

1 **Q. Please state your name, business address, and present position with**
2 **PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company).**

3 A. My name is Richard Patrick “Pat” Reiten. My business address is 825 NE
4 Multnomah Street, Suite 2000, Portland, Oregon 97232. My present position is
5 President and Chief Executive Officer (CEO) of Pacific Power.

6 **Qualifications**

7 **Q. Briefly describe your education and professional experience.**

8 A. I received a Bachelor’s degree in political science with an emphasis in economics
9 from the University of Washington and completed executive training at the
10 Wharton School of Business, University of Pennsylvania. Before joining
11 PacifiCorp in September 2006, I was president and CEO of PNGC Power, an
12 energy cooperative located in Portland, Oregon, that provides power management
13 services to electric distribution utilities serving parts of seven western states.
14 I was appointed to that position in May 2002. I joined PNGC Power in 1993,
15 advancing through positions of increasing responsibility. Before PNGC Power,
16 I served as an aide to U.S. Senator Mark O. Hatfield, handling issues associated
17 with the U.S. Senate Energy and Natural Resources Committee. I also was an
18 official in several different capacities at the U.S. Department of Interior, including
19 serving as acting deputy director of the U.S. Bureau of Land Management.

20 **Purpose of Testimony**

21 **Q. What is the purpose of your testimony?**

22 A. My testimony provides an overview of the Company’s request for an increase in
23 its base electric prices, describes the major factors driving the need for the price

1 increase, and discusses the steps taken by the Company to mitigate the price
2 increase. My testimony also introduces the other witnesses providing testimony
3 on behalf of the Company.

4 **Q. Please provide a brief introduction to PacifiCorp.**

5 A. PacifiCorp is a regulated electric utility company comprised of three business
6 units: Pacific Power, Rocky Mountain Power, and PacifiCorp Energy. Pacific
7 Power, headquartered in Portland, Oregon, serves customers in Washington,
8 Oregon, and California. Rocky Mountain Power, headquartered in Salt Lake
9 City, Utah, serves customers in Utah, Wyoming, and Idaho. PacifiCorp Energy,
10 containing the electric generation, commercial, energy trading, and coal mining
11 operations of the Company, is also headquartered in Salt Lake City.

12 In 2006, PacifiCorp was acquired by MidAmerican Energy Holdings
13 Company. Today, PacifiCorp serves more than 1.7 million customers across
14 136,000 square miles of service territory in six states. A map of the Company's
15 service territories is provided in Exhibit No.__(RPR-2).

16 In Washington, the Company proudly serves approximately 132,000 retail
17 customers in Columbia, Garfield, Kittitas, Walla Walla, and Yakima counties.

18 **Summary of PacifiCorp's Price Increase Request**

19 **Q. Please summarize the Company's price increase request.**

20 A. The Company is requesting an increase to its base electric prices in Washington.
21 Based on the evidence provided in the direct testimony of Mr. Steven R.
22 McDougal, the Company is currently earning a return on equity (ROE) in
23 Washington of 3.9 percent for the test period. This return is significantly less than

1 the Company's authorized ROE in Washington, and less than the 10.0 percent
2 ROE requested by the Company and supported by Dr. Samuel C. Hadaway in his
3 testimony. An overall price increase of \$42.8 million or 14.1 percent is required
4 to produce the 10.0 percent ROE necessary to maintain the financial integrity of
5 the Company.

6 **Q. What is the test period in this case?**

7 A. As described in the testimony of Mr. McDougal, the requested price increase is
8 based on a historical test period of the 12 months ended June 30, 2012, with
9 known and measurable changes. Consistent with prior rate cases and recent
10 Washington Utilities and Transportation Commission (Commission) orders, the
11 Company's net power costs (NPC) are based on pro forma net power costs for the
12 12 months ending December 31, 2014, which is closely aligned with the rate
13 effective period.

14 **Q. What are the primary factors driving the need for a price increase?**

15 A. As a regulated utility, the Company has an obligation to provide safe, adequate,
16 and reliable service to customers in its Washington service territory while
17 balancing cost and risk, and meeting state energy policy objectives. The
18 Company's need for this price increase is primarily driven by cost increases in the
19 following key areas.

20 **Increases in NPC** – As described in the direct testimony of Mr. Gregory
21 N. Duvall, one driver of this price increase is higher NPC in the Company's west
22 control area. The increase is partially mitigated by the reduction in NPC

1 associated with a lower load forecast in the west control area and reduced costs
2 for natural gas swaps in 2014.

3 **Investment in the System** – The major investments in this filing include
4 upgrades at the Company’s hydroelectric generating facilities, including four
5 hydroelectric improvement projects required by the Federal Energy Regulatory
6 Commission (FERC) licenses issued for the Lewis, North Umpqua, and Prospect
7 hydroelectric projects. The projects are described in more detail in the direct
8 testimony of Mr. Mark R. Tallman.

9 Also included in this filing is a turbine upgrade at Unit 2 of the Jim
10 Bridger generating plant. As a result of recent advances to steam turbine design,
11 this upgrade will result in improved efficiency and maximum output with no
12 increase in fuel input. The turbine upgrade is described in more detail in the
13 direct testimony of Mr. Dana M. Ralston.

14 The Company is also seeking the Commission’s approval of a depreciation
15 schedule for costs associated with the Klamath Hydroelectric Settlement
16 Agreement that coincides with the target date for decommissioning and facilities
17 removal. The Company’s proposal is described in further detail in the direct
18 testimony of Ms. Andrea L. Kelly.

19 **Retail Revenues** – Normalized retail revenues have decreased from the
20 level upon which prices were based in the Company’s last general rate case,
21 docket UE-111190 (2011 Rate Case). This decrease is largely driven by lower
22 sales in the residential class due to continued economic recessionary impacts,

1 among other things. Washington sales and load are described in further detail in
2 the direct testimony of Ms. Kelcey A. Brown.

3 **Q. Are the cost increases facing the Company unique in the industry?**

4 A. No. These types of cost pressures are being experienced throughout the industry.
5 Even with the price increase proposed in this case, the Company's prices will
6 remain among the lowest in the region.

7 **Q. What steps has the Company taken to mitigate cost increases in the current
8 business environment?**

9 A. The Company has taken several steps to mitigate the price increase. First, the
10 Company reduced operations and maintenance (O&M) expenses in this case
11 through its continuing efforts to operate more efficiently. As discussed in the
12 testimony of Mr. McDougal, these efforts reduce Washington O&M expenses by
13 \$0.8 million.

14 Second, the Company has been able to significantly reduce its cost of
15 long-term debt from 5.76 percent, reflected in the Company's 2011 Rate Case, to
16 the 5.37 percent proposed in this case. This reduction directly benefits customers
17 by contributing to a lower overall rate of return and lower revenue requirement.

18 This is discussed in more detail in the direct testimony of Mr. Bruce N. Williams.

19 Finally, Mr. Erich D. Wilson discusses how the Company has prudently
20 contained increases to labor costs since the last rate case and, in particular, has
21 kept increases in benefit costs at a reasonable level that reflect the economic
22 conditions and market. Health care costs have continued to rise at a steep rate,

1 and the Company has made adjustments to cost sharing and plan design to control
2 costs and align with market practices.

3 **Introduction of Witnesses**

4 **Q. Please list the Company witnesses in this case and provide a brief description**
5 **of their testimonies.**

6 A. **Dr. Samuel C. Hadaway**, Principal, FINANCO, Inc., testifies concerning the
7 Company's cost of equity. He will present support for the requested authorized
8 return on equity of 10.0 percent to account for the risks and operating challenges
9 facing the Company.

10 **Bruce N. Williams**, Vice President and Treasurer, describes the calculation of the
11 Company's capital structure, cost of debt, and cost of preferred stock.

12 **R. Bryce Dalley**, Director, Regulatory Affairs and Revenue Requirement,
13 discusses the West Control Area inter-jurisdictional allocation methodology.

14 **Andrea L. Kelly**, Senior Vice President, presents the Company's request for
15 adoption of depreciation lives for the Klamath Hydroelectric Project under the
16 Klamath Hydroelectric Settlement Agreement (KHSA).

17 **Mark R. Tallman**, Vice President of Renewable Resources, discusses four
18 hydroelectric projects required by the FERC licenses issued for the Lewis, North
19 Umpqua, and Prospect hydroelectric systems.

20 **Dana M. Ralston**, Vice President of Thermal Generation, provides information
21 supporting the prudence of a turbine upgrade project at Jim Bridger Unit 2.

22 **Erich D. Wilson**, Director, Human Resources, presents an overview of
23 compensation and incentive plans and supports the costs related to these areas

1 included in the test period.

2 **Kelcey A. Brown**, Regulatory Manager, Commercial & Trading, presents the
3 temperature normalization and load forecasting methodologies used in this case.

4 **Gregory N. Duvall**, Director, Net Power Costs, describes the Company's net
5 power costs and presents the Company's proposal for a power cost adjustment
6 mechanism.

7 **Douglas K. Stuver**, Senior Vice President and Chief Financial Officer, addresses
8 the Company's calculation of cash working capital, which is based on the
9 investor-supplied working capital methodology.

10 **Steven R. McDougal**, Director, Revenue Requirement, presents the Company's
11 overall revenue requirement based on the historical 12-month period ended June
12 30, 2012. He also presents the normalizing and pro-forma known and measurable
13 adjustments to historical results related to revenue, operations and maintenance
14 expense, net power costs, depreciation and amortization, taxes, and rate base.

15 **Barbara A. Coughlin**, Director, Customer Service, describes the Company's
16 proposed changes to its tariff rules and Schedule 300.

17 **C. Craig Paice**, Regulatory Specialist, Cost of Service and Pricing, presents the
18 Company's cost of service study.

19 **Joelle R. Steward**, Director, Pricing, Cost of Service and Regulatory Operations,
20 presents the Company's proposed allocation of the proposed price increase across
21 rate schedules and the proposed changes in rate design for the affected rate
22 schedules.

1 Q. Does this conclude your direct testimony?

2 A. Yes.