**Q. Are you the same Richard Patrick “Pat” Reiten who previously submitted direct testimony in this proceeding?**

A. Yes.

**Purpose of Testimony**

**Q**. **What is the purpose of your rebuttal testimony?**

A. My rebuttal testimony provides an overview of the Company’s rebuttal filing and the additional steps the Company has taken to mitigate its requested rate increase in response to the testimony of Staff and intervenors. I also introduce the other witnesses providing rebuttal testimony on behalf of PacifiCorp.

**Summary of PacifiCorp’s Rebuttal Filing**

**Q. What is the price increase requested by PacifiCorp in this rebuttal filing?**

A. In response to certain issues raised by Staff and intervenors, the Company proposes adjustments and updates to its original filing that revise the price increase downward by $8.2 million, to $48.5 million or 17.85 percent. The Company’s original filing requested an overall price increase of $56.7 million or 20.88 percent.

**Q. Please summarize the adjustments and updates included in the Company’s rebuttal filing.**

A. The Company has reduced the revenue requirement by approximately $5 million for estimated revenues from the sale of renewable energy certificates as an offset to test period costs. In addition, the Company has reduced the revenue requirement impact of net power costs by approximately $2.8 million to reflect updates to electric and natural gas forward prices and other adjustments and corrections. The Company has also reduced revenue requirement by approximately $200,000 for costs related to the removal of supplemental executive retirement programs (SERP), MEHC management fees, and advertising expenses. Finally, the Company has reduced revenue requirement by approximately $300,000 for additional revenues by accelerating the amortization period for SO2 credit sales. These proposals mitigate the requested increase. However, as demonstrated in the rebuttal Exhibit No.\_\_\_(RBD-6) of Company witness Mr. R. Bryce Dalley, the Company’s earnings are still only 3.15 percent which is well below levels required to maintain a financially healthy utility.

**Q.** **What are the cost pressures facing PacifiCorp?**

A. As I described in my direct testimony, the Company’s need for this rate increase is primarily driven by cost increases in three key areas:

(1) Increases in net power costs primarily driven by the expiration of several below-market legacy contracts – the expiration of which is completely outside the control of the Company.

(2) Investment in the system, including an increase to Washington-allocated net electric plant in service of approximately $44 million since the Company’s 2009 Rate Case, and

(3) Under-recovery of historical costs due to foregone base rate increases from the last rate case resulting in a revenue deficiency in the historic test period.

**Q. Is the Company experiencing similar rate increases in its other states?**

A. Yes. In Oregon, the Company recently entered into two all-party stipulations that result in a combined overall average increase of approximately 14.3 percent effective January 1, 2011. In California, the Commission has approved a general rate increase of 4.6 percent, and an uncontested energy cost adjustment clause increase of approximately 10.7 percent is pending. Both of these increases will be effective January 1, 2011.

**Q. Do you have any specific reactions to the proposals contained in the testimony of Staff and intervenors?**

A. Yes. The Company understands that these are difficult economic times for many of our customers. As a result, as described in my direct testimony, the Company was very conservative in its inclusion of pro forma adjustments in this case and is pleased that there is very little controversy on these issues in this proceeding. The Company is, however, deeply troubled by the overall cost of capital recommendations from Staff and Industrial Customers of Northwest Utilities (ICNU).

**Q. Please explain.**

A. Although Dr. Samuel C. Hadaway and Mr. Bruce N. Williams address these issues in detail in their rebuttal testimony, I believe it is important for the Commission to understand how these cost of capital recommendations compare to the Company’s authorized cost of capital in its other jurisdictions. In the three cases that have been decided in 2010, the weighted average cost of capital for the Company is:

* 8.34 percent in Utah, adopted in February 2010
* 8.33 percent in Wyoming, adopted in July 2010, and
* 8.37 percent in California, adopted in September 2010

In comparison, Staff witness Mr. Kenneth L. Elgin recommends a weighted average cost of capital approximately 90 basis points below these levels. Given that Staff is charged with balancing the interests of customers and shareholders, it is also particularly troubling that Mr. Elgin’s recommendation is nearly 20 basis points below that of ICNU, a customer advocacy group.

As discussed in detail by Mr. Williams, adoption of such extreme cost of capital recommendations would undermine the financial integrity of PacifiCorp at a time when access to capital is critical.

**Q. Are the cost of capital recommendations of Staff and ICNU also far-below the Company’s current authorized cost of capital in Washington?**

A. Yes. The Company’s current allowed rate of return in Washington is 8.06 percent, based upon a 10.2 percent return on equity. This cost of capital was established in PacifiCorp’s 2006 general rate case, UE-061546, before the major financial issues of the last several years. The financial crisis increased the Company’s cost of capital and made its financial integrity even more critical for continued access to capital markets. It is therefore unreasonable to lower the Company’s cost of capital from its current authorized levels as proposed by Staff and ICNU.

**Introduction of Witnesses**

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

A. **Samuel C. Hadaway,** Principal, FINANCO, Inc., presents analysis which continues to support the Company’s request for a 10.6 percent return on equity and responds to the testimony of Mr. Kenneth L. Elgin for Staff and Mr. Michael P. Gorman for ICNU.

**Bruce N. Williams,** Treasurer, reaffirms the proposed actual capital structure in the Company’s initial filing and responds to the testimony of Mr. Kenneth L. Elgin for Staff and Mr. Michael P. Gorman for ICNU.

**Gregory N. Duvall,** Director, Long Range Planning and Net Power Costs, sponsors testimony in three areas – revenues from the sales of renewable energy certificates, retail revenues and associated loads, and net power costs.

**R. Bryce Dalley,** Manager, Revenue Requirements, presents the revised revenue requirement calculation and responds to testimony related to cash working capital and other miscellaneous adjustments.

**Ryan R. Fuller,** Tax Director, presents additional testimony in support of the Company’s proposal to move to full normalization of temporary book-tax difference and responds to the adjustments proposed by Ms. Kathryn H. Breda for Staff.

**Erich D. Wilson,** Director, Human Resources, responds to adjustments proposed by Mr. Greg R. Meyer for ICNU/Public Counsel related to wage increases and incentives.

**Douglas K. Stuver,** Chief Financial Officer, provides background information related to MidAmerican Energy Holdings Company management cross charges and explains the benefits the Company and customers receive from these services.

**Rebecca M. Eberle,** Low Income Program Manager, responds to the low-income program changes proposed by Mr. Thomas E. Schooley for Staff and Mr. Charles M. Eberdt for the Energy Project.

**C. Craig Paice,** Regulatory Consultant, Cost of Service, presents the updated results of the cost of service study and responds to the testimony of Mr. Donald W. Schoenbeck for ICNU.

**William R. Griffith,** Director, Pricing, Cost of Service and Regulatory Operations discusses the Company’s proposed revised rate spread, rate design revisions, and responds to the testimony of Mr. Thomas E. Schooley for Staff, Mr. Steve W. Chriss for Wal-Mart, and Mr. Charles M. Eberdt for The Energy Project.

**Q. Does this conclude your rebuttal testimony?**

A. Yes.