Exhibit No.___(RPR-1T)
Docket No. UE-09___
Witness: Richard P. Reiten

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, vs. PACIFICORP dba Pacific Power Respondent.	)))))))))))	Docket No. UE-09______

PACIFICORP

DIRECT TESTIMONY OF RICHARD P. REITEN

February 2009

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

A. My name is Richard Patrick "Pat" Reiten. My business address is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232. I am President of Pacific Power.

Qualifications

Q. Briefly describe your educational and professional background.

A. I received a bachelor's degree in political science with an emphasis in economics from the University of Washington and completed executive training at the Wharton School of Business, University of Pennsylvania. Prior to joining PacifiCorp in September 2006, I was president and chief executive officer of PNGC Power, an energy cooperative located in Portland, Oregon, that provides power management services to electric distribution utilities serving parts of seven Western states. I was appointed to that position in May 2002. I joined PNGC Power in 1993, advancing through positions of increasing responsibility. Prior to PNGC Power, I served as an aide to U.S. Sen. Mark O. Hatfield, handling issues associated with the U.S. Senate Energy and Natural Resources Committee. I also was an official in several different capacities at the U.S. Department of Interior, including deputy director of the U.S. Bureau of Land Management.

Purpose of Testimony

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

A. My testimony provides an overview of the Company's request for an increase in its base electric rates, describes the major factors driving the need for the rate increase, and discusses actions taken by the Company to mitigate the rate increase. I describe the changes the Company proposes to the low-income bill assistance program to help mitigate the impact of the proposed rate increase. Finally, my testimony introduces the other witnesses providing testimony on behalf of PacifiCorp.

Summary of PacifiCorp's Rate Increase Request

Q. Please summarize PacifiCorp's rate increase request.

A. PacifiCorp is requesting an increase to its base electric rates in Washington. Based on the evidence provided in the direct testimony of Company witness Mr. R. Bryce Dalley, PacifiCorp is currently earning a return on equity ("ROE") in Washington of 4.5 percent for the test period. This return is less than the 11.00 percent ROE requested by the Company, supported by Company witness Dr. Samuel C. Hadaway in his direct testimony. An overall price increase of $38.5 million or 15.1 percent is required to produce the 11.00 percent ROE necessary to maintain the financial integrity of the Company.

Q. Upon what test year is the rate increase request based?

A. As described in the testimony of Mr. Dalley, the rate increase is based on a historical test period of the twelve-months ending June 30, 2008 with known and measureable changes.

Q. What are the primary factors driving the need for an overall rate increase?

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

Investment in the system. As described in the testimony of Mr. Dalley, the Company continues to make significant investments to serve its customers. Washington-allocated net electric plant in service has increased by more than $125 million since the Company's last general rate case ("2008 Rate Case"). These capital additions are primarily related to the addition of the Chehalis natural gas plant ("Chehalis Plant") and the Marengo II wind resource located in Washington. The new capital costs in this case also reflect a full year of the Goodnoe Hills wind resource and the Marengo wind resource, both of which are located in Washington and were found to be prudent resources in the 2008 Rate Case. Company witness Mr. Mark R. Tallman explains in his direct testimony the prudent steps taken by the Company in acquiring the new Marengo II wind resource. Mr. Tallman also describes how the addition of the Marengo II resource will enable the Company to comply with the state's renewable portfolio standard. Company witnesses Mr. Stefan A. Bird and Mr. Gregory N. Duvall present the analysis that was performed by the Company in deciding to acquire the Chehalis Plant, demonstrate the prudence of the acquisition of the Chehalis Plant including its qualification under the state's emission performance standard ("EPS"), and establish that the resource is used and useful for service to the Company's Washington customers.

Increases in net power costs. As described in the direct testimony of Company witness Dr. Hui Shu, increases in net power costs are another primary driver of the need for a rate increase. The increase in net power costs is driven by a variety of factors including the expiration of long-term firm purchase power contracts, increased firm wheeling expenses, the addition of natural gas pipeline reservation fees and startup fuel costs, lower hydro generation at Company-owned facilities, and increases in costs at the Bridger mine. The increase is mitigated by the addition of near-zero variable-cost wind resources. Dr. Shu describes these changes in more detail in her testimony.

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

A. No. Other utilities are facing the same types of cost pressures. As such, even with the price increase proposed in this case, PacifiCorp's prices will remain competitive when measured against other utilities within the state.

Q. What has the Company done to mitigate the rate increase requested in this case?

A. The Company has taken several steps to mitigate the rate increase request. First, the Company has proactively and aggressively controlled operations and maintenance (O&M) and administrative and general (A&G) costs. O&M costs have increased by only $2.5 million and this increase is largely due to new generation plant additions. A&G costs have increased by only $0.3 million. The Company has accomplished this level of cost control by challenging its management to absorb inflationary pressures such as labor escalations through productivity gains.

Second, as discussed in Mr. Dalley's direct testimony, the Company is proposing to amortize a deferral account in a manner that will not cause an additional rate increase. The proposal spreads the deferred costs over a longer amortization period, which slightly decreases overall cash flow for the Company. Finally, as discussed in the direct testimony of Company witness Mr. Bruce N. Williams, the Company has been successful in securing favorable interest rates for recent bond issuances that directly benefit customers.

Low-Income Bill Assistance

Q. What changes is the Company proposing to the low-income bill assistance program?

A. The Company proposes a number of changes to its low-income bill assistance program. First, it proposes to increase the present surcharge to fund the Company’s low-income bill assistance program. In addition, it proposes to increase the present rate credits offered to qualifying low-income customers and to raise the present cap on the number of qualifying low-income customers who may participate in the program. Company witness Mr. William R. Griffith offers additional details of the Company's proposal in his direct testimony.

Introduction of Witnesses

Q. Please list the Company witnesses and provide a brief description of their testimony.

A. **Dr. Samuel C. Hadaway**, Principal, FINANCO, Inc. testifies concerning the Company’s cost of equity. He will present support for the requested authorized ROE of 11.00 percent to account for the risks and operating challenges that the Company faces.

Bruce N. Williams, Treasurer, describes the calculation of PacifiCorp’s capital structure, cost of debt and preferred stock. He also presents studies that demonstrate PacifiCorp's compliance with the Company's and MEHC's commitment from Docket UE-051090 (Commitment 37).

Dr. Hui Shu, Manager, Net Power Costs, describes the Company's net power costs. She will also explain the Company's production cost model.

Dr. Romita Biswas, Director, Load and Revenue Forecasting, presents the temperature normalization and load forecasting methodologies used in this case. She also describes the refinements to the Company's forecasting methodology developed through the Integrated Resource Planning process.

Mark R. Tallman, Vice President, Renewable Resource Development, describes the Company's acquisition of the new Marengo II wind resource.

Stefan A. Bird, Vice President, Commercial and Trading, demonstrates the prudence of the acquisition of the Chehalis Plant and shows that it is in the best interest of Washington customers. He also discusses the Washington greenhouse gas EPS and the Company's recent submission to the Energy Facility Site Evaluation Council requesting a certification that the Chehalis Plant complies with the EPS.

Gregory N. Duvall, Director, Long Range Planning and Net Power Costs, presents the evidence that supports PacifiCorp's decision to acquire the Chehalis Plant and demonstrates that the Chehalis Plant is used and useful for service to Washington customers.

R. Bryce Dalley, Manager, Revenue Requirement, presents the Company's overall revenue requirement based on the test period (a historical twelve-month period ending June 30, 2008, adjusted for known and measurable changes). He also presents the normalizing and pro forma adjustments to historic results related to revenue, operations and maintenance expense, net power costs, depreciation and amortization, taxes and rate base. Finally, he describes the costs the Company is currently deferring related to the Chehalis Plant, as filed in a notice submitted to the Commission in UE-082252, and the Company's proposal to recover these costs.

C. Craig Paice, Regulatory Consultant, Cost of Service and Pricing, presents the Company's cost of service study.

William R. Griffith, Director, Pricing, Cost of Service and Regulatory Operations, presents the Company's proposed rate spread and changes in price design for the affected rate schedules. He also describes the changes proposed by the Company to the low-income bill assistance program.

Q. Does this conclude your direct testimony?

A. Yes.