

1 **Q. Ms. Kelly, did you previously file testimony in this proceeding?**

2 A. Yes. My Direct Testimony was part of the Company's original filing with the
3 Commission in December 2003. The principal purpose of my Direct Testimony
4 was to describe the terms of a "Protocol" document to be ratified by the
5 Commission. The Protocol contained the terms of a proposed resolution of the
6 PacifiCorp interjurisdictional cost allocation issues that have been the subject of
7 the Multi-State Process ("MSP").

8 **Purpose**

9 **Q. What is the purpose of your Rebuttal Testimony?**

10 A. The purpose of my Rebuttal Testimony is to respond to the testimony of Staff
11 Witnesses Buckley and Braden, Public Counsel Witness Lazar and ICNU
12 Witnesses Falkenberg and Schoenbeck regarding the Multi-State Process (MSP)
13 in our various states. Specifically, my Rebuttal Testimony will:

- 14 • Briefly describe events that have occurred in the MSP since our December
15 filing,
- 16 • Clarify the status of the MSP proceedings underway in PacifiCorp's other
17 states,
- 18 • Address misconceptions surrounding the Utah Stipulation and the Revised
19 Protocol,
- 20 • Rebut Mr. Schoenbeck's recommendation that the Commission disallow
21 recovery of MSP costs.

22 As with my Direct Testimony, when I use capitalized terms in my Rebuttal
23 Testimony, they are intended to have the same meaning set forth in Appendix A

1 to the Protocol.

2 **Events Since December 2003 filing**

3 **Q. What has occurred in the MSP since the Company's December 2003 filing?**

4 A. Procedural schedules were set in Utah, Oregon and Wyoming that provided for
5 discovery, prefiled testimony by other parties and ultimately formal hearings this
6 summer. However, Commissioners and other interested parties in Utah and
7 Oregon expressed a preference for a continued exchange of information among
8 the States and a continued attempt to achieve a consensus solution to MSP issues.
9 Therefore, the procedural schedules in Utah and Oregon also provided for a
10 number of technical conferences, public meetings and meetings among
11 Commissioners from different states – all aimed at achieving consensus among
12 the parties. To further the exchange of information and perspectives,
13 representatives of the Oregon Commission Staff and the Utah Division of Public
14 Utilities participated in several meetings. In April 2004, Commissioners in
15 Oregon and Utah concluded that the process would benefit from the further
16 involvement of Robert Hanfling as a mediator. After Mr. Hanfling was re-
17 engaged, he participated in a number of meetings with individual parties and
18 groups and presided over four multi-party meetings during late April.

19 **Q. Did these meetings consider revisions to the Original Protocol?**

20 A. Yes. Participants at the late-April meeting considered a package of revisions to
21 the Original Protocol. The revisions were to form the basis of a Supplemental
22 Direct Filing in Utah and Oregon. Procedural milestones in Utah and Oregon
23 required a filing on May 10th (then extended to May 21st) of either joint testimony

1 of the parties supporting a proposed MSP solution resulting from the Hanfling
2 mediation process, or failing that, a revised proposal sponsored by the Company.

3 **Q. Did these informal meetings result in consensus among the States?**

4 A. No, but we got closer. The revisions presented at the late-April meeting appeared
5 to be generally acceptable to many parties across the States of Utah, Oregon,
6 Wyoming and Idaho. The revisions did not appear to be generally acceptable to
7 the Washington Staff. The Company continued active discussions with parties in
8 Utah and in Oregon in an attempt to forge consensus but, absent a joint proposal,
9 it was necessary to move forward with the filing of the Revised Protocol as a
10 unilateral Company filing. On May 21, 2004, the Company made identical filings
11 of the Revised Protocol in Utah and Oregon.

12 **Q. What has occurred since the Company's May filing with the Utah and
13 Oregon Commissions?**

14 A. As discussed above, when the Company filed the Revised Protocol in May, we
15 believed that it enjoyed broad support from MSP participants. However, we also
16 understood that there were some lingering concerns, and therefore continued
17 discussions with parties from Utah and Oregon. These discussions resulted in
18 further changes to the Revised Protocol. These discussions also resulted in a
19 Stipulation between seven Utah parties and PacifiCorp to support the use of the
20 Revised Protocol for purposes of general rate proceedings in Utah. The Utah
21 Stipulation was the subject of recent hearings and we are now awaiting a Utah
22 Commission order.

23 Our discussions also resulted in a Stipulation between three Oregon parties

1 and PacifiCorp to support the use of the Revised Protocol for purposes of general
2 rate proceedings in Oregon. Hearings on the Oregon Stipulation and the Revised
3 Protocol will be held on August 5th.

4 The Company has filed Supplemental Direct Testimony in support of the
5 Revised Protocol in Wyoming and Idaho, where parties have chosen to defer
6 significant efforts on the MSP proposal until agreement could be reached between
7 Oregon and Utah. Settlement negotiations will occur in these States beginning in
8 August.

9 **Q. Does the Company agree with Mr. Buckley’s conclusion that “[t]he recent**
10 **filing of a Revised Protocol in Oregon and the draft Utah Revised Protocol**
11 **only serve to confirm that any non-principled approach to inter-**
12 **jurisdictional cost allocations is not sustainable”?**

13 A. No, quite the opposite is true. The recent revisions are based in principle and
14 reflect the give-and-take of good faith negotiations. It is not unusual for parties to
15 agree to revisions to a Company filing after it has been made. Most significant
16 here is that the revisions enjoy broad support from nearly all parties in Utah and
17 Oregon – a critical first step in the sustainability of an MSP solution. The
18 Stipulations demonstrate a strong commitment from parties in Utah and Oregon to
19 the Revised Protocol.

20 **Q. Does the potential for different stipulations in different States create the**
21 **potential for misunderstandings regarding the intent of the Revised**
22 **Protocol?**

23 A. Yes, but the Company is attempting to actively manage this process to avoid such

1 an outcome. The focus of the State settlement discussions is to provide
2 assurances to parties in each State without changing the underlying elements of
3 the Revised Protocol and without impacting other states. Unfortunately, the pace
4 of change has increased in the past month and it appears that the Washington
5 parties did not fully understand the key elements of the Utah Stipulation.

6 **Utah Stipulation**

7 **Q. When was the Utah Stipulation filed with the Utah Public Service**
8 **Commission?**

9 A. The Utah Stipulation and a replacement to the Revised Protocol was not finalized
10 and filed until June 28, 2004. The Utah Stipulation could not be made public
11 until that date.

12 **Q. Please provide a summary of the material provisions of the Stipulation that**
13 **has been signed by the Company and most Utah parties.**

14 A. The parties to the Utah stipulation are the Utah Division of Public Utilities, the
15 Utah Committee of Consumer Services, the Utah Association of Energy Users
16 Intervention Group, the Salt Lake Community Action Program, the Crossroads
17 Urban Center, AARP, the Federal Executive Agencies (collectively, the Utah
18 Parties) and PacifiCorp. The parties to the Stipulation agree to support
19 ratification of the Revised Protocol by the Utah Commission. The Company
20 agrees that until such time as the Revised Protocol is amended in accordance with
21 its terms, all general rate case filings made by it will be based upon the terms of
22 the Revised Protocol. The Utah Parties in turn agree to support the use of the
23 terms of the Revised Protocol for establishing Utah's revenue requirement.

1 **Q. Does the Stipulation provide for Rate Mitigation Measures in Utah?**

2 A. Yes, specified Rate Mitigation Measures are to apply to the calculation of the
3 Company's Utah revenue requirement through March 31, 2014.

4 **Q. Is Staff Witness Buckley's Testimony summarizing the Rate Mitigation
5 Measures in Utah an accurate depiction of the agreement?**

6 A. No. Mr. Buckley's Testimony states:

7 *"Under that agreement, the Company's revenue requirements for any*
8 *general rate case initiated in Utah prior to July 1, 2008 will be capped,*
9 *irrespective of costs. The cap is one of two outcomes, whichever produces*
10 *the least impact on rates: 1) the Company's Utah revenue requirement*
11 *resulting from the Utah Revised Protocol (discussed later in my testimony)*
12 *or 2) a 1.25 percent increase until mid-June 2006, and a 1.5 percent*
13 *increase after June 2006. All fixed and variable production and*
14 *transmission costs will be based on the Rolled-in Allocation Method."*

15
16 This summary is not accurate.

17 **Q. Please describe the inaccuracies.**

18 A. First, as described above, for purposes of setting revenue requirements in Utah, all
19 fixed and variable production and transmission costs will be allocated based on
20 the Revised Protocol Allocation Method, not the Rolled-In Allocation Method.
21 Second, Mr. Buckley's testimony appears to conclude that the Rate Mitigation
22 Measures limit the overall level of rate increases that Utah customers may
23 experience over this timeframe and set rates irrespective of costs. However, the
24 Rate Mitigation Measures only apply to *differences* between allocation
25 methodologies, not to the overall level of rate increases. Since the underlying
26 Company costs do not vary between the allocation methodologies, rates remain
27 cost-based.

1 **Q. Please describe the Rate Mitigation Measures.**

2 A. The Rate Mitigation Measures have three basic components:

- 3 a) for a period of time there are rate caps that limit the amount by which the
4 Company's Utah revenue requirement can exceed the amount that would
5 be calculated under the existing rolled-in method,
6 b) for a period of time the Company is entitled to a "Rate Mitigation
7 Premium" during which time it has the opportunity to recover a greater
8 amount than indicated under the Revised Protocol, and
9 c) for a period of time the Utah parties' continued support of the Revised
10 Protocol is conditioned upon the Company's Utah revenue requirement
11 not exceeding a rolled-in calculation by a stated amount.

12 **Q. Please describe the details of each of these components.**

13 A. The rate caps apply to the first four years following Commission ratification of
14 the Revised Protocol. For Company fiscal years 2006 and 2007, the Company's
15 Utah revenue requirement cannot exceed the amount calculated under the rolled-
16 in method by more than one and one-half percent. For fiscal years 2008 and
17 2009, the cap is one and one-quarter percent.

18 The Rate Mitigation Premiums apply to fiscal years 2010, 2011 and 2012,
19 during which time the Company may set Utah rates at one-quarter percent above
20 the amount calculated under the Revised Protocol method.

21 For fiscal years 2010 through 2014, if the Company's Utah revenue
22 requirement exceeds, or is projected by the Company in good faith to exceed, 101
23 percent of the amount that would result from the use of the Rolled-in Method, the

1 Company may propose a new interjurisdictional cost allocation method. Parties
2 to the Stipulation are obligated to use reasonable best efforts to come to
3 agreement on an amended Revised Protocol within 12 months after the Company
4 proposes a new method. Unless and until such new method is ratified by the Utah
5 Commission, for fiscal years 2010 through 2014, the Company's Utah revenue
6 requirement will not exceed 101 percent of a rolled-in calculation.

7 **Q. Does the Company intend to collect from other States any shortfall that could**
8 **be created by the Rate Mitigation Measures?**

9 A. No. Some Utah parties suggested that the Company consider asking its other
10 States to agree to a phase-in of the Revised Protocol. We chose not to pursue that
11 path and understand that any shortfall will be borne by the Company. This is
12 evidenced by the terms of the Stipulation with Oregon parties that was reached
13 subsequent to Staff and intervener testimony in this proceeding. Thus, it was
14 incorrect for Staff witness Braden to assume that "PacifiCorp will be forced to
15 attempt to pass those [unrecovered] costs on to customers in other jurisdictions,
16 including Washington."

17 **Revised Protocol**

18 **Q. Does the Revised Protocol contain material changes from the Original**
19 **Protocol proposed by the Company for use in this proceeding?**

20 A. Yes, although the fundamental underpinnings remain the same. Both Protocols
21 rely on integrated six-state system planning and operation, recognize a Hydro
22 Endowment to fulfill the requests of the Company's Northwest States, and contain
23 provisions to allow for greater responsiveness to individual State policy initiatives

1 within confines of the integrated system.

2 **Q. Please summarize the changes between the Original Protocol and the Revised**
3 **Protocol.**

4 A. I have prepared Exhibit No.__(ALK-4), a summary table that compares the key
5 elements of the Original Protocol and the Revised Protocol. I have also attached
6 as Exhibit No.__(ALK-5) a copy of the Revised Protocol and its Appendix A.
7 Appendices B, C, D and E to the Revised Protocol are provided as Exhibits to the
8 Rebuttal Testimony of David L. Taylor. Appendix F to the Revised Protocol is
9 provided as an Exhibit to the Rebuttal Testimony of Greg N. Duvall.

10 Classification of Fixed Costs

11 **Q. Does the Revised Protocol make changes in the proposed classification of**
12 **Fixed Resource costs?**

13 A. Yes. The original Protocol proposed to classify the Fixed Costs of Simple-Cycle
14 Combustion Turbines, or SCCTs, as 100 percent Demand-Related. Not all parties
15 were convinced that there was a compelling case for classifying SCCTs
16 differently from other Resources. The Revised Protocol accepts this view and
17 proposes a 75 percent Demand-Related and 25 percent Energy-Related
18 classification, thereby simplifying Classification of Fixed Resource costs. The
19 reasons for this change are discussed in the Rebuttal Testimony of David L.
20 Taylor.

1 Hydro-Endowment

2 **Q. How does the Revised Protocol deal with the previously proposed form of**
3 **hydro endowment and corresponding “coal endowment”?**

4 A. The concept of a hydro endowment is preserved but implemented in a different
5 form. The coal endowment has been eliminated.

6 **Q. How is the hydro endowment implemented in the Revised Protocol?**

7 A. The Revised Protocol introduces a new concept of affording States value from
8 their allocated share of Hydro-Electric Resources and Mid-Columbia Contracts
9 through a “embedded cost differential” calculation. The Rebuttal Testimony of
10 Messrs. Taylor and Duvall describe in detail how the calculation is made.
11 Generally speaking, this method compares the total embedded cost of Hydro-
12 Electric Resources and Mid-Columbia Contracts on a dollar per MWh basis with
13 the total embedded cost of the Company’s other Resources (excluding the costs of
14 Hydro-Electric Resources, Mid-Columbia Contracts and Existing QF Contracts).
15 The difference in cost is then multiplied by the normalized output from the
16 Hydro-Electric Resources and the Mid-Columbia Contracts. If the difference is
17 negative (*i.e.*, the Hydro-Electric Resources and Mid-Columbia Contracts costs
18 are less expensive than other Resources), it is credited to the States with the hydro
19 endowment. If the difference is positive (*i.e.*, the Hydro-Electric Resources and
20 Mid-Columbia Contracts costs are more expensive than other Resources), there is
21 a charge to the hydro endowment States. This approach is similar to the Fuel
22 Adjustment methodology that has been in use under the Modified Accord method.

1 **Q. Why are the costs of Existing QF Contracts excluded from the calculation of**
2 **the Company’s embedded cost of Resources when performing this**
3 **calculation?**

4 A. Existing Qualifying Facilities are also subject to an “endowment” which I discuss
5 later in my testimony.

6 **Q. What issues have arisen regarding the inclusion of the Mid-Columbia**
7 **Contracts in the hydro endowment?**

8 A. Allocating the benefits of the Mid-Columbia Contracts has been one of the most
9 controversial subjects in the MSP. Parties in Oregon and Washington see little
10 distinction between Hydro-Electric Resources and the Mid-Columbia Contracts.
11 They observe that the original Mid-Columbia Contracts were structured in a way
12 that affords PacifiCorp rights and responsibilities similar to ownership of a share
13 of the Mid-Columbia projects. They also note that the social costs and cultural
14 concerns associated with the Mid-Columbia projects are of unique interest to
15 Oregon and Washington. Utah parties respond by pointing out that for most of
16 the time since the Pacific Power/Utah Power merger, the Mid-Columbia Contracts
17 have been treated as System Resources with all States supporting the costs of
18 these contracts.

19 **Q. How does the Revised Protocol resolve these issues?**

20 A. The Revised Protocol seeks to balance the parties’ concerns. All States are
21 afforded a share of the costs and benefits of the Mid-Columbia Contracts.
22 However, shares assigned to Oregon and Washington are larger than would be the
23 case if they were treated as System Resources consistent with the Modified

1 Accord allocation methodology. Mr. Duvall's Rebuttal Testimony provides
2 specifics regarding the calculation of each State's allocated share related to the
3 Mid-Columbia Contracts.

4 First Major New Coal Resource

5 **Q. Has the First Major New Coal Resource opt out for Oregon been retained?**

6 A. No, this provision has also been removed, further simplifying the protocol
7 elements.

8 QF Contracts

9 **Q. You previously mentioned that Existing QF Contracts are also subject to a
10 unique treatment. Please explain what is proposed.**

11 A. The embedded cost differential method is used to compare the average annual
12 costs of Existing QF Contracts located in each State with the average embedded
13 cost of the Company's other Resources (excluding the costs of Hydro-Electric
14 Resources, Mid-Columbia Contracts and Existing QF Contracts). The difference
15 in cost is then multiplied by the normalized output from the Existing QF
16 Contracts. If the difference is positive (*i.e.*, the Existing QF Contracts are more
17 expensive than other Resources), there is a charge to the State in which the QF is
18 located. If the difference is negative (*i.e.*, the Existing QF Contracts are less
19 expensive than other Resources), the State receives a credit for the amount of the
20 difference.

21 **Q. Why is the adjustment for Existing QF Contracts being proposed?**

22 A. Existing QF Contracts have substantially different prices in different States,
23 reflecting different State policies that were in effect at the time these contracts

1 were entered into. These prices do not necessarily reflect market derived prices
2 and may differ substantially from the costs of other resources. A consistent theme
3 in the MSP discussions is that costs arising from individual State policies should
4 be borne by customers in the State making the policy. Also, because Existing QF
5 Contracts in Oregon have higher prices than those in Utah, this adjustment tends
6 to balance the revenue requirement impact of the Revised Protocol. It appears
7 that Oregon parties view this as reasonable, provided they can be assured that
8 Oregon's greater entitlement to Mid-Columbia Contract benefits is not reduced in
9 the future.

10 **Q. Why is the embedded cost differential charge/credit being applied only to**
11 **Existing QF Contracts and not to New QF Contracts?**

12 A. There are two primary reasons. First, an underlying provision of the Protocol is
13 that all States share in the cost of new Resources. If the costs of New QF
14 Contracts are equal to the costs of other new Resources, there is no negative
15 impact on other States and no reason to make a situs assignment of additional
16 costs. Only if New QF Contracts are more expensive than the costs of
17 Comparable Resources is there an impact on other States. Second, there was
18 substantial concern that applying the embedded cost differential approach in
19 respect to New QF Contracts could distort the Company's new Resource
20 acquisition process and create an unfair bias against New QF Contracts.

21 **Q. Please explain why there could be such a bias.**

22 A. If the embedded cost differential method were applied to a New QF Contract
23 (assuming its cost is greater than the embedded cost of existing Resources), it

1 would have a greater impact on prices charged to customers in the State where the
2 New QF Contract is located than would a comparable, equally priced non-QF
3 resource that was not subject to the embedded cost differential method.

4 **Q. How are States protected from decisions by other States that cause excessive**
5 **prices to be paid for New QF Contracts?**

6 A. Paragraph III (C) (3) (b) of the Revised Protocol provides that “[C]osts associated
7 with any New QF Contract which exceed the costs PacifiCorp would have
8 otherwise incurred acquiring Comparable Resources, will be assigned on a situs
9 basis to the State approving such contract.”

10 Portfolio Resources

11 **Q. What changes are made in the Revised Protocol in respect to Portfolio**
12 **Resources?**

13 A. The Revised Protocol treats Portfolio Resources in the same manner as New QF
14 Contracts. It establishes the basic principle that costs of Portfolio Resources
15 which exceed the costs of Comparable Resources available to the Company will
16 be assigned on a situs basis.

17 Direct Access

18 **Q. What changes were made in the Revised Protocol in respect to Direct Access**
19 **Programs?**

20 A. The original Protocol proposed that the costs of all Resources be allocated on the
21 basis of State load that included the load of Direct Access Customers. Oregon
22 parties correctly pointed out that the load of Direct Access Customers who had
23 permanently left PacifiCorp’s system (and were no longer being planned for)

1 should not be included in Load-Based Dynamic Allocation Factors for New
2 Resources. The Revised Protocol recognizes this distinction. The Revised
3 Protocol also recognizes that some customers may make a permanent election to
4 have some or all of their load served by the Company based upon a market rate
5 rather than a traditional cost-of-service rate derived from the cost of the
6 Company's Resources. The definition of "Direct Access Customers" in the
7 Revised Protocol is expanded to include customers who exercise such a
8 permanent "opt-out" so that their load is excluded from Load-Based Dynamic
9 Allocation Factors for New Resources.

10 Sustainability

11 **Q. What changes were made in the "sustainability" provisions of the Protocol?**

12 A. In the Revised Protocol, express provision is made for a "Standing Neutral" to be
13 appointed by the MSP Standing Committee. The Standing Neutral is to facilitate
14 discussions among States, monitor emerging issues and assist the MSP Standing
15 Committee, as required.

16 As I indicated previously, Oregon and Washington parties remain very
17 concerned about the prospect of relatively faster growing States causing a cost
18 shift to relatively slower growing States. In an effort to alleviate these concerns,
19 the Revised Protocol includes a commitment to analyze potential cost shifts
20 related to faster-growing States in concert with the current IRP planning cycle. In
21 addition, a multi-state workgroup will track key factors including actual relative
22 growth rates, forecast relative growth rates, costs of new Resources compared to
23 costs of existing Resources, and other factors deemed relevant to this issue. The

1 MSP Standing Committee – likely through a technical workgroup – is charged
2 with developing a mechanism that could be implemented in a timely manner in
3 the event that the studies show a material and sustained harm from the
4 implementation of the IRP to slower-growing States.

5 **Benefits of an Agreement**

6 **Q. Ms. Kelly, in your Direct Testimony, you described how the Protocol**
7 **attempted to recognize and balance the various principles that had been**
8 **articulated by MSP participants. Is that true as well of the Revised Protocol?**

9 A. Yes. Of the various principles articulated in my Direct Testimony, the concept of
10 States being afforded the ability to craft their own energy policies, while not
11 shifting costs to other States, figures somewhat more prominently in the Revised
12 Protocol as reflected in the treatment of QF Contracts and the provisions
13 regarding Direct Access Programs. With the elimination of the unique
14 classification of Simple-Cycle Combustion Turbines and the Oregon “coal opt-
15 out” provision, the Revised Protocol furthers the principles of simplicity and ease
16 of administration.

17 **Q. Do you believe that the changes to the original Protocol contained in the**
18 **Revised Protocol address some of the concerns raised by the Washington**
19 **parties?**

20 A. Yes, but the Washington Staff and Public Counsel have made it clear that they do
21 not feel able to adequately consider these changes within this proceeding. As
22 discussed in the Rebuttal Testimony of Mr. Furman, the Company accordingly
23 would not oppose the use of the original Protocol in this proceeding. It would

1 certainly be our preference to move forward with the Revised Protocol in all our
2 jurisdictions. That said, we are mindful of the concerns of the Washington
3 parties. If the Commission is persuaded that consideration of the Revised
4 Protocol cannot be adequately accomplished without procedural delay, we
5 continue to believe that the original Protocol establishes a reasonable basis for
6 establishing Washington rates and that it can be easily bridged to the Revised
7 Protocol in the Company's next rate case.

8 **Q. The Commission Staff recommend that the Commission not consider revised**
9 **inter-jurisdictional allocation proposals such as those filed in Oregon and**
10 **Utah. Do you agree with that recommendation?**

11 A. No. While we understand that the timing of the Revised Protocol is inconvenient
12 from a procedural standpoint in Washington, the significance of this emerging
13 agreement between Oregon and Utah should not be disregarded. Moreover, Staff
14 and ICNU have both commented on these filings in their testimony— and, in
15 Staff's case, mischaracterized these filings – and we are taking the opportunity in
16 our Rebuttal testimony to describe the Revised Protocol accurately.

17 **Q. Do you agree with Staff's conclusion that the existence of a Revised Protocol**
18 **should cause this Commission to adopt the Hybrid Approach for this**
19 **proceeding and "islanding" long-term?**

20 A. No. As discussed by other witnesses in detail, the Company believes that our
21 Washington customers are better off as part of an integrated six-state system. The
22 adoption by the Commission of the original Protocol for purposes of this case is
23 an outcome that is better aligned with the direction of the remainder of

1 PacifiCorp's jurisdictions. The Hybrid Approach is not compatible with either of
2 the Protocols. And, after four years of intense study, no feasible islanding
3 scenarios have surfaced. While we acknowledge that the process has not been
4 ideal, we do not believe that the procedural challenges warrant Washington being
5 launched in a radically different direction than PacifiCorp's other jurisdictions.

6 **Q. ICNU witness Schoenbeck recommends that the Commission disallow**
7 **recovery of MSP costs. Do you agree?**

8 A. Absolutely not. MSP is a regulatory process and its costs should be recoverable
9 like other regulatory expenses. The Company initiated MSP at the urging of
10 several state commissions who expected that discussions among the states would
11 lead to allocation solutions that were better than the Company's original
12 Structural Realignment Proposal (SRP). The process has been guided by non-
13 company participants. It has provided a great deal of valuable information to
14 participants, information reflected substantially in this proceeding. Finally,
15 among the costs that Mr. Schoenbeck proposes to disallow are travel expenses
16 that have enabled certain parties to participate in the MSP. ICNU received
17 reimbursement from the Company for MSP travel expenses after representing that
18 such reimbursement was needed to allow them to participate. Disallowing
19 recovery of these costs would be entirely unreasonable.

20 **Q. Does this conclude your Rebuttal Testimony?**

21 A. Yes.