cases?

A. No, the Stipulation represents a compromise in the positions of the Parties made for this case only. By entering into the Stipulation, none of the Parties are deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of the Stipulation, other than those specifically identified in the body of the Stipulation. No Party has agreed that any provision of the Stipulation is appropriate for resolving issues in any other proceeding, except as specified in the Stipulation.

Q. If the Commission rejects any part of the Stipulation, are the Parties entitled to reconsider their participation in the Stipulation?

A. Yes. The Stipulation provides that if the Commission rejects all or any material portions of the Stipulation, any Party that is disadvantaged by such action shall have the rights provided by OAR 860-014-0085 and shall be entitled to seek reconsideration or appeal of the Commission's Order.

Reasonableness of the Stipulation

Q. Have the Parties evaluated the overall fairness of the Stipulation?

A. Yes. Each Party has reviewed the revenue requirement adjustments contained in the Stipulation, as well as the revenue requirement level resulting from its application. The Parties agree that the Stipulation results in fair, just, and reasonable rates and should be adopted.

Q. Please explain why Staff believes that the Commission should approve the Stipulation.

A. Staff's direct testimony position supported an increase of $9.62 million to PacifiCorp's revenue requirement. After filing its direct testimony, Staff analyzed the direct testimony filed by other parties along with PacifiCorp's rebuttal testimony. With future Consumer Price Index, investment returns, and expense levels unknown, reasonable minds can disagree on methodologies and escalations in the forecasting of specific items for a future period. Based upon its review, Staff concludes that the stipulated revenue requirement increase of $41.5 million represents a compromise of differing positions, results in just, fair, and reasonable rates, and is a reasonable resolution to all unresolved issues regarding revenue requirement.

Q. How did Staff conclude that the stipulated revenue requirement of $41.5 million was reasonable?

A. Staff considered the stipulated ROR of 8.08 percent, which is a reduction to the currently authorized rate of return of 8.16 percent, to be reasonable. The reasonable settlement of

PacifiCorp's ROR had the impact of increasing Staff's direct position related to revenue requirement by approximately $20.1 million to approximately $29.72 million.

Q. Please discuss why the Stipulation's treatment of A&G expenses as compared to Staff's direct testimony position is reasonable.

A. Staff's direct position (Staff Issues S-2, S-2.0, S-4, and S-9) included an adjustment to total A&G expenses of $16.827 million. The stipulated adjustment of $16.271 million is very close to Staff's testimony position and a reasonable amount to settle these numerous contested issues as well as the issues raised by Ms. Blumenthal in ICNU/CUB/400 related to wages and other compensation. The stipulated adjustment to A&G increases Staff's proposed revenue requirement by $556,000 to $30.2 million.

Q. Does Staff's total A&G expense adjustment include any adjustments related to Ms. Blumenthal's adjustment to wages and compensation?

A. Yes. Staff proposed an adjustment to Bonus & Incentives (Staff Issue S-9) of $3.808 million.

Q. Did Staff consider the proposed adjustments to A&G found in Ms. Blumenthal's testimony?

A. Yes. Staff reviewed and considered Ms. Blumenthal's proposed adjustments to salaries and compensation. While Staff does not support Ms. Blumenthal's proposed adjustment because of incorrect assumptions in her calculations of historic and appropriate test year wage & salary levels, it considered Ms. Blumenthal's adjustment in concluding that the stipulated A&G amount was a reasonable resolution of all A&G issues, including Ms. Blumenthal's proposed adjustment to wages and salaries.

Q. Does Staff support the stipulated adjustments to Distribution O&M and Transmission O&M and Property Taxes (Staff Issues S-5 and S-6)?

A. Yes. Staff's direct proposed adjustments were $1.195 million and $2.665 million, respectively. The stipulated adjustments of $1.230 million and $1.619 million provide a reasonable outcome to settle these issues, raising Staff's proposed revenue requirement by $1.081 million to approximately $31.3 million.

Q. Does Staff support the stipulated adjustment to miscellaneous rate base (Staff Issues S-3, S-7, S-8, S-10, and S-11)?

A. Yes. Staff's direct testimony supported adjustments totaling $19.165 million to miscellaneous rate base. The stipulated adjustment is a reduction of $10.260 million to $8.905 million. After Staff reviewed PacifiCorp's rebuttal testimony, Staff believes that with the stipulated adjustment the result reasonably reflects PacifiCorp's rate base for the test period. This adjustment raises Staff's proposed revenue requirement by $10.26 million to $41.5 million.

Q. Please explain why CUB believes that the Commission should approve the Stipulation.

A. CUB believes the settlement is reasonable. While CUB would always prefer that rates do not increase, that outcome is not supportable in this case. This case reflects significant capital investment in new generating resources that will provide benefits to customers. CUB believes that this settlement, along with the rate spread settlement in this case, and the TAM settlement in UE 207, produce rates for 2010 that are fair and are representative of the Company's cost of providing service to customers.

Q. Please explain why Kroger believes that the Commission should approve the Stipulation.

A. Kroger believes the Stipulation achieves a result that properly balances the interests of PacifiCorp and customers. Kroger believes the Stipulation, taken in combination with the rate spread and rate design settlement agreement, produces rates that are just and reasonable.

Q. Please explain why KWUA believes that the Commission should approve the Stipulation.

A. KWUA has reviewed the proposed revenue requirement adjustments and agrees that these adjustments are appropriate and result in a more reasonable revenue requirement level compared to PacifiCorp's initial filing. KWUA therefore believes that the Commission should approve the Stipulation.

Q. Please explain why PacifiCorp believes that the Commission should approve the Stipulation.

A. The Company believes that its proposed revenue increase in this case is well supported and reasonable, especially given the fact that it includes the capital costs associated with two major new gas-fired resources and three new wind resources. Nevertheless, the Company recognizes that settlement can replace the cost and risk of litigation with efficiency and certainty. The Company also values the intangible aspects of settled outcomes, including good will from other parties. For these reasons, the Company was willing to accept a revenue increase that was lower than it requested, along with other concessions from its case position, in return for a Stipulation supporting a 4.6 percent overall net rate increase, effective February 2, 2010.

Q. What do the Parties recommend?

A. The Parties recommend that the Commission adopt the Stipulation and include the terms and conditions in its order in this case.

Q. Does this conclude your testimony in support of the Stipulation?

A. Yes.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 210

In the Matter of

PACIFICORP, dba PACIFIC POWER

Request for a General Rate Increase in the Company's Oregon Annual Revenues

Qualifications of Witness Joelle Steward

September 2009

Q. Please state your name, business address and present position with PacifiCorp, dba Pacific Power & Light Company.

A. My name is Joelle Steward. My business address is 825 NE Multnomah St., Suite 2000, Portland, OR 97232. I am employed by PacifiCorp as Regulatory Manager for Oregon.

Q. Briefly describe your education and business experience.

A. I have a Bachelor's degree in political science from the University of Oregon and a Masters degree in public affairs, with a concentration in energy policy, from the Humphrey Institute at the University of Minnesota. I have attended several utility-related seminars and training opportunities including the Center for Public Utilities Rate Design Workshop in 2000 and the National Association of Regulatory Utility Commissioner's Annual Regulatory Studies Program in 2001.

Between 1999 and March 2007, I was employed as a Regulatory Analyst with the Washington Utilities and Transportation Commission (WUTC). Specifically, my work at the WUTC covered demand-side management, low income issues, service quality, reliability, resource planning, cost of service, rate spread, rate design and other analyses of general rate case and tariff filings involving electric and natural utilities regulated by the WUTC.

In March 2007, I became employed by PacifiCorp in my present position.

Q. Have you appeared as a witness in previous regulatory proceedings?

A. Yes. I appeared as a witness in proceedings in Washington and Oregon.