Exhibit No. ___(WE-1T)
Docket No. UE-03_____
2003 PP&L Rate Case
Witness: William Eaquinto

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, vs. PACIFICORP dba Pacific Power & Light Company, Respondent.	Docket No. UE-03_____

PACIFICORP

DIRECT TESTIMONY OF WILLIAM EAQUINTO

December 2003

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

A. My name is William Eaquinto, my business address is 825 N.E. Multnomah, Suite 1500, Portland, Oregon 97232, and my present position is Vice President of Hydro Licensing.

Q. Briefly describe your educational background, professional training and experience.

A. I have been employed by PacifiCorp for 28 years and have held various line and staff positions throughout the company. I have served as Vice President of Licensing for the last 1½ years. I have a Bachelor of Science in Electronic Engineering Technology from Weber State University and hold current Professional Engineering Licenses in Electrical Engineering in Utah and Idaho.

Q. What is the purpose of your testimony?

A. My testimony explains the process for and the costs the Company incurred in obtaining new federal operating licenses for the North Umpqua, Bear River, and Bigfork hydroelectric projects. The Company initially pursued new federal licenses for the American Fork project and the Powerdale project, but after spending nearly five years in the licensing process, the Company decided that it would be more beneficial to PacifiCorp's ratepayers and shareholders to decommission the projects, after a period of continued operations, instead of relicensing. My testimony below explains why new FERC licenses would be more costly to the Company's ratepayers than decommissioning the projects, and why decommissioning is in the public interest. My testimony explains how

relicensing the other three projects benefits PacifiCorp and its customers, and why it is in the public interest.

Q. Please describe how you have organized your testimony.

A. First, I briefly describe the North Umpqua, Bear River and Bigfork projects and the benefits customers have derived and will continue to derive from their operation and licensing. Second, I provide an overview of the federal process to obtain new operating licenses. Third, I describe the relicensing processes undertaken for the individual projects, including the American Fork and Powerdale projects. Fourth, I provide a summary of the costs and benefits of relicensing these projects. Finally, I describe the rationale behind the Company's decision to engage in Settlement Negotiations with licensing stakeholders to decommission the American Fork and Powerdale projects.

Overview of the Projects

Q. Please describe the projects.

A. The North Umpqua is a 185.5 megawatt hydroelectric project. It consists of eight developments, each with its own dam, waterway, penstock and powerhouse. In combination, the eight developments use three reservoirs and four forebays for water storage and over 37 miles of canals, flumes and penstocks to convey water throughout the project. The Company operates all eight developments under one FERC license (FERC No. 1927). The project is located on federal lands in the Umpqua National Forest. The project uses water from the North Umpqua River and two tributaries, the Clearwater River and Fish Creek.

The Bear River project consists of three developments: Soda, Grace-Cove,

and Oneida. Each development includes a dam, reservoir, powerhouse, penstocks and waterways. Collectively, the developments generate 84.5 megawatts. The Company operates the projects under three separate licenses, FERC Nos. 20-019, 2401-007, and 472-017. The projects are located on the Bear River in southeastern Idaho on lands partially administered by the Bureau of Land Management.

The Bigfork project consists of one development with a diversion dam, intake structure and flowline, forebay, and penstocks feeding into a powerhouse. The Bigfork project operates under FERC license No. 2652-007. It is located on the Swan River in northwest Montana and has a capacity of 4.1 megawatts.

The American Fork project is located on American Fork Creek in Utah County, Utah near the City of American Fork. The project consists of a concrete diversion dam, a water conveyance system, a powerhouse, a turbine generator with a capacity of 950 kW, and a 12.5 kV distribution line.

The Powerdale project is located on the Hood River in Hood River County, Oregon. The project is operated as a run-of-river project, and consists of a concrete diversion dam 206 feet long and 10 feet high, a fish ladder leading to a federally-owned fish trapping and sorting facility, an intake structure, a water conveyance system, a powerhouse, a turbine generator, and appurtenant facilities.

Q. Generally, what benefits do those projects provide PacifiCorp and its customers?

A. Since their completion, the hydro projects have provided reliable power below market rates. The projects are a valuable source of power in meeting customer

needs providing for peaking, system reserves, and load balancing. The projects are an important component of the company's "hydro-thermal" portfolio and are an integral part of the Company's current Integrated Resource Plan (IRP). The hydro projects individually and/or in aggregate, provide capacity and "shape" the energy output of the base-loaded thermal plants into higher valued heavy/peak load hours. This allows the thermal plants to operate at high capacity factors, increasing their efficiency while at the same time allowing the Company to minimize its need to acquire higher cost peaking energy. Unlike other sources of generation, hydro projects provide an additional environmental benefit because they are "emissions-free."

Overview of Federal Relicensing

Q. Please provide an overview of the federal relicensing process.

A. Under the Federal Power Act ("FPA"), the Federal Energy Regulatory Commission ("FERC") has the exclusive authority to license nonfederal hydropower projects on navigable waterways. Original licenses are issued for a term of 50 years, after which a licensee may seek relicensing. FERC issues subsequent licenses for a term of not less than 30 years or more than 50 years with FERC deciding the length of the license. FERC regulations require that a licensee file a Notice of Intent to apply for a new license five and a half years prior to license expiration. A licensee must file an application for a new license two years prior to expiration of an existing license. On average, licensing takes 8-10 years, and some processes have taken as long as 30 years. During the relicensing process, FERC typically allows projects to continue operating on annual license

extensions under the same terms and conditions once the old license has expired.

The licensing process requires FERC to consider the economic, engineering, environmental, and socioeconomic aspects of the project. In issuing licenses, FERC must give "equal consideration" to environmental values and adequately protect and mitigate the effects of the project on environmental and other concerns. In doing so, FERC attaches new operating and environmental resource enhancement measures as conditions in a license.

Q. What role do State and Federal resource agencies play in the process?

A. State and federal fish and wildlife agencies review applications and submit comments to FERC regarding the impact of the project on the environment. Based on those impacts, State and Federal agencies recommend conditions to FERC to place on the license to mitigate the impacts. The FPA gives certain federal agencies the authority to require FERC to include the agency's conditions on the license. For example, the Secretaries of Commerce, Interior, and Agriculture have the authority to require applicants to install fishways (ladders and screens) at projects, and to require applicants to increase instream flows and reduce variability. Sometimes, the cost of complying with those mandatory conditions causes the project to be uneconomical.

Q. What options does an applicant have if the mandatory conditions make the project uneconomical?

A. The applicant has limited options. The applicant may either accept the uneconomic license, decommission the facility, or pursue litigation challenging the mandatory conditions. In states other than California, the applicant has the

option of selling the plant as well. Because of the cost of replacing power for decommissioned or sold facilities and the uncertainty of litigation, those options are seldom favored. Consequently, applicants often try to avoid uneconomical licenses by settling issues among the various stakeholders before licensing is completed or attempt to negotiate acceptable decommissioning outcomes.

Q. Other than the FPA, what other laws must the FERC take into consideration when granting licenses?

A. Because licensing is a "federal action," FERC must evaluate the application under a host of federal laws: the Clean Water Act ("CWA"), the Coastal Zone Management Act, the National Environmental Policy Act ("NEPA"), the Endangered Species Act ("ESA"), the Fish and Wildlife Coordination Act, and the National Historic Preservation Act, among others.

Those additional laws can add time and expense to the application process. For example, before FERC can issue a license, an applicant must obtain certification from the state in which the project is located, that the applicant is meeting state water quality standards and criteria under Section 401 of the CWA. Similarly, under the ESA, FERC must consult with federal agencies to determine whether issuing a new license might jeopardize the existence of any endangered or threatened species or result in adverse modification of critical habitat.

The Company had to seek 401 approvals for all five projects. In addition, ESA considerations were present at all five projects because of the presence of endangered Coho salmon at the North Umpqua project, threatened bull trout, and threatened lower Columbia River steelhead and chinook salmon at the Powerdale

project, threatened bull trout at the Bigfork project, and Bonneville cutthroat trout near the Bear River and American Fork projects.

Q. Does FERC offer more than one relicensing process?

A. Applicants currently may use either traditional or alternative licensing processes. Applicants may also enter into a negotiated settlement at any time. The Company initiated licensing under the traditional approach for each project, because that was the only process available at the time licensing commenced, and turned to settlement when appropriate.

Q. Please provide a more detailed description of the traditional FERC relicensing process.

A. The traditional process involves three stages of consultation. In the first stage the applicant distributes an Initial Consultation document, which explains the project and its operation and environmental setting to federal and state agencies, tribes, non-governmental organizations ("NGOs"), community interest groups and other stakeholders. Following the consultation document, the stakeholders meet and visit the site. Thirty days after the meeting, comments and additional study recommendations are due to the applicant. Stage one ends when a set of resource-by-resource study plans and stakeholder consultation documentation have been completed and provided to FERC.

In the second stage, the applicant conducts the proposed studies and prepares a draft license application, which it distributes to FERC and to interested agencies, tribes and stakeholders for review and comment. At this stage, agencies routinely request additional studies, which can be costly and time-consuming.

The applicant may refer such requests to FERC for dispute resolution. At this stage, FERC may also request additional information. The applicant must provide FERC with a written summary of how the Company resolved any disagreements with agencies and others. The second stage ends when FERC accepts a final license application for filing.

In stage three, FERC solicits initial comments and preliminary terms and conditions from resource agencies, tribes, and stakeholders, and gives notices the project is ready for environmental analysis under NEPA. At this stage, FERC may require additional information from the applicant to address those comments. FERC next initiates its detailed environmental and engineering review and solicits final comments, recommendations, terms and conditions, and mandatory prescriptions. FERC then prepares an Environmental Assessment or Environmental Impact Statement taking into account project impacts and agency and other participants' comments, responses and conditions.

Ultimately, FERC issues a license order describing both how the project will be operated during the next license term, and what environmental and other enhancement obligations the licensee must fulfill. Those obligations include the mandatory terms and conditions provided by the Secretaries of Commerce, Agriculture and Interior. In addition, if relevant, FERC appends any conditions associated with 401 water quality certification.

North Umpqua, Bear River, Bigfork, American Fork, and Powerdale Relicensing

Q. Please describe the relicensing and settlement process for the North Umpqua project.

A. PacifiCorp filed a Notice of Intent to relicense on December 18, 1991, and issued its First Stage Consultation Document on May 29, 1992. The Company submitted a license application in 1995. The original FERC license expired in 1997 and annual licenses have been issued to-date.

In late 1995, because of numerous requests for additional studies, and implementation of the Northwest Forest Plan – which created new and additional standards – the Company undertook a collaborative watershed analysis with the Forest Service and other stakeholders. This effort was completed in March 1998 and settlement negotiations were initiated in lieu of continuing with a FERC traditional approach.

The first round of negotiations proved unsuccessful. PacifiCorp exited them in November 1999 because of a dispute over the removal of Soda Springs dam, the re-regulating dam for the entire project. At FERC's direction, the company submitted an Addendum to its license application on February 21, 2000. Following the submittal of the Addendum, PacifiCorp and all parties in the proceeding petitioned FERC to abey the proceeding to allow settlement negotiations to reinitiate, and on May 17, 2000 FERC upheld the parties' request.

Since settlement had not yet been reached, in November 2000, FERC initiated its environmental NEPA analysis requesting agency terms and conditions, thus forcing the parties to participate in negotiations and meet FERC

traditional requirements simultaneously.

In March 2001, as required by state law, the Oregon Fish and Wildlife Commission and the Company negotiated a Memorandum of Understanding ("MOU") regarding wildlife mitigation measures. As an alternative to building ladders and screens, the MOU provided for more cost-effective habitat restoration downstream of the project. On June 13, 2001, PacifiCorp and the state and federal parties signed a Settlement Agreement ("Agreement"). The parties submitted the Agreement to FERC together with a required Explanatory Statement. On July 3, 2002, the Oregon Department of Environmental Quality issued a 401-water quality certification.

FERC issued a Final Environmental Impact Statement for the project in April 2003. FERC is expected to issue a license for the project in the late 2003. I have provided a detailed chronology of key points in the relicensing of the North Umpqua project as Exhibit___(WE-2).

Q. Please describe the relicensing and settlement process for the Bear River projects.

A. Licensing commenced in 1996 employing the traditional FERC approach. In the summer of 1997, the Company conducted a consensus-building process called the collaborative "Delphi Approach" in an attempt to resolve potentially costly issues regarding instream flows related to project operations. We did not reach agreement with the parties, however. The Company submitted a final license application on September 27, 1999. The Company responded to two AIRs in 2000 and 2001. Based on communications with agency stakeholders and the

content of the AIRs, the Company concluded that agencies with the authority to prescribe mandatory conditions would likely require costly mandatory mitigation measures.

In November 2001, the Company convened a meeting of the agencies to discuss developing a MOU as a basis for settlement. Settlement negotiations began December 2001 and the parties signed a Settlement Agreement ("Agreement") in August 2002. The Agreement provided for mitigation measures that were less costly for PacifiCorp than the in-stream and fish passage recommendations originally proposed by the agencies and stakeholders.

PacifiCorp submitted a formal Offer of Settlement to FERC with supporting documentation in September 2002. In November 2002, FERC issued a draft EIS. PacifiCorp and stakeholders subsequently provided coordinated comments on the draft EIS that were consistent with the terms of the Agreement. The final EIS was issued in April 2003. The Idaho Department of Environmental Quality issued a 401 water quality certification consistent with the Agreement, which has been received by PacifiCorp and FERC. FERC is expected to issue a new consolidated license or licenses for the projects in late 2003. A detailed chronology of relicensing the Bear River projects is provided as Exhibit___(WE-3).

Q. Please describe the relicensing and settlement process for the Bigfork project.

A. PacifiCorp filed its Notice of Intent in August 1996. The Company filed its First Stage Consultation document in November 1997. Second stage consultation and

studies occurred during 1998 and 1999, and the Company filed a draft license application in August 1999. The Company filed a final license application, and received Water Quality Certification from the Montana Department of Environmental Quality in August 2000.

The Company responded to two FERC AIRs issued in February 2001, relating to fish screen design and PacifiCorp's land ownership, water quality, and cultural resource management. The Company responded to the AIRs in April and June 2001. In August 2001, FERC requested consultation with the U. S. Fish and Wildlife Service ("USFWS") on several federally listed species in the project area. The consultation is occurring and USFWS is expected to file its required biological opinion with FERC in early summer of 2003.

The Company entered into negotiations with agencies and local interests to resolve issues relating to lands and recreation. The Company reached an agreement with all stakeholders and submitted the agreement to FERC November 7, 2002. FERC FERC issued a new 50-year license for the project July 25, 2003.

Q. Please describe the relicensing and settlement process for the Powerdale project.

A. PacifiCorp initiated the relicensing process in February 1995 with the filing of the Notice of Intent with FERC. In March 1995 PacifiCorp filed its First Stage Consultation Document with FERC, and conducted Second Stage studies in 1995 and 1996. At the time relicensing was begun, the project (including sunk costs) was only marginally economic; however, on a forward-looking basis, relicensing the project was the appropriate alternative so long as environmental protection

measures required by relicensing were kept as low as possible.

PacifiCorp filed a license application in February 1998 with FERC. The original 38-year license expired in February 2000 and the project is currently operating under annual licenses from FERC. The application contained PacifiCorp's proposed measures to protect project-area affected resources over the term of a new license. These measures, when combined with additional measures recommended by FERC staff, and mandated by federal agencies (e.g., criteria fish screens), substantially impacted project economics. FERC conducted its NEPA analysis and issued a final environmental assessment in December 2001, and was poised to issue a license for the project.

Based on PacifiCorp's economic analysis of both projected capital expenses necessary to keep the project operating for the next 30-plus years (e.g., replacing the wood-stave flow line with steel), and the measures noted above, PacifiCorp determined that it would be in the best interest of our ratepayers and shareholders to decommission the project, rather than accept a new operating license.

In February 2002, PacifiCorp requested FERC suspend the Powerdale licensing proceeding to allow the Company time to prepare a decommissioning plan and to consult with key agencies and stakeholders on dam removal and other issues related to decommissioning.

In July 2002, in response to stakeholder requests, the company initiated decommissioning settlement negotiations. PacifiCorp and the settlement parties completed a Settlement Agreement in early June 2003 that provides for an

additional seven years of project operations (through 2010) subject to several measures intended to protect environmental and recreational values in the project area during the interim period, followed by decommissioning from 2010- 2012. The parties signed and filed with FERC the Settlement Agreement, Decommissioning Plan and other supporting documentation, on June 13, 2003. Oregon Department of Environmental Quality is expected to issue a draft 401 certification for public review and comment in late 2003.

Q. Please describe the relicensing and settlement process for the American Fork project.

A. PacifiCorp initiated the relicensing process for the American Fork project in 1995 and filed a license application on October 27, 1998. During relicensing studies and in comments on the license application, agency stakeholders, in particular the U.S. Forest Service and National Park Service who possess mandatory conditioning authority under the FPA, requested that the company construct a new flowline in a different location or decommission the project. (The flowline is located entirely on Forest Service and Park Service lands). This request was in addition to requirements for increased bypass flows for a native fish species, the Bonneville cutthroat trout. The cost to replace and relocate the flowline alone was nearly twice the cost of project decommissioning. Based on PacifiCorp's economic analysis of both projected capital expenses necessary to keep the project operating for the next license period, and the measures noted above, PacifiCorp determined that it would be in the best interest of our ratepayers and shareholders to decommission the project, following a period of continued

operations, rather than pursue such an operating license.

PacifiCorp developed a proposal for project removal in late 2000 and submitted it for comment to agency stakeholders. Additional discussions with stakeholders were conducted throughout 2001 and 2002 regarding measures necessary in a settlement agreement for project decommissioning. The stakeholders focused on those elements of the project to be removed and the associated removal methods, schedule, and work practices that could be employed in the National Forest System Lands and Monument Lands on which the project is located.

PacifiCorp submitted a decommissioning proposal to FERC on December 30, 2002, and a formal Offer of Settlement on February 14, 2003. The Parties to the Agreement agreed that project removal would begin in September 2006, with hydroelectric power generation continuing until that time. Project removal would be complete by December 2007.

Q. Please explain why the North Umpqua licensing process has taken longer than the other projects.

A. The North Umpqua project is far more complex than the other projects, or for that matter, most hydroelectric projects. Relicensing the North Umpqua project was akin to developing eight separate license applications and 401 permit certifications – not just one. Studies had to be undertaken addressing the project's environmental impacts for each and every development, and numerous water quality, flow, reservoir and lake studies were conducted, among other required project impact and environmental analysis and studies.

In addition, the overall licensing process itself was extremely complex. It involved two rounds of settlement negotiations, and FERC reinitiated its traditional process during the second round of negotiations. Because of its size and potential impact on the environment, the project required additional state involvement to meet statutory requirements, and consultation requirements for coho salmon and listed terrestrial species under the Endangered Species Act. The State 401-certification process could not be completed until a settlement had been reached. All those processes contributed to the length and cost of the overall licensing process.

Q. Are there other factors that contributed to the length of the North Umpqua relicensing process?

A. Yes. The North Umpqua is located entirely on federal USDA Forest Service lands. This gave the Forest Service, through its 4(e) mandatory conditioning authorities, an important and influential role in the licensing process. In addition, its location caused the project to be subject to the Northwest Forest Plan, which triggered an additional requirement to undertake a comprehensive watershed analysis. That analysis involved a multi-agency, multi-stakeholder process that reviewed the fisheries, water quality, geomorphology and terrestrial resources of nearly 1,000 square miles of the upper North Umpqua River basin, and resulted in a multi-volume report.

Although complicated, the watershed analysis created a more collaborative process between the Company and stakeholders and served as a "springboard" to initiate settlement discussions with the parties. Also, because of

the analysis, the Forest Service and other parties agreed to withdraw requests for further costly AIRs that had been submitted to FERC, thereby allowing these requests to be addressed in a less costly, more efficient way.

Q. How does the amount of time the North Umpqua relicensing process took compare to other relicensing applications?

A. Despite all the complexities inherent with the North Umpqua project and relicensing process, the length of the process for that project is not out of the norm. According to National Hydropower Association data, the nationwide average for hydro project relicensing is 8 to 10 years, with many taking far longer to complete. The North Umpqua relicensing process has taken slightly more than eleven years. In my view, eleven years is a reasonable amount of time relative to what was accomplished: a collaborative settlement agreement, compliance with state laws, ESA compliance, compliance with FERC hydro license process up to final issuance, and 401 state water quality certification. Given the complexities associated with the North Umpqua project, the length of time, and costs for the relicensing, are prudent and reasonable.

Costs and Benefits of Relicensing

Q. Please describe how the licensing approach taken provided the best achievable outcome.

A. In each case, the Company considered decommissioning all or part of the projects at the time of relicensing and found that option to be a more expensive, less beneficial option for customers. In each application, the Company initially pursued traditional relicensing because that was the only process available when

licensing commenced. However, after the Company submitted applications to FERC, the Company elected to engage in settlement negotiations to reduce further AIRs, avoid the potential imposition of high-cost mandatory conditions by the federal agencies, and to minimize the possibility of contentious litigation. Settlement negotiations provided an opportunity for the Company and stakeholders to craft many of the terms and conditions associated with the next FERC license, rather than relying on FERC to determine appropriate project operations and environmental enhancement measures. Doing so expedited the process, and resolved disputes that could have resulted in costly, time-consuming environmental studies. In sum, the settlement agreements led to new licenses with lower costs than those that would have been obtained through traditional means.

Q. What costs did the Company incur in the licensing processes?

A. Actual licensing process cost information for the projects through September 30, 2003 (which include AFUDC) and estimated, forecasted costs through December 31, 2003 are provided in the enclosed Exhibit Nos.___(WE-4) through (WE-8). For example, forecasted, accumulated relicensing process costs through December 31, 2003 for the North Umpqua project will be $54.935 million on a system basis, the Bear River projects will be $5.401 million, the Bigfork project will be $628,110, the American Fork project will be $462,679 and the Powerdale project will be $4.734 million. These costs total $66.2 million. The accumulated relicensing process costs associated with American Fork are included in the base 2003 costs.

Q. What is Washington's allocated share of the remaining $65.7 million?

A. Exhibit No.___(JTW-3), Tab 8, Page 8.9 shows that Washington allocated costs are $10.6 million. The Washington revenue requirement change associated with this increase is $1.5 million.

Q. Because the North Umpqua costs are much greater than the other two projects, please break those costs down by major cost category.

A. The total North Umpqua relicensing process costs have accumulated since 1992 and on an annual basis have ranged from $6.9 million in 1993 as studies were completed and applications were developed, to $2.9 million in 1996 following submittal of the draft application to FERC.

Through September 30, 2003, just under half the costs $26.0 million are derived from outside services and miscellaneous expenses. These services included technical studies, watershed analysis, license application preparation, state MOU preparation, 401 applications costs, ESA consultation and documentation costs, legal, facilitator and mediator services, communications and other services.

Other direct costs such as material and company labor accounted for $3.0 million. Indirect costs of $24.8 million accounted for 45 percent of the total cost. Under the indirect cost category are various overheads such as labor, printing and construction, totaling $4.7 million. In addition, property taxes total $1.1 million and Allowance for Funds Use During Construction ("AFUDC") total $18.9 million.

Q. Can you explain AFUDC and how the Company calculates it?

A. AFUDC is a generally accepted accounting treatment for regulated utilities that permits the capitalization rather than expensing of financing costs (i.e. interest) during the construction phase. This treatment relieves current customers from providing a return on investment for these financing costs during construction and shifts the responsibility to future customers who will receive the benefit of the completed facilities. The Company computes AFUDC by applying the AFUDC rate to qualifying Construction Work In Progress (CWIP) projects.

Q. What controls has the Company put in place to insure that the expenditures made in the relicensing process were required, necessary, and prudent?

A. First, the Company appoints a Project Manager for each relicensing project. The Project Manager works with department management to coordinate all efforts related to the process and project cost management. The Company also assembles a project team, which is comprised of technical leads who are subject matter experts in the various relicensing areas. Examples of technical leads include fishery and wildlife biologists, cultural and recreation technicians, etc. The team develops a relicensing strategy to address likely required studies and potential protection, mitigation, and enhancement ("PM&E") measures.

In addition, the Company has had a senior level officer oversight group, the Hydro Steering Committee ("HSC"), in place since the mid-1990's to provide oversight and direction on relicensing efforts. The HSC includes officers from regulation, legal, generation, finance and strategy. The HSC reviews and approves all aspects of the hydro relicensing approach, processes and associated

costs. In addition, the HSC reviews all expenditures.

Finally, due to the fluid and multi-discipline nature of FERC relicensing process and the volatility associated with costs, the appropriate department and Office of General Counsel review all relicensing projects, as a whole, on an annual basis.

Q. Please explain how outside services costs have been managed?

A. First, an overall budget is established for the project spanning the time through expected license issuance. Each year, as part of the annual budgeting and approval process, the portion of the project budget to be expended in the upcoming year is thoroughly reviewed and approved by management. Throughout the year, a monthly break down of all project expenditures is provided to department management and to each of the Project Managers. This provides an opportunity to look at project costs on an overall basis and make adjustments as may be necessary to stay within the overall project budget if possible.

More specifically, as the Company prepares study plans, the technical leads are responsible for considering any existing data needs and potential data gaps. A study plan is then produced and the Company contracts with consultants to conduct the study. Consultants are generally selected through a formal bidding process unless specific expertise is needed. Oversight of consultant work is the responsibility of the internal technical team lead. Consultants provide monthly reports on their activities along with detailed invoices. Project Managers receive and review all invoices and review tasks each month.

Q. Please summarize your testimony.

A. PacifiCorp's hydro generation facilities comprise a critical component of its overall power supply portfolio. PacifiCorp's hydro resources provide reliable power at below market rates as well as valuable peaking energy, load-shaping, and system reserves. Owners of non-federal hydropower projects are required under the Federal Power Act to apply for new operating licenses from the Federal Energy Regulatory Commission.

Relicensing is a complex and often contentious regulatory process that takes many years to complete. The process requires consulting with multiple federal, state, tribal, environmental and community stakeholders; conducting and analyzing the results of numerous environmental studies; presenting and documenting the results of studies and consultation in license applications and other required documentation; and triggers compliance with other federal laws such as the Clean Water Act and Endangered Species Act. In order to operate hydro facilities and to preserve their unique benefits, licensees must seek new licenses and essentially "prove," through the relicensing process, that continuing to operate the project is still in the public interest. Federal agencies with mandatory conditioning authorities can force very high-cost licensing outcomes that FERC has no ability to question. Further, decommissioning is typically very high cost and generally not a viable option.

PacifiCorp initially approached relicensing the North Umpqua, Bear River, Bigfork, Powerdale, and American Fork projects using the traditional three-stage FERC consultation process. However, the Company initiated

settlement negotiations, when appropriate, in all five proceedings to resolve disputes, expedite the processes, and achieve lower-cost results by avoiding potential litigation and removing uncertainty.

Q. Does this complete your testimony?

A. Yes.