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

A. My name is Paul M. Wrigley. My business address is 825 NE Multnomah St., Suite 2000, Portland, OR 97232. My present position is Director of Regulatory Strategy and Multi-State Process (MSP) in the Regulation Department.

Qualifications

Q. Please briefly describe your education and business experience.

A. I graduated from Westfield College, London University in 1974 with a B.S. in Mathematics. In addition, I received a M.S. in Probability & Statistics from Sheffield University in 1975. From 1975 to 1977, I undertook post-graduate research at Sheffield University. From 1977 to 1980 I was employed as a Statistician in local government in the United Kingdom. I joined the Company in the Load Forecasting section in 1981 and progressed through various positions in the area of forecasting. I joined the Regulation Department in 1995 and assumed my present position in April of 2006.

Q. What are your responsibilities?

A. My primary responsibilities include the calculation and reporting of the Company's regulated earnings or revenue requirement and the explanation of those calculations to regulators in the jurisdictions in which PacifiCorp operates.

Purpose of Testimony

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

A. The purpose of my testimony is to present the Company's Washington Results of Operations Report for the test period (the twelve months ended March 31, 2006).

These Results of Operations were prepared using a new West Control Area (WCA) methodology for allocating costs to Washington, which I also describe in my testimony. In presenting this Report, I indicate the sources of the base data, and describe adjustments to the base data. My testimony presents evidence that based on these Results of Operations, PacifiCorp is earning an overall return on equity (ROE) in Washington of 4.54 percent for the test period. This return is less than the 10.2 percent ROE currently authorized by the Washington Utilities and Transportation Commission (Commission) in its order in Docket No. UE-050684, the Company's most recent rate proceeding (2005 Rate Case). An overall price increase of $23.2 million is required to produce the currently authorized ROE.

Q. Has the Company limited the scope of adjustments that it is proposing in this proceeding?

A. Yes. In the interest of submitting a filing that could be processed expeditiously, the Company has greatly restricted the number of adjustments that it is proposing when compared with those associated with a complete rate filing. First, compared to previous rate cases, the Company has decided not to include many pro forma adjustments it would have included. Secondly, the Company has elected not to re-litigate many of the issues raised in the 2005 Rate Case.

Q. Why is the Company willing to do this?

A. The Company views the primary purpose of this proceeding as the adoption of the new WCA methodology, which we are proposing to implement on a five-year pilot basis. The Company has elected to forego inclusion of other adjustments in the proceeding in the interest of allowing the Commission and the parties to focus on this new methodology.

Q. Is it possible to quantify the amount associated with the adjustments which the Company is foregoing in this proceeding?

A. Not directly. However, an indirect but accurate method would be to look at the magnitude of the adjustments in the 2005 Rate Case. In that case, the Company updated wages and employee benefits to the pro forma period, which increased the revenue requirement by $4.1 million. The Company is not proposing a similar update of wages and employee benefits in this docket, which effectively imputes a two to three percent productivity stretch target. Additionally, in the 2005 Rate Case, the Company calculated its power costs on a forward-looking basis to the rate effective period, which increased the revenue requirement by $9.4 million. Finally, the Company included an adjustment for pro forma plant additions, increasing revenue requirement by $5.5 million. These are all examples of adjustments excluded from this filing in the interest of an expeditious processing of the case.

Q. What other approaches has the Company incorporated into this filing in the interests of minimizing controversy?

A. The Company has elected not to relitigate many issues from the 2005 Rate Case. For example, the Company has accepted the authorized ROE and capital structure, for purposes of this proceeding, and is electing to reflect only known changes to the cost of long-term debt and preferred stock that are favorable to our customers, *i.e.*, they *reduce* the overall rate of return. This filing also reflects the implementation of the stipulated interim methodology for temperature normalization. In addition, the Company has removed all existing miscellaneous deferred debits from rate base (although the Company is authorized to recover some of the deferred amounts), and the Company has followed the Commission-ordered accounting for the Malin-Midpoint safe harbor lease.

Inter-Jurisdictional Cost Allocation Methodology

Q. Please describe the inter-jurisdictional cost allocation methodology that was used to develop the requested Washington revenue requirement.

A. The Company has developed an allocation methodology which we believe complies with the Commission requirement from the 2005 Rate Case that "all public utility property included in rates must be used and useful for service in this state." (Order 04, paragraph 67) As described by Ms. Kelly, the WCA method includes generation and transmission resources that lie within the west control area. A detailed description of the WCA method is provided as Exhibit No.___(PMW-2).

Q. Does this mean that costs of relicensing the western hydro projects will be borne by Washington ratepayers?

A. Yes, subject to a prudence review of the terms of relicensing, Washington customers will pay a proportionate share of relicensing costs associated with all hydro resources in the west control area, including the projects on the Klamath River.

Q. How is transmission plant assigned under the WCA method?

A. Transmission plant located in Oregon, Washington and California is assigned to the west control area. Additionally, the transmission lines associated with delivering Colstrip and Jim Bridger to the west are assigned to the west control area.

Q. How are generation resources allocated to PacifiCorp's Washington customers?

A. Generation resources are allocated to Washington customers on the Control Area Energy – West (CAEW) factor. The CAEW factor is a 100 percent energy weighting of Oregon, Washington and California retail loads based on each state's share of the west control area temperature normalized annual megawatt hours. The use of an energy based factor for allocating these costs is based on feedback from Staff and other Washington stakeholders.

Q. How is transmission plant allocated to PacifiCorp's Washington customers?

A. Transmission plant is also allocated on the CAEW factor.

Q. Is distribution plant assigned to Washington?

A. Yes. Distribution plant located in the state of Washington is directly assigned to the state of Washington.

Q. How is general and intangible plant allocated to Washington?

A. General and Intangible Plant related to the west control area generation and transmission resources is assigned to the west control area and allocated to Washington on the CAEW factor. Customer-related General and Intangible Plant is allocated on the Customer Number (CN) factor. General Office-related plant is allocated on the System Overhead (SO) factor, which I discuss later in my testimony.

Q. How are Operation and Maintenance (O&M) expenses and Administrative and General (A&G) expenses allocated?

A. O&M and A&G expenses are allocated on the same basis as the plant which generated the expense. As such, Generation and Transmission O&M are allocated on the CAEW factor. The vast majority of the Distribution O&M is assigned situs to each state. Distribution O&M expenses that are incurred for all of the Company's retail customers are allocated on the System Net Plant Distribution (SNPD) factor, reflecting the relative proportion of distribution assets in each state. Customer Account and Customer Service expenses are assigned situs, if distribution-related; or they are allocated on the CN factor, if customer-related. A&G expenses are allocated situs if distribution-related; on the CN factor if customer-related; or on the SO factor if related to overhead expenses.

Q. How is Depreciation and Amortization expense allocated?

A. Deprecation and amortization expense is allocated on the same basis as the plant that generated the expense.

Q. How are Taxes Other than Income allocated?

A. Franchise Taxes are assigned situs. Energy related taxes in the west control area are allocated using the CAEW factor. Other taxes, including Property and Payroll Taxes, are allocated on the SO factor. The Washington Business & Occupancy Tax is assigned situs to the state of Washington.

Q. How are Income Taxes allocated?

A. Deferred Income Taxes, "Schedule M" amounts and Accumulated Deferred Income Taxes for existing plant are calculated by the Company's deferred tax model, Power Tax. Taxes related to capital additions and new resources are allocated on the same basis as the plant. State Income Taxes (from other states) are not allocated to Washington and Federal Income Taxes are calculated within the Company's Inter-jurisdictional Allocation Model based on the allocation of revenues and expenses within the model.

Q. How are net power costs allocated to Washington under the WCA method?

A. Fuel costs for the west control area generation resources, firm and non-firm wholesale sales and purchases within the west control area are allocated on CAEW factor. Washington Qualifying Facilities (QF) contracts are directly assigned to Washington. All other states' QF contracts are excluded from the calculation of net power costs. Wheeling expenses scheduled for delivery within the west control area are included and are allocated on the CAEW factor.

Mr. Widmer provides more specific detail regarding the net power costs included in the WCA method in his direct testimony.

Q. Please describe how the System Overhead factor has been updated in the WCA method.

A. The SO factor is calculated by dividing the gross plant (excluding SO allocated plant) allocated to Washington by total company gross plant. It should be noted that the gross plant allocated to Washington is now based upon the WCA method, which assigns less plant to Washington than under a system-wide allocation.

Results of Operations

Q. Please explain the exhibits accompanying your testimony.

A. Exhibit No.___(PMW-3) is a page that summarizes the Company's Washington

Results of Operations Report (Report). Exhibit No.___(PMW-4) consists of the complete Report for the test period (the twelve-month period ending March 31, 2006).

Q. Please describe the content of the Report.

A. The Report, which was prepared under my direction, details revenues, expenses and rate base allocated to the Company's Washington jurisdiction using the WCA method. The Report provides twelve-month totals for revenues and expenses and shows rate base as a thirteen-month average except for deferred tax balances, which are shown at year-end. The operating results for the period are presented in terms of both a return on rate base and a return on equity.

Development of Base Data (Unadjusted Results)

Q. Please explain the process for compiling the base data used in the Report.

A. The Total Company revenue, expense and rate base data which comprise the unadjusted Results of Operations is extracted directly from the Company's accounting system and has been summarized under Tabs B1 through B20. The extraction process is largely a matter of downloading information from the Company's accounting database.

Q. Are there any normalized data in the unadjusted Results?

A. Yes. The actual net power costs have been replaced with the normalized net power costs for the west control area, as actual data is not available for the historic period.

Q. Do the Company's unadjusted Results of Operations for the twelve months ended March 2006 provide a reasonable basis for setting Company prices?

A. Yes, these results provide a good starting point for the ratemaking process. However, because the test year data reflect the operating environment and the unique set of circumstances that occurred during that particular twelve-month period, they depict only the actual results for that specific period which, without adjustments, would not be representative of on-going Company performance. To adequately reflect results on a going-forward basis, it is necessary to make certain normalizing, annualizing and pro forma adjustments to reflect normal conditions.

Description of Adjustment Types

Q. Please describe what you mean by normalizing adjustments.

A. In reporting the Results of Operations, it is the Company's goal to develop a "typical" test period, free from effects of unusual events. To accomplish this goal, normalization adjusts for out-of-period events and the impact of unusual, non-recurring events, such as one-time write-offs. These normalizing adjustments are also referred to as "restating actual adjustments" in the Commission's rules (WAC 480-07-510(3)(b)(i)), as their purpose is to "adjust the booked operating results for any defects or infirmities in actual recorded results that can distort test period earnings." Such adjustments conform to the Commission basis reports described in WAC 480-100-208 (2)(a)(i) – (iii).

Q. Please describe what you mean by annualizing adjustments.

A. Annualizing adjustments are those required to reflect the effect of changes that occur partway through the test period. The Company has not made any annualizing adjustments in this filing.

Q. Please describe what you mean by pro forma adjustments.

A. Pro forma adjustments reflect known and measurable events that occur after the actual period ends but before or during the rate-effective period. Adjustments need not be restricted to events that occurred within the test period. In order to match prices with anticipated conditions in the rate-effective period, it is necessary to reflect significant known and measurable out-of-period pro forma adjustments in the ratemaking process. These pro forma adjustments are in accordance with WAC 480-07-510(3)(b)(ii). As discussed above, the Company has limited the number of adjustments it is proposing in this filing, and has elected to make few pro forma adjustments.

Adjustments

Q. How are the adjustments arranged in the Report?

A. A brief description and the underlying reason for each adjustment are first contained in my testimony. Supporting detail for each normalizing adjustment is provided in the Report under Tabs 3-8. Additional information is provided in the descriptions for each of the adjustments included within the exhibit where all adjustments are presented in pre-tax dollars, when applicable. The income tax effect of each adjustment is calculated and reflected on the summary page following each tab.

Q. Please explain the Revenue adjustments contained in Tab 3, page 3.0.

A. **Temperature Normalization** (Adjustment 3.1) **–** The temperature normalization adjustment removes from test period revenue the effects of temperature patterns that were measurably different than normal, as defined by 30-year historical studies performed by the National Oceanic & Atmospheric Administration. Only residential and commercial sales are considered temperature-sensitive. Industrial sales are more sensitive to specific economic factors than to temperature. Test period State and Total Company peak and energy load data used in the calculation of jurisdictional allocation factors and Net Power Costs have also been temperature normalized using the same methodology. The temperature normalization adjustment utilizes the interim methodology as agreed upon with Commission Staff in the 2005 Rate Case and included in a Stipulation in that proceeding. In accordance with that Stipulation, this methodology incorporated an update to normal temperature, a review of the temperature breakpoints for heating and cooling and, most importantly, an update of the coefficients used in specifying the temperature normalization procedure.

Pro forma Reduction in Load (Adjustment 3.2) – This adjustment reflects the pro forma decrease in revenues resulting from the loss of the Centralia Plant load (because of the sale of the Centralia Transmission Line) and the Yakama Nation load (because of the sale of distribution facilities to Yakama Power). On March 15, 2006, in Docket No. UE-060020, the Commission issued its order authorizing PacifiCorp to sell and transfer its interest in the Centralia 230 KV transmission line. As a result of the sale, the Centralia Power Station will no longer be taking service from PacifiCorp. On January 25, 2006, in Docket No. UE-051840, the Commission approved PacifiCorp's request to sell its interest in certain distribution assets serving the Yakama Nation, resulting in the loss of retail revenues to customers connected to the facilities.

In other adjustments related to these transactions, we adjusted the Washington load used to allocate costs and calculate net power costs and, in adjustments 8.6 and 8.8, we removed the assets and expenses related to these sales.

Revenue Normalizing (Adjustment 3.3) – This adjustment removes the impact of Schedules 97 (Centralia gain), 98 (BPA credit), 99 (ScottishPower merger credit), 191 (System Benefit Charge), the Blue Sky program and out-of-period adjustments from general business revenues.

Centralia Gain (Adjustment 3.4) – In May 2000, the joint-owners of the Centralia plant finalized the sale of the plant to TransAlta. When the transaction was completed and the gain from the sale was known, a regulatory liability was set up to recognize customers' share of the gain. This gain was returned over a five-year period to customers through Schedule 97 as a credit on customers' bills. Because this five-year period has now expired, Adjustment 3.3 removes the Schedule 97 customer credit and this adjustment removes the amortization of the liability from account 456 so that all effects of the sale are removed from the calculation of revenue requirement.

Pole Attachment Revenue (Adjustment 3.5) – In December 2005, PacifiCorp entered into settlement agreements relating to disputed pole attachment receivables due from Qwest, Charter Communications and Electric Lightwave Inc.. Part of the amount received related to the period prior to FY 2006. These amounts had been fully reserved. When the payments were received, the provision for uncollectible joint use pole attachments was reversed, resulting in additional revenue credited to FY 2006 due to pole attachment income earned in prior periods. This adjustment removes the additional revenues.

SO2 Emission Allowances (Adjustment 3.6) – Over the years, PacifiCorp's annual revenues from the sale of emission allowances have been uneven. As a result, the level of emission allowance sales in any particular year is likely not to reflect the normalized, ongoing level of revenue from such sales. In addition, recognizing SO2 revenues in the year of the sale provides all the benefits to current customers at the expense of customers in the future. Therefore, the Company's approach is to amortize these allowance sales over a fifteen-year period as first authorized by the Commission in Docket No. UE-940947.

Q. Please explain the O&M adjustments summarized under Tab 4, page 4.0.

A. **Green Tag Removal** (Adjustment 4.1) – This adjustment removes from results the costs associated with Green Tag purchases for the Blue Sky Program. This Program is designed to encourage voluntary customer participation in the acquisition and development of renewable resources. To protect non-participants from subsidizing this Program, this adjustment removes all costs not previously booked below the line associated with this Program from the test period. The revenues associated with the Blue Sky Program are removed in Adjustment 3.3.

Miscellaneous General Expense (Adjustment 4.2) – This adjustment removes from Results of Operations certain miscellaneous expenses that should have been charged below the line to non-regulated expenses.

International Assignees (Adjustment 4.3) – This adjustment removes from the base year expense all costs associated with ScottishPower international assignees who have returned to the United Kingdom. Non-salary costs for those international assignees that had “localized” (transferred to the U.S. compensation package) are also removed in this adjustment.

Out–of-Period Expense Adjustment (Adjustment 4.4) – Three accounting adjustments were made to expense accounts that are either one-time or non-recurring in nature or relate to a prior period. These transactions are removed from Results of Operations to normalize the test period results.

- CWIP was written off for the "Identity Management" project after the project was cancelled. This is a one-time, non-recurring event.
- A legal expense liability set-up in 2003 was trued up in 2005 to equal the billed amount. This is a one-time, non-recurring event.
- A property tax refund associated with the Lloyd Center Tower building was recorded to the income statement in May 2005 related to an April 2002 tax payment. This is a non-recurring event.

Property Insurance (Adjustment 4.5) – This adjustment adjusts expenses in Account 924, Property Insurance, and Account 925, Injuries and Damages, to reflect the change in premiums and uninsured losses for property and liability insurance that the Company expects to experience during FY 2007. This adjustment reflects the commitment in Docket No. UE-051090 regarding the use of a captive insurance company comparable in costs and services to that previously provided by ScottishPower’s captive insurance company (Dornoch), with such costs not to exceed $7.4 million. (Commitment Wa5)

Affiliate Management Fee Commitment (Adjustment 4.6) – The Company committed in Docket No. UE-051090 to hold customers harmless from changes in costs that were previously assigned to affiliates relating to management fees. (Commitment Wa4) This adjustment adjusts the historic actual amount to the $1.5 million Total Company amount agreed to in the Commitment.

DSM Amortization Removal (Adjustment 4.7) – This adjustment removes all expenses related to DSM that are recovered through separate tariff riders. The revenues associated with DSM are removed in adjustment 3.3.

Corporate Cost Commitment (Adjustment 4.8) – The Company committed in Docket No. UE-051090 to hold customers harmless for corporate costs that were directly billed to PPM Energy and other prior PacifiCorp affiliates. (Commitment Wa6) This adjustment adjusts the historic actual amount to the $7.9 million Total Company amount agreed to in the Commitment.

A&G Expense Commitment (Adjustment 4.9) – This adjustment reduces Total Company A&G expense to the $222.8 million Total Company level agreed to in Commitment Wa7 in Docket No. UE-051090.

Q. How was the Net Power Cost adjustment calculated?

A. The normalized west control area actual net power costs have been incorporated in the unadjusted results, which include the normalized revenues and expenses consistent with normalized operation of production facilities, as described in Mr. Widmer's testimony. Those net power costs include normalized steam and hydro power generation, fuel, purchased power, wheeling expense, and sales for resale in a manner consistent with the contractual terms of sales and purchase agreements. The net power costs also remove the Black Hills special sales and the fuel expense associated with Colstrip 3 as directed by the Commission in Cause No. U-86-02.

Q. Please explain the Net Power Cost adjustments summarized under Tab 5, page 5.0.

A. **BPA Regional Exchange** (Adjustment 5.1) – This adjustment reverses the BPA credit from purchased power costs. Adjustment 3.3 removed the credit from revenues.

James River Royalty Offset (Adjustment 5.2) **–** On January 13, 1993, PacifiCorp executed a contract with James River Paper Company with respect to the Camas mill, later acquired by Georgia Pacific. Under the agreement, PacifiCorp built a steam turbine and is recovering the capital investment over the twenty-year operational term of the agreement. The agreement also includes payment of royalties from PacifiCorp to James River based on contract provisions. Included in PacifiCorp's net power costs as purchased power expense are the contract costs of energy for the Camas unit, but it does not include a credit to revenues for the offset of the capital cost recovery and maintenance cost recovery amounts. Adjustment 3.5 credits account 456, Other Electric Revenue, for the Test Period.

Removal of Colstrip 3 (Adjustment 5.3) – As directed by the Commission in Cause No. U-86-02, this adjustment removes the costs (except fuel expense which was removed from normalized net power costs) of the Colstrip 3 plant from the results.

Q. Please explain the tax adjustments summarized under Tab 7, page 7.0.

A. **Interest True-Up** (Adjustment 7.1) – The amount of interest expense included in the test period is a cost of financing rate base through debt securities. It is therefore appropriate to synchronize, or true up, the amount of interest expense with the amount of rate base. This true up was accomplished by multiplying the jurisdiction-specific adjusted rate base by the weighted cost of debt. The interest determined in this manner was then compared to the actual interest recorded during the base test period to determine the necessary adjustment. Interest expense is a deduction to taxable income, and therefore the revenue requirement impact of the interest true up is reflected as a change in income tax expense.

Utah Gross Receipts Tax Adjustment (Adjustment 7.2) – This adjustment removes the Utah Gross Receipts Tax Expense from actual results as it has been discontinued.

Deferred Income Tax Balance Reclassification (Adjustment 7.3) – This adjustment reflects the re-allocation of the ending balances for the situs balances maintained in Power Tax. This affects only the Account 282 balance account and only the specific Account 282 balances that relate to the depreciation difference balances. These depreciation difference balances are maintained in the Power Tax system by jurisdiction.

Malin-Midpoint Adjustment (Adjustment 7.4) – In 1981, the Company built a transmission line called Malin-Midpoint and placed it into service. The Company was eligible for investment tax credits and accelerated depreciation. The Company entered into a safe harbor lease transaction to transfer the tax benefits to an unrelated third party. The amount of the cash transfer was $43 million. In the 2005 Rate Case, the Commission directed that the transaction be treated as a sale of part of the benefits associated with the property and that the cash receipts be amortized over the life of the assets. The gain will be amortized over 30 years (the composite book life of the plant) with a rate base deduction for the unamortized balance.

Flow-Through Deferred Tax (Adjustment 7.5) – This adjustment removes the deferred tax expenses and related year-end accumulated deferred tax balances for all items that are not related to the life and method differences between book and tax depreciation. This in effect flows through to income the current tax impacts on these items. This is the treatment allowed under the Settlement Agreement adopted by the Commission in Docket No. UE-032065.

WA IRS Settlement Amortization Adjustment (Adjustment 7.6) – In FY 2003, PacifiCorp made settlement payments to the IRS totaling $64,217,849. In accordance with the Settlement Agreement adopted in Docket No. UE-032065, 50 percent of Washington's portion of these costs was allowed in rates. Inasmuch as there were no findings on this issue in the 2005 Rate Case, this adjustment adds the unamortized balance of payments to rate base – which will be amortized over a 5-year period – as well as the annual amortization expense, beginning the effective date of the Settlement Agreement (November 2004).

Year-End Deferred Tax Adjustment (Adjustment 7.7) – In Cause Nos. U-86-02 and U-84-65, the Commission ordered that deferred taxes be included in rate base at the year-end level rather than the thirteen-month average balance used for other rate base items. This adjustment reflects such treatment and moves from the 13-month average balance in the unadjusted results to the year-end balance.

Renewable Energy Tax Credit (Adjustment 7.8) **–** This adjustment normalizes a federal renewable energy income tax credit the Company is entitled to take as a result of placing the Leaning Juniper wind generating plant into service. The tax credit is based on the generation of the plant, and the credit can be taken for ten years on qualifying property.

Low Income Tax Credit (Adjustment 7.9) **–** This adjustment reflects the additional Low Income Tax Credit that Pacificorp is allowed to and intends to utilize in 2007. The increased amount was approved by the Washington Department of Revenue.

Q. Please explain the miscellaneous rate base adjustments summarized under Tab 8, page 8.0.

A. **Update Cash Working Capital** (Adjustment 8.1) **–** This adjustment is necessary to true up the cash working capital for the normalizing adjustments made in this filing. Cash working capital is calculated by taking total operation and maintenance expense allocated to Washington (excluding depreciation and amortization) and adding Washington's share of income taxes. This total is divided by the number of days in the year to determine the Company's adjusted daily cost of service. The daily cost of service is multiplied by net lag days to produce the adjusted cash working capital balance. A copy of the lead-lag study supporting this adjustment is attached as Exhibit No.___(PMW-5).

Remove Deferred Debits (Adjustment 8.2) **–** This adjustment removes existing deferred debits, Accounts 182M and 186M, based on the order in the 2005 Rate Case.

Jim Bridger Mine (Adjustment 8.3) **–** PacifiCorp owns a two-thirds interest in the Bridger Coal Company, which supplies coal to the Jim Bridger Generating Plant. The Company's investment in Bridger Coal Company is recorded on the books of Pacific Minerals, Inc. (PMI). Because of this ownership arrangement, the coal mine investment is not included in electric plant in service. The normalized coal costs for Bridger Coal Company include the operating and maintenance costs of mining, but provide no return on investment. This adjustment is therefore necessary to properly reflect the Bridger Coal Company investment in test period rate base.

Grid West Loan (Adjustment 8.4) **–** This adjustment includes the rate base, expenses and taxes associated with the Grid West loan. The accounting treatment of this loan was approved by the Commission in Docket No. UE-060703 and the Company is requesting similar rate making treatment in this proceeding.

North Umpqua Relicensing Settlement Obligations (Adjustment 8.5) **–** The Company is required to make various cash payments as a result of agreements with intervening parties while relicensing its North Umpqua hydroelectric facilities with the Federal Energy Regulatory Commission. The accrual accounting entries for the assets, liabilities, and accumulated amortization related to the hydro relicensing settlements have been removed from results starting in April 2005. The beginning balances and the amortization expenses, however, remain and are removed in this adjustment. The effect of this adjustment is to include only the cash payments as they are made during the test year for the North Umpqua Relicensing Settlement Obligations.

Yakama Sale (Adjustment 8.6) – This adjustment removes the electric plant in service, accumulated depreciation and depreciation expense associated with the sale of the distribution assets serving certain Yakama Nation accounts, as described in adjustment 3.2.

Customer Advances for Construction (Adjustment 8.7) – Customer advances for construction are booked into account 252. When they are booked, the entries do not reflect the proper allocation among the states. This adjustment corrects the allocation of customer advances for construction in the account.

Centralia Transmission Line Sale (Adjustment 8.8) – This adjustment removes the electric plant in service, accumulated depreciation and depreciation expense associated with the sale of the Centralia 230 kV transmission line and related facilities, associated easements and rights-of-way, as described in adjustment 3.2.

Leaning Juniper (Adjustment 8.9) – This adjustment reflects the addition of the Leaning Juniper wind plant that was placed into service in September 2006. This adjustment adds a portion of the plant cost into rate base to reflect the 13-month average methodology used by Washington. The associated depreciation expense, depreciation reserve, taxes and O&M expense are also included.

Miscellaneous Rate Base Adjustment (Adjustment 8.10) – This adjustment removes from the test period the regulatory assets and associated amortization for the ScottishPower transition plan, which were fully amortized as of March 2006.

Colstrip 4 AFUDC (Adjustment 8.11) – As authorized in Cause No. U-81-17, this adjustment removes AFUDC from plant in service for the period that Colstrip Construction Work in Progress (CWIP) was allowed in rate base.

Trojan Removal (Adjustment 8.12) **–** This adjustment removes all costs associated with Trojan, in accordance with the Stipulation adopted by the Commission in Docket No. UE-991832.

MEHC Transition Savings (Adjustment 8.13) **–** On May 18, 2006, PacifiCorp filed a petition with the Commission for an accounting order seeking approval for deferral and amortization over three years of certain costs related to the transition following acquisition of PacifiCorp by MidAmerican Energy Holdings Company (MEHC). The petition has been assigned Docket No. UE-060817. The Company anticipates both savings and costs related to the MEHC transition. This adjustment reflects known employee savings through August 31, 2006; actual and estimated software conversion costs through December 31, 2006; and the amortization over three years of the severance costs associated with the departing employees, as proposed in the accounting petition. Although the Company has incurred costs because of the addition of personnel since the MEHC transaction, the Company has elected not to include these costs and to include only the savings related to departing employees.

Q. What conclusions do you draw from your testimony?

A. To the best of my knowledge, the normalized results are a fair and accurate reflection of on-going operations of the Company. Based on these results, PacifiCorp has demonstrated a revenue requirement deficiency of $23.2 million.

Q. Does this conclude your testimony?

A. Yes.