Q. Please state your name, business address and present position with PacifiCorp, dba Pacific Power & Light Company (the Company).

A. My name is William R. Griffith. My business address is 825 NE Multnomah St., Suite 2000, Portland, Oregon. My present position is Director, Pricing, Cost of Service & Regulatory Operations.

Q. Briefly describe your educational and professional background.

A. I have a B.A. degree with High Honors and distinction in Political Science and Economics from San Diego State University and an M.A. in Political Science from that same institution; I was subsequently employed on the faculty. I attended the University of Oregon and completed all course work towards a Ph.D. in Political Science. I joined the Company in the Rates & Regulation Department in December 1983. In June 1989, I became Manager, Pricing in the Regulation Department. In February 2001, I assumed my present responsibilities.

Q. Have you appeared as a witness in previous regulatory proceedings?

A. Yes. I have testified on behalf of the Company in regulatory proceedings in the states of Washington, Oregon, Utah, Idaho, Wyoming, and California.

Q. What are your responsibilities in this proceeding?

A. I am responsible for the development of the Class Cost of Service study and for the revisions to the Company's prices proposed in this proceeding.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to:

1. Present the Company's Class Cost of Service study.
2. Present the Company's proposed tariffs in this case.

3. Describe the Company's proposed allocation under each of the two revenue requirement increase proposals.

4. Discuss the Company's proposed rate design and rate schedule changes under each of the two revenue requirement increase proposals.

5. Discuss the Company's proposed rate design for the proposed Power Cost Adjustment Mechanism.

Q. Please summarize your testimony.

A. My testimony indicates that the results of the Class Cost of Service study prepared for this case are consistent with the results filed in the Company's last general rate case in Washington Docket No. UE-050684 (2005 Rate Case). While the present study utilizes the results of a new allocation methodology—the West Control Area allocation methodology—the results produce similar recommendations concerning class revenue allocation and rate design as compared to the 2005 Rate Case. The Company's proposed allocation of the revenue requirement in this case is similar to the final rate spread ordered by the Commission in Docket No. UE-032065, approved in November 2004 and is identical to the revenue allocation method proposed by Staff, Public Counsel, Industrial Customers of Northwest Utilities (ICNU) and the Company in the 2005 Rate Case.

The Company is proposing to allocate the Base Case revenue increase of $23.2 million (10.2 percent) or the Expedited Case increase of $10.0 million (4.4 percent) across customer classes by applying a uniform increase to most customer classes, including residential, Schedule 48T Large General Service, and Schedule

40 Agricultural Pumping customers. The Company proposes two exceptions to the uniform allocation proposal. For Schedule 24, Small General Service the Company proposes an increase equal to 75 percent of the average increase, and for Schedule 36, Large General Service, the Company proposes that the jurisdictional average percentage increase be applied. The Company's rate design proposals continue to reflect cost of service results in order to send proper price signals to customers while recovering the proposed revenue requirement. For most rate schedules, the proposals result in larger increases to fixed charges and demand charge components with smaller impacts on energy charges.

My testimony also shows that if the Company's proposals are implemented, after adjusted for inflation, prices for Washington residential customers will be 23 to 28 percent lower than they were in 1989, and that PacifiCorp's Washington prices will continue to remain low in a low cost state.

CLASS COST OF SERVICE

Summary of Results

Q. Please identify Exhibit No.___(WRG-2) and explain what it shows.

A. Exhibit No.___(WRG-2) is the summary table from PacifiCorp's test period ended March 2006 Class Cost of Service Study for the State of Washington. It is based on PacifiCorp's annual results of operations for the State of Washington presented in the testimony of Mr. Wrigley. It summarizes, both by customer group and by function, the results of the 12 months ending March 2006 Cost of Service Study. Page 1 presents results at the Company's March 2006 Earned Rate of Return. Page 2 presents the results using the rate of return provided by the

\$23.2 million requested price increase.

Q. Please identify Exhibit No.___(WRG-3) and explain what it shows.

A. Exhibit No.___(WRG-3) shows the cost of service results in more detail.

Q. Does the cost of service study filed in this case follow the methodology filed in the 2005 Rate Case?

A. The cost of service study presented in this docket follows the same methodology that was used in the 2005 Rate Case with the exception of class coincident peak load development.

Q How do the class coincident peaks employed in this study differ from those used previously?

A. Customer class peak load data used in the previous study was calculated using loads coincident to PacifiCorp's system peak. This study uses class coincident peaks coincident with the Company's west control area (the sum of Oregon, Washington and California loads). The use of peak loads coincident with west control area peaks instead of PacifiCorp's system peak is consistent with the allocation changes made in the Company's Annual Results of Operations presented by Mr. Wrigley.

Description of Procedures

Q. Please explain how the Cost of Service Study was developed.

A. Using the March 2006 annual results of operations for the State of Washington filed by Mr. Wrigley, the study employs the three-step functionalization, classification, and allocation process.

Q. How is the functionalization process employed in the Cost of Service Study?

A. Functionalization is the process of separating expenses and rate base items according to utility function. The production function consists of the costs associated with power generation, including coal mining, and wholesale purchases. The transmission function includes the costs associated with the high voltage system utilized for the bulk transmission of power from the generation source and interconnected utilities to the load centers. The distribution function includes the costs associated with all the facilities that are necessary to connect individual customers to the transmission system. This includes distribution substations, poles and wires, line transformers, service drops and meters. The retail services function includes the costs of meter reading, billing, collections and customer service. The miscellaneous function includes costs associated with demand side management, franchise taxes, regulatory expenses, and other miscellaneous expenses.

Q. Describe how the classification process is used in the cost of service study.

A. Classification identifies the component of utility service being provided. The Company provides, and customers purchase, service that includes at least three different components: Demand-Related, Energy-Related, and Customer-Related. Demand-Related costs are incurred by the Company to meet the maximum demand imposed on generating units, transmission lines, and distribution facilities. Energy-Related costs vary with the output of a kWh of electricity. Customer-Related costs are driven by the number of customers served.

Q. How does PacifiCorp determine cost responsibility among customer classes?

A. After the costs have been functionalized and classified, the next step is to allocate them among the customer classes. This is achieved by the use of allocation factors that specify each class' share of a particular cost driver such as system peak demand, energy consumed, or number of customers. The appropriate allocation factor is then applied to the respective cost element to determine each class' share of cost. A detailed description of PacifiCorp's functionalization, classification and allocation procedures and the supporting calculations for the allocation factors are contained in my workpapers, Exhibit No.___(WRG-4).

Q. How are generation and transmission costs classified between demand energy components?

A. All production and transmission plant and expenses, including fuel and purchased power, are classified using a peak credit method where the cost of a current peaking resource (Simple Cycle Combustion Turbine, or SCCT) is compared to the cost of a current baseload resource (Combined Cycle Combustion Turbine, or CCCT). In this method, the SCCT is deemed to provide benefits in addition to pure peaking capability, and therefore only one-half of the fixed costs are considered in determining the Demand-Related component. All other costs are considered Energy-Related.

Q. Please identify Exhibit No. ___(WRG-5) and explain what it shows.

A. Exhibit No.___(WRG-5) shows the calculation of the demand and energy classification percentages used for generation and transmission costs in the study. In the calculation, one-half of the fixed costs of an SCCT plus the expected

operating costs for 200 hours become the numerator. The denominator is the total cost, both fixed and variable, of a CCCT consistent with the Company's resource planning and avoided cost calculations. This calculation produces the 14 percent Demand-Related classification with the remaining 86 percent the Energy-Related classification of costs.

The Demand-Related portion is then allocated using class loads coincident with PacifiCorp's highest 100 summer (April-October) and highest 100 winter (November-March) hourly retail western control area peak loads. The Energy-Related portion is allocated using class annual MWh's adjusted for losses to generation level.

Q. Why did you not use the highest 200 peak load hours regardless of season?

A. PacifiCorp is a dual peaking utility with peaks in both the summer and the winter. In the March 2006 test period, nearly all (180 out of 200) of the western system peak hours were in the winter. This would have resulted in no Demand-Related generation costs being assigned to air conditioning, irrigation and other summer loads. At the same time, winter loads, like electric space heating and other winter loads, would have been assigned the entire annual Demand-Related generation and transmission costs.

Q. How are the distribution costs classified and allocated?

A. Distribution costs are classified as either Demand-Related or Customer-Related. In this study only meters and services are considered as Customer-Related, with all other costs considered Demand-Related. Distribution substations and primary lines are allocated using the maximum rate schedule peaks (also identified as class

non-coincident peaks). Distribution line transformers are allocated using the weighted non-coincident peak (NCP) method. The costs of secondary lines are also allocated using the weighted NCP method, but are only allocated to residential and small general service customers where line transformers are jointly used by more than one customer. Services costs are allocated to secondary voltage delivery customers only. The allocation factor is developed using the installed cost of new services for different types of customers. Meter costs are allocated to all customers. The meter allocation factor is developed using the installed costs of new metering equipment for different types of customers.

Q. Please explain how customer accounting and customer service expenses are allocated.

A. Customer accounting expenses are allocated to classes using weighted customer factors. The weightings reflect the resources required to perform such activities as meter reading, billing, and collections for different types of customers. Other customer service expenses are allocated on the number of customers in each class.

Q. How are administrative & general expenses, general plant and intangible plant allocated by PacifiCorp?

A. Most general plant, intangible plant, and administrative and general expenses are functionalized and allocated to classes based on generation, transmission, and distribution plant. Employee Pensions and Benefits have been assigned to functions and classes on the basis of labor. Costs identified as supporting customer systems are considered part of the retail services function and have been allocated using customer factors. Coal Mine plant is allocated consistent with

generation and transmission resources.

Q. Are costs and revenues associated with wholesale contracts included in the cost of service study?

A. No costs are assigned to wholesale contracts. The revenues from these transactions are treated as revenue credits and are allocated to customer groups using appropriate allocation factors. Other electric revenues are also treated as revenue credits. Revenue credits reduce the revenue requirement that is to be collected from firm retail customers.

Partial Requirements Service

Q. Does the Cost of Service Study include results for partial requirements service customers?

A. No. Cost of service results were not calculated for partial requirements service customers. The Company has one partial requirements customer in Washington.

Q. Why are partial requirements customers removed from the cost of service study?

A. Partial requirements are not included in the embedded cost of service study because they do not lend themselves well to this type of analysis. These customers usually have very sporadic loads from year to year, producing volatile cost of service results depending on whether or not service is required during the hour of monthly system peak. It is the Company's practice to derive prices for this type of service from the prices and costs for full requirements service. The revenues from partial requirements service are allocated back to other classes as revenue credits.

Q. What is included in your workpapers?

A. Workpapers showing the complete functionalized results of operations and class cost of service detail are included as Exhibit No.___(WRG-4). Also included in the workpapers is a detailed narrative describing the Company's functionalization, classification and allocation procedures.

REVENUE ALLOCATION & RATE DESIGN

PROPOSED TARIFFS

Q. Are you familiar with the Company's Washington electric tariff schedules proposed to be revised in this filing?

A. Yes. Exhibit No.___(WRG-6) contains revised tariff sheets incorporating the changes as proposed for approval at the end of this proceeding. The proposed tariff sheets contain proposed rates as developed for the Company's Base Case.

BASE CASE

Proposed Revenue Allocation for Base Case

Q. What is the "Base Case" proposal?

A. As indicated in the direct testimony of Ms. Kelly, the Company's filing demonstrates a revenue requirement deficiency of $23.2 million, or 10.2 percent. A rate increase of this amount processed over the full eleven month suspension period is referred to as the "Base Case." Alternatively, the Company is proposing more limited rate relief – $10 million, or 4.4 percent -- under an expedited schedule, or the "Expedited Case."

Q. How is the Company proposing to allocate the revenue increase to customer classes in this proceeding under the Base Case?

A. The Company is proposing to allocate the $23.2 million (10.2 percent) revenue increase across customer classes by applying a uniform increase to most customer classes, including residential, Schedule 48T Large General Service, and Schedule 40 Agricultural Pumping customers. The Company proposes two exceptions to the uniform allocation proposal. For Schedule 24, Small General Service the Company proposes an increase equal to 75 percent of the average increase, and for Schedule 36, Large General Service, the Company proposes that the overall jurisdictional average percentage increase be applied.

Q. Why has the Company proposed to allocate the increase in this manner?

A. Guided by the cost of service results, this allocation is similar to the final rate spread ordered by the Commission in Docket No. UE-032065, approved in November 2004 and is identical to the revenue allocation method proposed by Staff, Public Counsel, ICNU and the Company in the 2005 Rate Case. The Cost of Service results filed in this case are largely consistent with the results filed in the 2005 Rate Case and they continue to support the proposed revenue allocation.

Q. How were the percentage increases calculated and what are the effects of the Company's proposed rate spread?

A. The Company's proposed rate spread is shown in Exhibit No.___(WRG-7). Under the Base Case revenue allocation proposal described above, Schedule 24 receives a 7.7 percent increase; Schedule 36, a 10.2 percent increase; and the other schedules receive equal percentage increases of 10.8 percent.

Q. Please explain Exhibit No.___(WRG-7).

A. Exhibit No.___(WRG-7) shows the estimated effect of proposed prices on revenues from electric sales to ultimate consumers in Washington, distributed by rate schedule, for the normalized 12-month period concluding March 31, 2006.

Exhibit No.___(WRG-7) shows the effects of the proposed base rate changes. Current rate schedule numbers, the average number of customers during the test year and the Megawatt-hours of energy consumption are displayed in columns (2) through (4). Normalized revenues for the test period are displayed in column (5). Column (6) shows the proposed base revenues. Column (7) shows the proposed change in revenues for each schedule. Column (8) shows the proposed change as a percentage. The overall proposed base annual increase to tariff rates of $23.2 million is shown at Line No. 18, Column (7).

Rate Design for Base Case

Q. How does the Company propose to design rates to implement the proposed revenue increase under the Base Case?

A. The Company's rate design proposals continue to reflect cost of service results in order to send proper price signals to customers while recovering the proposed revenue requirement. For most rate schedules, the proposals result in larger increases to fixed charges and demand charge components with smaller impacts on energy charges. Exhibit No.__(WRG-8) contains the proposed prices and the billing determinants used in calculating proposed prices. Exhibit No.__(WRG-9) contains monthly billing comparisons for representative customers of each schedule.

Residential Rate Design

Q. Please discuss proposed rate design changes for the residential rate schedules.

A. For the monthly basic charge, the Company proposes an increase from $4.75 to $5.25 per month in order to more closely reflect cost of service results. If this change is approved, Pacific Power's residential Basic Charge will remain one of the lowest in Washington. The Company surveyed the current Basic Charges of 18 utilities in the state and found the Company's proposed Basic Charge of $5.25 per month would rank third lowest, well below the average Basic Charge of approximately $9.50 per month among utilities surveyed.

For the energy charge, the Company proposes to retain the existing inverted rate design and to apply an equal percentage increase to the two kilowatt-hour blocks. Large users will continue to pay higher prices under the inverted rate design while all customers will pay a fair share of the price change.

General Service Rate Design

Q. What changes are proposed for General Service Schedules 24 and 36?

A. In line with the cost of service results, the Company proposes to increase Load Size and Demand charges while applying smaller increases to Energy Charges for these schedules.

Q. What changes are proposed for Large General Service Schedule 48T?

A. The Company proposes to increase the Load Size and Demand charges and to apply a smaller percentage increase to the Energy Charge. This will lessen the impact on higher load factor customers while appropriately reflecting cost of

service.

Other Rate Design Changes

Q. What changes are proposed for Agricultural Pumping Service Schedule 40?

A. The Company proposes to increase the Load Size charges and apply a smaller percentage increase to the Energy Charges.

Q. What changes are proposed for lighting schedules?

A. The Company proposes to increase all fixed per lamp charges and cents per kWh charges by an equal percentage.

EXPEDITED CASE

Proposed Revenue Allocation for Expedited Case

Q. How is the Company proposing to allocate the revenue increase to customer classes in this proceeding under the Expedited Case?

A. The Company is proposing to allocate the expedited $10.0 million (4.4 percent) revenue increase across customer classes in the same manner as the allocation of the full revenue requirement discussed earlier in my testimony for the Base Case. As with the Base Case, the Company is proposing to allocate the revenue increase across customer classes by applying a uniform increase to most customer classes, including residential, Schedule 48T Large General Service, and Schedule 40 Agricultural Pumping customers, while Schedule 24, Small General Service receives 75 percent of the average increase, and Schedule 36, Large General Service, receives the overall jurisdictional average percentage increase.

Q. How were the percentage increases calculated for the expedited case and what are the effects of the Company's proposed rate spread?

A. The Company's proposed rate spread for the Expedited Case is shown in Exhibit No.___(WRG-10); it is similar in structure to the Base Case Exhibit WRG-7. Under the Expedited Case revenue allocation proposal described above, Schedule 24 receives a 3.3 percent increase; Schedule 36, a 4.4 percent increase; and the other schedules receive equal percentage increases of 4.7 percent.

Rate Design for Expedited Case

Q. How does the Company propose to design rates to implement the proposed Expedited Case?

A. The Company's rate design proposals utilize the rate design structures proposed for the Base Case. In general, rates would be proportionately adjusted by the difference between the full requested increase and the expedited requested increase. The only exception is for the residential rate schedules. Under either case, the Company proposes to increase the customer charge from $4.75 to $5.25 per month more closely reflect cost of service results. This would better align fixed prices with fixed costs, and as discussed earlier, the proposed customer charge would still be the third lowest among 18 utilities surveyed in Washington. Exhibit No.__(WRG-11) contains the proposed prices and the billing determinants used in calculating proposed prices for the Expedited Case. Exhibit No.__(WRG-12) contains monthly billing comparisons for representative customers of each schedule for the Expedited Case.

Residential Prices Compared to Inflation

Q. How do the proposed increases in the Company's residential prices compare to inflation rates?

A. If the average Washington residential customer using 1,300 kilowatt-hours per month had seen price increases which tracked inflation since the 1989 PacifiCorp/Utah Power merger, this customer's bill today would be approximately $100. Using the proposed rates filed in the case, the average Washington residential customer's bill would be only $76 under the Base Case or $72 under the Expedited Case. Calculating this difference on a real basis, the results are equally revealing: bills would be approximately 23 percent lower on a real basis if the Base Case were implemented, and 28 percent lower on a real basis if the Expedited Case were implemented, than they were in 1989.

Under the Company's proposed rate design, smaller users will continue to see prices that compare even more favorably to inflation. If a Washington residential customer using 500 kilowatt-hours per month had seen price increases which tracked inflation since the PacifiCorp/Utah Power merger, this customer's bill today would be about $37. Using the proposed rate design filed in the case, this customer's bill would be only $25 under the Base Case, and $24 under the Expedited Case, or approximately 32 percent and 36 percent lower, respectively, on a real basis.

Comparison of Prices with Other Washington Utilities

Q. If the price changes proposed in this case are approved, how will the Company's prices compare with other Washington utilities?

A. Regardless of which of the two proposed options presented in this case are implemented, PacifiCorp's prices will continue to remain low in a low-cost state. Using the most recent (2004) data publicly available from the Energy Information Administration (EIA) for the 45 largest Washington electric utilities, and including the effects of the Company's proposed price changes (both the Base Case and the Expedited Case are displayed), while ignoring price increases for other utilities that may have occurred since 2004, Exhibit No.__(WRG-13) shows that, for both the Base Case and the Expedited Case, PacifiCorp's average rate will remain below the state average for the largest 45 electric utilities serving in Washington. Given that the data exclude price increases since 2004 for other utilities, while they are included for PacifiCorp, it is clear that this is a very conservative analysis.

Washington has the tenth lowest electric prices among the fifty states according to the EIA. If either the Base Case or the Expedited Case is implemented, PacifiCorp's Washington customers will continue to see electric prices that are among the lowest in the US.

Q. How have PacifiCorp's Washington prices changed over time relative to other Washington utilities?

A. Between 1990 and 2004, PacifiCorp's rates changed little if at all, and any change in PacifiCorp's rates fell far behind that of other Washington utilities. Again, the

most recent, publicly available data from the Energy Information Administration (EIA) for the 45 largest utilities in Washington is utilized for this comparison. As shown in Exhibit No. __(WRG-14), comparing 1990 EIA data with the most recent (2004) EIA data available for Washington electric utilities, the Washington state average rate and other utilities' rates increased markedly over this fourteen year period, while PacifiCorp's total rates saw little, and, for the case of residential rates, no change in the average rate. Clearly, during a period of rising costs, the Company's Washington customers have benefited from a longer period of price stability than other utilities' Washington customers.

PCAM

Q. Please explain the proposed Schedule 99, Power Cost Adjustment Mechanism.

A. As discussed in Mr. Widmer's testimony, the Company proposes to implement a Power Cost Adjustment Mechanism (PCAM). The proposed PCAM tariff is contained in Schedule 99, found in Exhibit No.___(WRG-6). The Company proposes that PCAM sur-charges and sur-credits be charged on a cents per kilowatt-hour basis to all customers.

Q. How does the Company propose to treat sur-charges and sur-credits which may arise in connection with operation of the proposed PCAM?

A. Both will be spread to customers on a cents per kWh basis to all customer classes in order to reflect changes in costs per MWh incurred by the Company to serve customers.

Other Tariff Changes

Q. What other tariff changes is the Company proposing?

A. The Company proposes to delete several obsolete schedules from the Company's tariff book. Currently, no customers are served on these schedules. The deleted schedules have been removed from Exhibit No.___(WRG-6).

Q. Is the Company proposing to implement decoupling in this proceeding?

A. No. In the 2005 Rate Case, the Commission rejected a joint proposal offered by the Company and the Natural Resources Defense Council for a number of reasons, including the absence of an acceptable inter-jurisdictional cost allocation methodology necessary to implement decoupling. The Company is addressing the inter-jurisdictional cost allocation issue in this proceeding, which will enable decoupling to be considered in future proceedings. The Company is aware that other utilities (Puget Sound Energy and Cascade Natural Gas Corporation) are currently proposing decoupling mechanisms in pending rate proceedings. By awaiting the outcome of those proceedings, any future decoupling proposal offered by the Company will be informed by the Commission's actions with respect to those proposed decoupling mechanisms.

Low Income Bill Assistance Program

Q. How does the Company propose to implement changes to the Low Income Bill Assistance Program following the conclusion of this case?

A. The Low Income Bill Assistance (LIBA) Program credit is available through Schedule 17 and is funded by our other customers through charges included in Schedule 91. Following conclusion of this case, the Company proposes to

increase the low-income collection rate by a percentage amount equal to the total percentage of all residential base price increases, including the price increase ordered in this case, since the program was implemented. The Company will offset a portion of the increase to collections by increasing the credit available through Schedule 17. In addition, in the future, the Company proposes to continue to revise the Schedule 91 surcharge and the Schedule 17 credit in the same manner as above, as residential base rates change. This proposal ties changes in the low income program to changes in our Washington prices and will minimize the impacts of price changes on our low-income customers.

Q. Does this conclude your testimony?

A. Yes, it does.