

**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

**In the Matter of PacifiCorp, dba)
Pacific Power & Light Company,) Docket No. UE-179
Request for a General Rate)
Increase in the Company's Oregon)
Annual Revenues)**

Direct Testimony of Kevin C. Higgins

on behalf of

Fred Meyer Stores

July 12, 2006

1 **DIRECT TESTIMONY OF KEVIN C. HIGGINS**

2

3 **Introduction**

4 **Q. Please state your name and business address.**

5 A. Kevin C. Higgins, 215 South State Street, Suite 200, Salt Lake City, Utah,
6 84111.

7 **Q. By whom are you employed and in what capacity?**

8 A. I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies
9 is a private consulting firm specializing in economic and policy analysis
10 applicable to energy production, transportation, and consumption.

11 **Q. On whose behalf are you testifying in this phase of the proceeding?**

12 A. My testimony is being sponsored by Fred Meyer Stores (“Fred Meyer”).
13 Fred Meyer purchases more than 60 million kWh annually from PacifiCorp in
14 Oregon. Fred Meyer takes service from PacifiCorp under Schedules 28, 30 and
15 48.

16 **Q. Please describe your professional experience and qualifications.**

17 A. My academic background is in economics, and I have completed all
18 coursework and field examinations toward a Ph.D. in Economics at the University
19 of Utah. In addition, I have served on the adjunct faculties of both the University
20 of Utah and Westminster College, where I taught undergraduate and graduate
21 courses in economics. I joined Energy Strategies in 1995, where I assist private
22 and public sector clients in the areas of energy-related economic and policy
23 analysis, including evaluation of electric and gas utility rate matters.

1 Prior to joining Energy Strategies, I held policy positions in state and local
2 government. From 1983 to 1990, I was economist, then assistant director, for the
3 Utah Energy Office, where I helped develop and implement state energy policy.
4 From 1991 to 1994, I was chief of staff to the chairman of the Salt Lake County
5 Commission, where I was responsible for development and implementation of a
6 broad spectrum of public policy at the local government level.

7 **Q. Have you ever testified before this Commission?**

8 A. Yes. I have testified in three previous proceedings, including the most
9 recent PacifiCorp rate case, UE-170 (2005). I also testified in the PacifiCorp rate
10 case previous to that one, UE-147 (2003), in which I co-sponsored joint testimony
11 regarding the stipulation that resolved that case among the parties. In addition, in
12 2001, I testified in the Portland General Electric restructuring proceeding (UE-
13 115).

14 **Q. Have you participated in any workshop processes sponsored by this**
15 **Commission?**

16 A. Yes. In 2003, I was an active participant in the collaborative process
17 initiated by the Commission to examine direct access issues in Oregon, UM-1081.

18 **Q. Have you testified before utility regulatory commissions in other states?**

19 A. Yes. I have testified in over sixty proceedings on the subjects of utility
20 rates and regulatory policy before state utility regulators in Alaska, Arizona,
21 Colorado, Georgia, Idaho, Illinois, Indiana, Kansas, Michigan, Minnesota,
22 Nevada, New York, Ohio, Pennsylvania, South Carolina, Utah, Washington, West
23 Virginia, and Wyoming.

1 A more detailed description of my qualifications is contained in FM
2 Exhibit 101, attached to my direct testimony.

3

4 **Overview and conclusions**

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

6 A. My testimony addresses the following issues:

7 (1) PacifiCorp's proposed capital structure;

8 (2) PacifiCorp's proposal for customers on Schedule 30 to continue to pay
9 a Schedule 299 subsidy to other customers; and

10 (3) The need for consistency in the timing of certain amortizations
11 proposed by the Company.

12 As part of my testimony, I offer recommendations to the Commission on
13 these issues in support of a just and reasonable outcome.

14 **Q. What conclusions and recommendations do you offer based on your**
15 **analysis?**

16 A. I offer the following conclusions and recommendations:

17 (1) PacifiCorp's proposed capital structure of 46.2 percent long-term debt,
18 1.0 percent preferred stock, and 52.8 percent common equity will unduly increase
19 the weighted cost-of-capital that is applied to rate base in setting rates. I believe a
20 more appropriate capital structure for setting rates in this proceeding is 49 percent
21 long-term debt, 1.0 percent preferred stock, and 50 percent common equity.

22 (2) The Company's rate mitigation proposal assigns a Schedule 299
23 subsidy charge to customers on Schedule 30, while exempting from subsidy

1 charges other customer classes that are receiving smaller overall rate increases
2 than Schedule 30. This arrangement is not reasonable. Instead, I recommend that
3 the Schedule 299 charge for Schedule 30 be set to zero, consistent with the
4 Company's recommendation for Residential and Lighting customers.

5 (3) The treatment of the amortization periods for the Company's
6 incremental SO2 emissions sales and its June 2005 severance costs should be
7 made consistent. Either they should both start on January 1, 2007, or the
8 amortization of the severance costs should begin in June 2005.

9

10 **Capital Structure**

11 **Q. What capital structure has PacifiCorp proposed in this proceeding?**

12 A. PacifiCorp has proposed a capital structure of 46.2 percent long-term debt,
13 1.0 percent preferred stock, and 52.8 percent common equity.

14 **Q. What is PacifiCorp's most recently-approved capital structure in Oregon?**

15 A. In Order No. 05-150, in UE-170, the Commission approved a capital
16 structure of 51.34 percent long-term debt, 1.1 percent preferred stock, and 47.56
17 percent common equity. This approval occurred on September 28, 2005, less than
18 one year ago.

19 **Q. Do you agree with PacifiCorp's proposed capital structure in this**
20 **proceeding?**

21 A. No. The proportion of common equity the Company is requesting
22 represents a sizable increase over the currently-approved level and would
23 unreasonably raise rates to customers. Although it is necessary for utilities to

1 provide sufficient equity to satisfy credit rating criteria, an overly-aggressive
2 equity component will unduly increase the weighted cost-of-capital that is applied
3 to rate base in setting rates. I believe a more appropriate capital structure for
4 setting PacifiCorp rates at this time is 49 percent long-term debt, 1.0 percent
5 preferred stock, and 50 percent common equity. This capital structure would still
6 represent a substantial increase in PacifiCorp's common equity component
7 relative to the currently-authorized level, addressing the Company's need to
8 support its credit rating. The capital structure I am recommending is also well-
9 aligned with the Company's actual capital structure at the midpoint of 2006.

10 **Q. Do you have any other observations regarding the Company's proposal to**
11 **significantly increase its equity component in rates?**

12 A. Yes. As part of the regulatory approval process for the acquisition of
13 PacifiCorp by Mid-American Energy Holdings Company ("MEHC"), MEHC
14 witnesses testified that they believed the ownership change would result in a
15 lower cost of long-term debt, benefiting customers. At the same time, it was noted
16 that when MEHC purchased Mid-American Energy Company in March 1999, the
17 latter had an equity-to-capital ratio of 48 percent as of December 31, 1998, and
18 that by December 31, 2004, that ratio had grown to approximately 53 percent. In
19 my view, this raises the question as to whether the benefits of lower long-term
20 debt costs will be more than offset by a corporate preference for greater use of
21 more expensive equity in the utility's capital structure. PacifiCorp's equity-to-
22 capital ratio has already grown to 50 percent by mid-year 2006. I do not believe it
23 is reasonable for an even higher ratio to be recognized in rates at this time.

1 **Q. What would be the impact on Oregon rates of adopting your recommended**
2 **capital structure relative to PacifiCorp's proposal?**

3 A. The rate impact of adopting a different capital structure depends, of
4 course, on the allowed return-on-equity ("ROE") that is approved along with
5 capital structure. The impact also varies depending on the final approved rate base
6 to which the Company's allowed return is applied. With those caveats, I estimate
7 that the impact on Oregon revenue requirements of adopting the capital structure I
8 am recommending would range from \$5.5 million at the Company's requested
9 ROE of 11.5 percent down to \$3.4 million at an ROE of 9.5 percent. This range
10 was calculating using the Company's requested Oregon rate base of \$2.3 billion.
11 These calculations are shown in FM Exhibit 102.

12
13 **Rate Spread and Inter-Class Subsidies**

14 **Q. What general guidelines should be employed in spreading any change in**
15 **rates?**

16 A. In determining rate spread, it is important to align rates with cost
17 causation, to the greatest extent practicable. Properly aligning rates with the costs
18 caused by each customer class is essential for ensuring fairness, as it minimizes
19 cross subsidies among customers. It also sends proper price signals, which
20 improves efficiency in resource utilization.

21 The Oregon Administrative Code provides important guidance in this
22 regard: O.A.R. 860-038-0240 requires that rates for any class of consumer must
23 be based on the unbundled costs to serve that class.

1 At the same time, it can be appropriate to mitigate the impact of moving
2 immediately to cost-based rates for classes that would experience significant rate
3 increases from doing so. This principle of ratemaking is known as “gradualism.”
4 When employing this principle, it is important to adopt a long-term strategy of
5 moving in the direction of cost causation, and to avoid schemes that result in
6 permanent cross-subsidies from other customers.

7 In PacifiCorp’s Oregon tariff, rate mitigation is carried out through the
8 Rate Mitigation Adjustment (“RMA”), Schedule 299, pursuant to which certain
9 customer classes receive, and others pay for, inter-class subsidies.

10 **Q. What has PacifiCorp proposed with respect to Schedule 299 in this**
11 **proceeding?**

12 A. As explained in the direct testimony of William R. Griffith, PacifiCorp is
13 proposing that no rate schedule receive a percentage rate increase that is greater
14 than 150 percent of system average. This means that the rate schedules having
15 cost-based unbundled rates that, if left unmitigated, would result in an increase
16 above the 150 percent cap would receive a credit, or subsidy, through Schedule
17 299. In theory, the cost of funding this rate mitigation should be charged to other
18 rate schedules on some rational basis. Under the Company’s proposal, the full
19 cost of the subsidy is paid by two rate schedules: Schedules 28 and 30. The
20 remaining rate schedules either receive a subsidy (e.g., Schedules 32, 48,
21 Pumping), or have their Schedule 299 charge set at zero, i.e., neither receive nor
22 pay a subsidy. (Residential and Lighting).

1 **Q. What is your assessment of the Company’s proposal with respect to Schedule**
2 **299?**

3 A. PacifiCorp does not lay out a clear decision rule indicating why Schedules
4 28 and 30 are singled out to pay the subsidy to other customers. In the case of
5 Schedule 28,¹ the reasoning is somewhat intuitive, as Schedule 28 is proposed to
6 receive the smallest overall net increase (9.4%) of any non-lighting rate schedules
7 – even with the subsidy charge. However, this is not the case for Schedule 30.²
8 PacifiCorp proposes that this rate schedule receive an overall rate increase of 12.9
9 percent – just below the retail average of 13.2 percent. Significantly, the rate
10 increase proposed for Schedule 30 is greater than that for either Residential
11 (10.8%) or Lighting (9.3%). Yet these two customer classes are exempt from
12 paying the subsidy. In my opinion, it is neither rational nor equitable to single out
13 a class to pay a subsidy while exempting other classes that are receiving smaller
14 rate increases. Therefore, I conclude that the Company’s proposal for Schedule 30
15 to pay a subsidy charge is unreasonable.

16 **Q. What alternative do you recommend?**

17 A. I recommend setting the RMA charge for Schedule 30 to zero, consistent
18 with the Company’s proposals for Residential and Lighting. Any reduction in
19 subsidy collections could be offset by reducing the amount of the subsidy
20 payments to the recipient classes.

21 **Q. What impact would this have on the Company’s proposal for Schedule 299?**

¹ Schedule 28 applies to General Service customers with billing demands between 31 kW and 200 kW.

² Schedule 30 applies to General Service customers with billing demands between 201 kW and 999 kW.

1 A. At the Company's proposed increase of 13.2 percent, eliminating the
2 Schedule 299 subsidy from Schedule 30 would reduce the total subsidy dollars by
3 \$959 thousand. This would reduce the total subsidy payments from \$5.7 million
4 to \$4.7 million, or by about 17 percent.

5 **Q. If your proposal to eliminate the subsidy from Schedule 30 is not adopted,**
6 **are there other approaches that are more reasonable than PacifiCorp's**
7 **proposal?**

8 A. Yes. If the subsidy from Schedule 30 is not eliminated, then those rate
9 schedules receiving smaller increases than Schedule 30 should also be required to
10 contribute to funding the rate mitigation program. While I believe this option is
11 more reasonable than PacifiCorp's recommendation, it is less appealing than my
12 recommended approach, as the latter moves further in the direction of phasing out
13 Schedule 299 altogether, which I believe to be a desirable long-term objective.

14

15 **Timing of Amortizations**

16 **Q. Please explain the concern you have with respect to the timing of**
17 **amortizations.**

18 A. There is an inconsistency in the timing for certain proposed amortizations
19 in PacifiCorp's filing. On the one hand, PacifiCorp recommends that incremental
20 revenues from SO₂ emissions sales be amortized over four-year periods, and
21 initiates the accounting of the amortizations from the dates of the individual
22 transactions, which date back as far as 2004. Thus, in several cases, the
23 incremental revenues from certain SO₂ emissions sales have already been

1 appreciably amortized, and will never accrue to customers. (I note, in passing, that
2 this practice highlights an asymmetry in utility rate making: it is not uncommon
3 for utilities facing an extraordinary expense item to seek deferred accounting
4 treatment, in order to recover at a later date the full expense that is incurred.
5 However, when unanticipated revenues accrue – such as an incremental SO2
6 emissions sale – we seldom see such requests for deferred accounting treatment.)

7 The timing of the SO2 emissions sales contrasts with that of the \$4 million
8 in severance expense that PacifiCorp booked in June 2005, as described on page
9 18 of the direct testimony of Paul Wrigley. PacifiCorp proposes to amortize this
10 severance expense over five years, but does not initiate the amortization until
11 2007, as shown by the \$3,229,760 entry in PPL Exhibit 901, TAB 8.7.5, and by
12 Footnote 3 on TAB 4.3.1.

13 **Q. What do you recommend with respect to this issue?**

14 A. The treatment of the amortization periods for the SO2 emissions sales and
15 the severance costs should be made consistent. Either they should both start on
16 January 1, 2007, or the amortization of the severance costs should begin in June
17 2005.

18 **Q. Does this conclude your direct testimony?**

19 A. Yes, it does.

KEVIN C. HIGGINS
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Vitae

PROFESSIONAL EXPERIENCE

Principal, Energy Strategies, L.L.C., Salt Lake City, Utah, January 2000 to present. Responsible for energy-related economic and policy analysis, regulatory intervention, and strategic negotiation on behalf of industrial, commercial, and public sector interests. Previously Senior Associate, February 1995 to December 1999.

Adjunct Instructor in Economics, Westminster College, Salt Lake City, Utah, September 1981 to May 1982; September 1987 to May 1995. Taught in the economics and M.B.A. programs. Awarded Adjunct Professor of the Year, Gore School of Business, 1990-91.

Chief of Staff to the Chairman, Salt Lake County Board of Commissioners, Salt Lake City, Utah, January 1991 to January 1995. Senior executive responsibility for all matters of county government, including formulation and execution of public policy, delivery of approximately 140 government services, budget adoption and fiscal management (over \$300 million), strategic planning, coordination with elected officials, and communication with consultants and media.

Assistant Director, Utah Energy Office, Utah Department of Natural Resources, Salt Lake City, Utah, August 1985 to January 1991. Directed the agency's resource development section, which provided energy policy analysis to the Governor, implemented state energy development policy, coordinated state energy data collection and dissemination, and managed energy technology demonstration programs. Position responsibilities included policy formulation and implementation, design and administration of energy technology demonstration programs, strategic management of the agency's interventions before the Utah Public Service Commission, budget preparation, and staff development. Supervised a staff of economists, engineers, and policy analysts, and served as lead economist on selected projects.

Utility Economist, Utah Energy Office, January 1985 to August 1985. Provided policy and economic analysis pertaining to energy conservation and resource development, with an emphasis on utility issues. Testified before the state Public Service Commission as an expert witness in cases related to the above.

Acting Assistant Director, Utah Energy Office, June 1984 to January 1985. Same responsibilities as Assistant Director identified above.

Research Economist, Utah Energy Office, October 1983 to June 1984. Provided economic analysis pertaining to renewable energy resource development and utility issues. Experience includes preparation of testimony, development of strategy, and appearance as an expert witness for the Energy Office before the Utah PSC.

Operations Research Assistant, Corporate Modeling and Operations Research Department, Utah Power and Light Company, Salt Lake City, Utah, May 1983 to September 1983. Primary area of responsibility: designing and conducting energy load forecasts.

Instructor in Economics, University of Utah, Salt Lake City, Utah, January 1982 to April 1983. Taught intermediate microeconomics, principles of macroeconomics, and economics as a social science.

Teacher, Vernon-Verona-Sherrill School District, Verona, New York, September 1976 to June 1978.

EDUCATION

Ph.D. Candidate, Economics, University of Utah (coursework and field exams completed, 1981).

Fields of Specialization: Public Finance, Urban and Regional Economics, Economic Development, International Economics, History of Economic Doctrines.

Bachelor of Science, Education, State University of New York at Plattsburgh, 1976 (cum laude).

Danish International Studies Program, University of Copenhagen, 1975.

SCHOLARSHIPS AND FELLOWSHIPS

University Research Fellow, University of Utah, Salt Lake City, Utah 1982 to 1983.

Research Fellow, Institute of Human Resources Management, University of Utah, 1980 to 1982.

Teaching Fellow, Economics Department, University of Utah, 1978 to 1980.

New York State Regents Scholar, 1972 to 1976.

EXPERT TESTIMONY

“Petition of Metropolitan Edison Company for Approval of a Rate Transition Plan,” **Pennsylvania** Public Utilities Commission, Docket Nos. P-00062213 and R-00061366; “Petition of Pennsylvania Electric Company for Approval of a Rate Transition Plan,” Docket Nos. P-0062214 and R-00061367; Merger Savings Remand Proceeding, Docket Nos. A-110300F0095 and A-110400F0040. Direct testimony submitted July 10, 2006.

“In the Matter of the Application of PacifiCorp for approval of its Proposed Electric Rate Schedules & Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 06-035-21. Direct testimony submitted June 9, 2006 (Test Period).

“Joint Application of Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy for the Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders,” **Utah** Public Service Commission, Docket No. 05-057-T01. Direct testimony submitted May 15, 2006.

“Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Power Company d/b/a AmerenCIPS, Illinois Power Company d/b/a AmerenIP, Proposed General Increase in Rates for Delivery Service (Tariffs Filed December 27, 2005),” **Illinois** Commerce Commission, Docket Nos. 06-0070, 06-0071, 06-0072. Direct testimony submitted March 26, 2006. Rebuttal testimony submitted June 27, 2006.

“In the Matter of Appalachian Power Company and Wheeling Power Company, both dba American Electric Power,” Public Service Commission of **West Virginia**, Case No. 05-1278-E-PC-PW-42T. Direct testimony submitted March 8, 2006.

“In the Matter of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota,” **Minnesota** Public Utilities Commission, Docket No. G-002/GR-05-1428. Direct testimony submitted March 2, 2006. Rebuttal testimony submitted March 30, 2006. Cross examined April 25, 2006.

“In the Matter of the Application of Arizona Public Service Company for an Emergency Interim Rate Increase and for an Interim Amendment to Decision No. 67744,” **Arizona** Corporation Commission, Docket No. E-01345A-06-0009. Direct testimony submitted February 28, 2006. Cross examined March 23, 2006.

“In the Matter of the Applications of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval to Make Certain Changes in Their Charges for Electric Service,” State Corporation Commission of **Kansas**, Case No. 05-WSEE-981-RTS. Direct testimony submitted September 9, 2005. Cross examined October 28, 2005.

“In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Recover Costs Associated with the Construction and Ultimate Operation of an Integrated Combined Cycle Electric Generating Facility,” Public Utilities Commission of **Ohio**,” Case No. 05-376-EL-UNC. Direct testimony submitted July 15, 2005. Cross examined August 12, 2005.

“In the Matter of the Filing of General Rate Case Information by Tucson Electric Power Company Pursuant to Decision No. 62103,” **Arizona** Corporation Commission, Docket No. E-01933A-04-0408. Direct testimony submitted June 24, 2005.

“In the Matter of Application of The Detroit Edison Company to Unbundle and Realign Its Rate Schedules for Jurisdictional Retail Sales of Electricity,” **Michigan** Public Service Commission, Case No. U-14399. Direct testimony submitted June 9, 2005. Rebuttal testimony submitted July 1, 2005.

“In the Matter of the Application of Consumers Energy Company for Authority to Increase Its Rates for the Generation and Distribution of Electricity and Other Relief,” **Michigan** Public Service Commission, Case No. U-14347. Direct testimony submitted June 3, 2005. Rebuttal testimony submitted June 17, 2005.

“In the Matter of Pacific Power & Light, Request for a General Rate Increase in the Company’s Oregon Annual Revenues,” Public Utility Commission of **Oregon**, Docket No. UE 170. Direct testimony submitted May 9, 2005. Surrebuttal testimony submitted June 27, 2005. Joint testimony regarding partial stipulations submitted June 2005, July 2005, and August 2005.

“In the Matter of the Application of Trico Electric Cooperative, Inc. for a Rate Increase,” **Arizona** Corporation Commission, Docket No. E-01461A-04-0607. Direct testimony submitted April 13, 2005. Surrebuttal testimony submitted May 16, 2005. Cross examined May 26, 2005.

“In the Matter of the Application of PacifiCorp for Approval of its Proposed Electric Service Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 04-035-42. Direct testimony submitted January 7, 2005.

“In the Matter of the Application by Golden Valley Electric Association, Inc., for Authority to Implement Simplified Rate Filing Procedures and Adjust Rates,” Regulatory Commission of **Alaska**, Docket No. U-4-33. Direct testimony submitted November 5, 2004. Cross examined February 8, 2005.

“Advice Letter No. 1411 - Public Service Company of Colorado Electric Phase II General Rate Case,” **Colorado** Public Utilities Commission, Docket No. 04S-164E. Direct testimony submitted October 12, 2004. Cross-answer testimony submitted December 13, 2004. Testimony withdrawn January 18, 2005, following Applicant’s withdrawal of testimony pertaining to TOU rates.

“In the Matter of Georgia Power Company’s 2004 Rate Case,” **Georgia** Public Service Commission, Docket No. 18300-U. Direct testimony submitted October 8, 2004. Cross examined October 27, 2004.

“2004 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-040641 and UG-040640. Response testimony submitted September 23, 2004. Cross-answer testimony submitted November 3, 2004. Joint testimony regarding stipulation submitted December 6, 2004.

“In the Matter of the Application of PacifiCorp for an Investigation of Interjurisdictional Issues,” **Utah** Public Service Commission, Docket No. 02-035-04. Direct testimony submitted July 15, 2004. Cross examined July 19, 2004.

“In the Matter of an Adjustment of the Gas and Electric Rates, Terms and Conditions of Kentucky Utilities Company,” **Kentucky** Public Service Commission, Case No. 2003-00434. Direct testimony submitted March 23, 2004. Testimony withdrawn pursuant to stipulation entered May 2004.

“In the Matter of an Adjustment of the Gas and Electric Rates, Terms and Conditions of Louisville Gas and Electric Company,” **Kentucky** Public Service Commission, Case No. 2003-00433. Direct testimony submitted March 23, 2004. Testimony withdrawn pursuant to stipulation entered May 2004.

“In the Matter of the Application of Idaho Power Company for Authority to Increase Its Interim and Base Rates and Charges for Electric Service,” **Idaho** Public Utilities Commission, Case No. IPC-E-03-13. Direct testimony submitted February 20, 2004. Rebuttal testimony submitted March 19, 2004. Cross examined April 1, 2004.

“In the Matter of the Applications of the Ohio Edison Company, the Cleveland Electric Illuminating Company and the Toledo Edison Company for Authority to Continue and Modify Certain Regulatory Accounting Practices and Procedures, for Tariff Approvals and to Establish Rates and Other Charges, Including Regulatory Transition Charges Following the Market Development Period,” Public Utilities Commission of **Ohio**, Case No. 03-2144-EL-ATA. Direct testimony submitted February 6, 2004. Cross examined February 18, 2004.

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, To Fix a Just and Reasonable Rate of Return Thereon, To Approve Rate Schedules Designed to Develop Such Return, and For Approval of Purchased Power Contract,” **Arizona** Corporation Commission, Docket No. E-01345A-03-0437. Direct testimony submitted February 3, 2004. Rebuttal testimony submitted March 30, 2004. Direct testimony regarding stipulation submitted September 27, 2004. Responsive / Clarifying testimony regarding stipulation submitted October 25, 2004. Cross examined November 8-10, 2004 and November 29-December 3, 2004.

“In the Matter of Application of the Detroit Edison Company to Increase Rates, Amend Its Rate Schedules Governing the Distribution and Supply of Electric Energy, etc.,” **Michigan** Public Service Commission, Case No. U-13808. Direct testimony submitted December 12, 2003 (interim request) and March 5, 2004 (general rate case).

“In the Matter of PacifiCorp’s Filing of Revised Tariff Schedules,” Public Utility Commission of **Oregon**, Docket No. UE-147. Joint testimony regarding stipulation submitted August 21, 2003.

“Petition of PSI Energy, Inc. for Authority to Increase Its Rates and Charges for Electric Service, etc.,” **Indiana** Utility Regulatory Commission, Cause No. 42359. Direct testimony submitted August 19, 2003. Cross examined November 5, 2003.

“In the Matter of the Application of Consumers Energy Company for a Financing Order Approving the Securitization of Certain of its Qualified Cost,” **Michigan** Public Service Commission, Case No. U-13715. Direct testimony submitted April 8, 2003. Cross examined April 23, 2003.

“In the Matter of the Application of Arizona Public Service Company for Approval of Adjustment Mechanisms,” **Arizona** Corporation Commission, Docket No. E-01345A-02-0403. Direct testimony submitted February 13, 2003. Surrebuttal testimony submitted March 20, 2003. Cross examined April 8, 2003.

“Re: The Investigation and Suspension of Tariff Sheets Filed by Public Service Company of Colorado, Advice Letter No. 1373 – Electric, Advice Letter No. 593 – Gas, Advice Letter No. 80 – Steam,” **Colorado** Public Utilities Commission, Docket No. 02S-315 EG. Direct testimony submitted November 22, 2002. Cross-answer testimony submitted January 24, 2003.

“In the Matter of the Application of The Detroit Edison Company to Implement the Commission’s Stranded Cost Recovery Procedure and for Approval of Net Stranded Cost Recovery Charges,” **Michigan** Public Service Commission, Case No. U-13350. Direct testimony submitted November 12, 2002.

“Application of South Carolina Electric & Gas Company: Adjustments in the Company’s Electric Rate Schedules and Tariffs,” Public Service Commission of **South Carolina**, Docket No. 2002-223-E. Direct testimony submitted November 8, 2002. Surrebuttal testimony submitted November 18, 2002. Cross examined November 21, 2002.

“In the Matter of the Application of Questar Gas Company for a General Increase in Rates and Charges,” **Utah** Public Service Commission, Docket No. 02-057-02. Direct testimony submitted August 30, 2002. Rebuttal testimony submitted October 4, 2002.

“The Kroger Co. v. Dynegy Power Marketing, Inc.,” **Federal Energy Regulatory Commission**, EL02-119-000. Confidential affidavit filed August 13, 2002.

“In the matter of the application of Consumers Energy Company for determination of net stranded costs and for approval of net stranded cost recovery charges,” **Michigan** Public Service Commission, Case No. U-13380. Direct testimony submitted August 9, 2002. Rebuttal testimony submitted August 30, 2002. Cross examined September 10, 2002.

“In the Matter of the Application of Public Service Company of Colorado for an Order to Revise Its Incentive Cost Adjustment,” **Colorado** Public Utilities Commission, Docket 02A-158E. Direct testimony submitted April 18, 2002.

“In the Matter of the Generic Proceedings Concerning Electric Restructuring Issues,” **Arizona** Corporation Commission, Docket No. E-00000A-02-0051, “In the Matter of Arizona Public Service Company’s Request for Variance of Certain Requirements of A.A.C. R14-2-1606,” Docket No. E-01345A-01-0822, “In the Matter of the Generic Proceeding Concerning the Arizona Independent Scheduling Administrator,” Docket No. E-00000A-01-0630, “In the Matter of Tucson Electric Power Company’s Application for a Variance of Certain Electric Competition Rules Compliance Dates,” Docket No. E-01933A-02-0069, “In the Matter of the Application of Tucson Electric Power Company for Approval of its Stranded Cost Recovery,” Docket No. E-01933A-98-0471. Direct testimony submitted March 29, 2002 (APS variance request); May 29, 2002 (APS Track A proceeding/market power issues); and July 28, 2003 (Arizona ISA). Rebuttal testimony submitted August 29, 2003 (Arizona ISA). Cross examined June 21, 2002 (APS Track A proceeding/market power issues) and September 12, 2003 (Arizona ISA).

“In the Matter of Savannah Electric & Power Company’s 2001 Rate Case,” **Georgia** Public Service Commission, Docket No. 14618-U. Direct testimony submitted March 15, 2002. Cross examined March 28, 2002.

“Nevada Power Company’s 2001 Deferred Energy Case,” Public Utilities Commission of **Nevada**, PUCN 01-11029. Direct testimony submitted February 7, 2002. Cross examined February 21, 2002.

“2001 Puget Sound Energy Interim Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-011570 and UE-011571. Direct testimony submitted January 30, 2002. Cross examined February 20, 2002.

“In the Matter of Georgia Power Company’s 2001 Rate Case,” **Georgia** Public Service Commission, Docket No. 14000-U. Direct testimony submitted October 12, 2001. Cross examined October 24, 2001.

“In the Matter of the Application of PacifiCorp for Approval of Its Proposed Electric Rate Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 01-35-01. Direct testimony submitted June 15, 2001. Rebuttal testimony submitted August 31, 2001.

“In the Matter of Portland General Electric Company’s Proposal to Restructure and Reprice Its Services in Accordance with the Provisions of SB 1149,” Public Utility Commission of **Oregon**, Docket No. UE-115. Direct testimony submitted February 20, 2001. Rebuttal testimony submitted May 4, 2001. Joint testimony regarding stipulation submitted July 27, 2001.

“In the Matter of the Application of APS Energy Services, Inc. for Declaratory Order or Waiver of the Electric Competition Rules,” **Arizona** Corporation Commission, Docket No. E-01933A-00-0486. Direct testimony submitted July 24, 2000.

“In the Matter of the Application of Questar Gas Company for an Increase in Rates and Charges,” **Utah** Public Service Commission, Docket No. 99-057-20. Direct testimony submitted April 19, 2000. Rebuttal testimony submitted May 24, 2000. Surrebuttal testimony submitted May 31, 2000. Cross examined June 6 & 8, 2000.

“In the Matter of the Application of Columbus Southern Power Company for Approval of Electric Transition Plan and Application for Receipt of Transition Revenues,” Public Utility Commission of **Ohio**, Case No. 99-1729-EL-ETP; “In the Matter of the Application of Ohio Power Company for Approval of Electric Transition Plan and Application for Receipt of Transition Revenues,” Public Utility Commission of **Ohio**, Case No. 99-1730-EL-ETP. Direct testimony prepared, but not submitted pursuant to settlement agreement effected May 2, 2000.

“In the Matter of the Application of FirstEnergy Corp. on Behalf of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company for Approval of Their Transition Plans and for Authorization to Collect Transition Revenues,” Public Utility Commission of **Ohio**, Case No. 99-1212-EL-ETP. Direct testimony prepared, but not submitted pursuant to settlement agreement effected April 11, 2000.

“2000 Pricing Process,” **Salt River Project** Board of Directors, oral comments provided March 6, 2000 and April 10, 2000.

“Tucson Electric Power Company vs. Cyprus Sierrita Corporation,” **Arizona** Corporation Commission, Docket No. E-000001-99-0243. Direct testimony submitted October 25, 1999. Cross examined November 4, 1999.

“Application of Hildale City and Intermountain Municipal Gas Association for an Order Granting Access for Transportation of Interstate Natural Gas over the Pipelines of Questar Gas Company for Hildale, Utah,” **Utah** Public Service Commission, Docket No. 98-057-01. Rebuttal testimony submitted August 30, 1999.

“In the Matter of the Application by Arizona Electric Power Cooperative, Inc. for Approval of Its Filing as to Regulatory Assets and Transition Revenues,” **Arizona** Corporation Commission, Docket No. E-01773A-98-0470. Direct testimony submitted July 30, 1999. Cross examined February 28, 2000.

“In the Matter of the Application of Tucson Electric Power Company for Approval of its Plan for Stranded Cost Recovery,” **Arizona** Corporation Commission, Docket No. E-01933A-98-0471; “In the Matter of the Filing of Tucson Electric Power Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01933A-97-0772; “In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” Docket No. RE-00000C-94-0165. Direct testimony submitted June 30, 1999. Rebuttal testimony submitted August 6, 1999. Cross examined August 11-13, 1999.

“In the Matter of the Application of Arizona Public Service Company for Approval of its Plan for Stranded Cost Recovery,” **Arizona** Corporation Commission, Docket No. E-01345A-98-0473; “In the Matter of the Filing of Arizona Public Service Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01345A-97-0773; “In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” Docket No. RE-00000C-94-0165. Direct testimony submitted June 4, 1999. Rebuttal testimony submitted July 12, 1999. Cross examined July 14, 1999.

“In the Matter of the Application of Tucson Electric Power Company for Approval of its Plan for Stranded Cost Recovery,” **Arizona** Corporation Commission, Docket No. E-01933A-98-0471; “In the Matter of the Filing of Tucson Electric Power Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01933A-97-0772; “In the Matter of the Application of Arizona Public Service Company for Approval of its Plan for Stranded Cost Recovery,” Docket No. E-01345A-98-0473; “In the Matter of the Filing of Arizona Public Service Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01345A-97-0773; “In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” Docket No. RE-00000C-94-0165. Direct testimony submitted November 30, 1998.

“Hearings on Pricing,” **Salt River Project** Board of Directors, written and oral comments provided November 9, 1998.

“Hearings on Customer Choice,” **Salt River Project** Board of Directors, written and oral comments provided June 22, 1998; June 29, 1998; July 9, 1998; August 7, 1998; and August 14, 1998.

“In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” **Arizona** Corporation Commission, Docket No. U-0000-94-165. Direct and rebuttal testimony filed January 21, 1998. Second rebuttal testimony filed February 4, 1998. Cross examined February 25, 1998.

“In the Matter of Consolidated Edison Company of New York, Inc.’s Plans for (1) Electric Rate/Restructuring Pursuant to Opinion No. 96-12; and (2) the Formation of a Holding Company Pursuant to PSL, Sections 70, 108, and 110, and Certain Related Transactions,” **New York** Public Service Commission, Case 96-E-0897. Direct testimony filed April 9, 1997. Cross examined May 5, 1997.

“In the Matter of the Petition of Sunnyside Cogeneration Associates for Enforcement of Contract Provisions,” **Utah** Public Service Commission, Docket No. 96-2018-01. Direct testimony submitted July 8, 1996.

“In the Matter of the Application of PacifiCorp, dba Pacific Power & Light Company, for Approval of Revised Tariff Schedules and an Alternative Form of Regulation Plan,” **Wyoming** Public Service Commission, Docket No. 2000-ER-95-99. Direct testimony submitted April 8, 1996.

“In the Matter of the Application of Mountain Fuel Supply Company for an Increase in Rates and Charges,” **Utah** Public Service Commission, Case No. 95-057-02. Direct testimony submitted June 19, 1995. Rebuttal testimony submitted July 25, 1995. Surrebuttal testimony submitted August 7, 1995.

“In the Matter of the Investigation of the Reasonableness of the Rates and Tariffs of Mountain Fuel Supply Company,” **Utah** Public Service Commission, Case No. 89-057-15. Direct testimony submitted July 1990. Surrebuttal testimony submitted August 1990.

“In the Matter of the Review of the Rates of Utah Power and Light Company pursuant to The Order in Case No. 87-035-27,” **Utah** Public Service Commission, Case No. 89-035-10. Rebuttal testimony submitted November 15, 1989. Cross examined December 1, 1989 (rate schedule changes for state facilities).

“In the Matter of the Application of Utah Power & Light Company and PC/UP&L Merging Corp. (to be renamed PacifiCorp) for an Order Authorizing the Merger of Utah Power & Light Company and PacifiCorp into PC/UP&L Merging Corp. and Authorizing the Issuance of Securities, Adoption of Tariffs, and Transfer of Certificates of Public Convenience and Necessity and Authorities in Connection Therewith,” **Utah** Public Service Commission, Case No. 87-035-27; Direct testimony submitted April 11, 1988. Cross examined May 12, 1988 (economic impact of UP&L merger with PacifiCorp).

“In the Matter of the Application of Mountain Fuel Supply Company for Approval of Interruptible Industrial Transportation Rates,” **Utah** Public Service Commission, Case No. 86-057-07. Direct testimony submitted January 15, 1988. Cross examined March 30, 1988.

“In the Matter of the Application of Utah Power and Light Company for an Order Approving a Power Purchase Agreement,” **Utah** Public Service Commission, Case No. 87-035-18. Oral testimony delivered July 8, 1987.

“Cogeneration: Small Power Production,” **Federal Energy Regulatory Commission**, Docket No. RM87-12-000. Statement on behalf of State of Utah delivered March 27, 1987, in San Francisco.

“In the Matter of the Investigation of Rates for Backup, Maintenance, Supplementary, and Standby Power for Utah Power and Light Company,” **Utah** Public Service Commission, Case No. 86-035-13. Direct testimony submitted January 5, 1987. Case settled by stipulation approved August 1987.

“In the Matter of the Application of Sunnyside Cogeneration Associates for Approval of the Cogeneration Power Purchase Agreement,” **Utah** Public Service Commission, Case No. 86-2018-01. Rebuttal testimony submitted July 16, 1986. Cross examined July 17, 1986.

“In the Matter of the Investigation of Demand-Side Alternatives to Capacity Expansion for Electric Utilities,” **Utah** Public Service Commission, Case No. 84-999-20. Direct testimony submitted June 17, 1985. Rebuttal testimony submitted July 29, 1985. Cross examined August 19, 1985.

“In the Matter of the Implementation of Rules Governing Cogeneration and Small Power Production in Utah,” **Utah** Public Service Commission, Case No. 80-999-06, pp. 1293-1318. Direct testimony submitted January 13, 1984 (avoided costs), May 9, 1986 (security for levelized contracts) and November 17, 1986 (avoided costs). Cross-examined February 29, 1984 (avoided costs), April 11, 1985 (standard form contracts), May 22-23, 1986 (security for levelized contracts) and December 16-17, 1986 (avoided costs).

OTHER RELATED ACTIVITY

Participant, Oregon Direct Access Task Force (UM 1081), May 2003 to November 2003.

Participant, Michigan Stranded Cost Collaborative, March 2003 to March 2004.

Member, Arizona Electric Competition Advisory Group, December 2002 to present.

Board of Directors, ex-officio, Desert STAR RTO, September 1999 to February 2002.

Member, Advisory Committee, Desert STAR RTO, September 1999 to February 2002. Acting Chairman, October 2000 to February 2002.

Board of Directors, Arizona Independent Scheduling Administrator Association, October 1998 to present.

Acting Chairman, Operating Committee, Arizona Independent Scheduling Administrator Association, October 1998 to June 1999.

Member, Desert Star ISO Investigation Working Groups: Operations, Pricing, and Governance, April 1997 to present. Legal & Negotiating Committee, April 1999 to December 1999.

Participant, Independent System Operator and Spot Market Working Group, Arizona Corporation Commission, April 1997 to September 1997.

Participant, Unbundled Services and Standard Offer Working Group, Arizona Corporation Commission, April 1997 to October 1997.

Participant, Customer Selection Working Group, Arizona Corporation Commission, March 1997 to September 1997.

Member, Stranded Cost Working Group, Arizona Corporation Commission, March 1997 to September 1997.

Member, Electric System Reliability & Safety Working Group, Arizona Corporation Commission, November 1996 to September 1998.

Chairman, Salt Palace Renovation and Expansion Committee, Salt Lake County/State of Utah/Salt Lake City, multi-government entity responsible for implementation of planning, design, finance, and construction of an \$85 million renovation of the Salt Palace Convention Center, Salt Lake City, Utah, May 1991 to December 1994.

State of Utah Representative, Committee on Regional Electric Power Cooperation, a joint effort of the Western Interstate Energy Board and the Western Conference of Public Service Commissioners, January 1987 to December 1990.

Member, Utah Governor's Economic Coordinating Committee, January 1987 to December 1990.

Chairman, Standard Contract Task Force, established by Utah Public Service Commission to address contractual problems relating to qualifying facility sales under PURPA, March 1986 to December 1990.

Chairman, Load Management and Energy Conservation Task Force, Utah Public Service Commission, August 1985 to December 1990.

Alternate Delegate for Utah, Western Interstate Energy Board, Denver, Colorado, August 1985 to December 1990.

Articles Editor, Economic Forum, September 1980 to August 1981.

**Impact of Fred Meyer 's Proposed Capital Structure on
PacifiCorp's Oregon Revenue Requirement at an ROE of 9.5%**

	PacifiCorp			Kroger		
	PacifiCorp Oregon Adj	Price Change		PacifiCorp Oregon Adj	Price Change	
General Business Revenues	\$845,831,346	\$71,566,674	\$917,398,020	\$845,831,346	\$68,214,043	\$914,045,389
Other Revenues	<u>\$313,353,734</u>		<u>\$313,353,734</u>	<u>\$313,353,734</u>		<u>\$313,353,734</u>
Total Operating Revenues	\$1,159,185,080	\$71,566,674	\$1,230,751,754	\$1,159,185,080	\$68,214,043	\$1,227,399,123
Operating Expenses						
Total O&M Expenses	\$782,084,784	\$466,272	\$782,551,056	\$782,084,784	\$444,429	\$782,529,213
Depreciation	\$121,382,321		\$121,382,321	\$121,382,321		\$121,382,321
Amortization	\$18,573,130		\$18,573,130	\$18,573,130		\$18,573,130
Taxes Other than Income	\$45,968,175	\$1,710,444	\$47,678,619	\$45,968,175	\$1,630,316	\$47,598,491
Income Taxes - Federal	\$41,501,155	\$23,183,879	\$64,685,034	\$41,501,155	\$22,097,801	\$63,598,956
Income Taxes - State	\$5,899,849	\$3,150,304	\$9,050,153	\$5,899,849	\$3,002,724	\$8,902,573
Income Taxes Deferred - Net	<u>\$5,252,012</u>		<u>\$5,252,012</u>	<u>\$5,252,012</u>		<u>\$5,252,012</u>
Investment Tax Credit Adj.	\$0		\$0	\$0		\$0
Misc. Revenue & Expense	<u>(\$3,167,462)</u>		<u>(\$3,167,462)</u>	<u>(\$3,167,462)</u>		<u>(\$3,167,462)</u>
Total Operating Expenses	\$1,017,493,964	\$28,510,899	\$1,046,004,863	\$1,017,493,964	\$27,175,270	\$1,044,669,234
Operating Revenue for Return	\$141,691,116	\$43,055,775	\$184,746,891	\$141,691,116	\$41,038,773	\$182,729,889
Rate Base Additions						
Electric Plant in Service	\$4,450,735,202			\$4,450,735,202		
Plant Held for Future Use	\$0			\$0		
Misc. Deferred Debits	\$26,071,169			\$26,071,169		
Elec. Plant Acq. Adj.	\$19,855,154			\$19,855,154		
Nuclear Fuel	\$0			\$0		
Prepayments	\$7,210,867			\$7,210,867		
Fuel Stock	\$18,041,723			\$18,041,723		
Mat'l & Suppl.	\$29,928,923			\$29,928,923		
Working Capital	\$25,677,728			\$25,677,728		
Weatherization Loans	\$33,032			\$33,032		
Misc. Rate Base	<u>\$1,788,067</u>			<u>\$1,788,067</u>		
Total Electric Plant	\$4,579,341,865	\$0	\$4,579,341,865	\$4,579,341,865	\$0	\$4,579,341,865
Rate Base Deductions:						
Accum. Prov. for Deprec.	<u>(\$1,786,250,483)</u>			<u>(\$1,786,250,483)</u>		
Accum. Prov. for Amort.	<u>(\$127,943,501)</u>			<u>(\$127,943,501)</u>		
Accum Deferred Income Taxes	<u>(\$324,880,046)</u>			<u>(\$324,880,046)</u>		
Unamortized ITC	<u>(\$7,435,151)</u>			<u>(\$7,435,151)</u>		
Customer Adv. for Constr.	\$0			\$0		
Customer Service Deposits	\$0			\$0		
Misc. Rate Base Deductions	<u>(\$30,633,937)</u>			<u>(\$30,633,937)</u>		
Total Rate Base Deductions	<u>(\$2,277,143,118)</u>	\$0	<u>(\$2,277,143,118)</u>	<u>(\$2,277,143,118)</u>	\$0	<u>(\$2,277,143,118)</u>
Rate Base	\$2,302,198,747	\$0	\$2,302,198,747	\$2,302,198,747	\$0	\$2,302,198,747
Return of Rate Base	6.155%		8.025%	6.155%		7.937%
Return on Equity	5.958%		9.500%	5.935%		9.500%
Tax Calculation:						
Operating Revenue	\$194,344,132	\$69,389,958	\$263,734,090	\$194,344,132	\$66,139,298	\$260,483,430
Other Deductions						
Interest (AFUDC)						
Interest	2.9434% \$67,762,964	\$0	\$67,762,964	3.1218% \$71,869,810	\$0	\$71,869,810
Schedule "M" Additions	<u>\$159,922,263</u>	\$0	<u>\$159,922,263</u>	<u>\$159,922,263</u>	\$0	<u>\$159,922,263</u>
Schedule "M" Deductions	<u>\$160,784,439</u>	\$0	<u>\$160,784,439</u>	<u>\$160,784,439</u>	\$0	<u>\$160,784,439</u>
Income Before Taxes	\$125,718,992	\$69,389,958	\$195,108,950	\$121,612,146	\$66,139,298	\$187,751,443
State Income Taxes	4.54% <u>\$5,899,849</u>	<u>\$3,150,304</u>	<u>\$9,050,153</u>	<u>\$5,899,849</u>	<u>\$3,002,724</u>	<u>\$8,902,573</u>
Taxable Income	\$119,819,143	\$66,239,654	\$186,058,797	\$115,712,297	\$63,136,573	\$178,848,870
Federal Income Taxes + Other	35.00% <u>\$41,501,155</u>	\$23,183,879	\$64,685,034	\$41,501,155	\$22,097,801	\$63,598,956
				Impact on PacifiCorp Rev. Req't		<u>(\$3,352,632)</u>