Exhibit No.___(BNW-1T)
Docket UE-11___
Witness: Bruce N. Williams

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	
	)	Docket UE-11______
Complainant,	)	
	)	
vs.	)	
	)	
PACIFICORP dba Pacific Power & Light Company	)	
	)	
Respondent.	)	

PACIFICORP

DIRECT TESTIMONY OF BRUCE N. WILLIAMS

July 2011

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

A. My name is Bruce N. Williams. My business address is 825 NE Multnomah Street, Suite 1900, Portland, Oregon 97232. My present position is Vice President and Treasurer.

Q. Describe your education and professional background.

A. I received a Bachelor of Science degree in Business Administration with a concentration in Finance from Oregon State University in 1980. I also received the Chartered Financial Analyst designation upon passing the examination in 1986. I have been employed by the Company for 25 years. My business experience has included financing of the Company's electric operations and non-utility activities, responsibility for the investment management of the Company's qualified and non-qualified retirement plan assets, and investor relations.

Q. Describe your present duties.

A. I am responsible for the Company's treasury, credit risk management, pension and other investment management activities. I am also responsible for the preparation of PacifiCorp's embedded cost of debt and preferred equity and any associated testimony related to capital structure for regulatory filings in all of PacifiCorp's state and federal jurisdictions.

Purpose of Testimony

Q. What is the purpose of your testimony?

My testimony provides limited updates to the Company's recently determined cost of capital. Given the limited timeframe between the filing of this case and the March 25, 2011, Order 06 in Docket UE-100749 (2010 Rate Case), for purposes of this proceeding, the Company is accepting the capital structure and return on equity ordered by the Commission in the 2010 Rate Case. My testimony provides an update to the Company's cost of long-term debt and preferred stock for known and measurable events that have already occurred or will occur during the pendency of this proceeding. These updates result in a lower weighted average cost of capital for the benefit of customers. If, however, other parties to this proceeding decide to contest the Company's capital structure or return on equity, the Company would present a comprehensive cost of capital analysis in its rebuttal filing in response.

Q. What overall cost of capital was authorized for the Company in the 2010 Rate Case?

A. In the 2010 Rate Case, the Commission adopted the following capital structure and cost elements, which produced an overall cost of capital of 7.81 percent:[1]

Component	Ratio (%)	Cost (%)	Weighted Cost (%)
Long-Term Debt	50.6%	5.89%	2.98%
Preferred Stock	0.3%	5.41%	0.02%
Common Stock Equity	49.1%	9.80%	4.81%
Total	100.0%		7.81%

Q. What is the overall cost of capital that the Company is proposing in this proceeding?

A. PacifiCorp is proposing an overall cost of capital of 7.74 percent. As noted above, I have only updated the cost of long-term debt and preferred stock and the

[1] See *Wash.Util. & Transp. Comm'n v. PacifiCorp*, Docket UE-100749, Order 06 at pp.14-40 (March 25, 2011).

resulting components and costs are as follows:

Component	**Ratio (%)**	**Cost (%)**	**Weighted Cost (%)**
Long-Term Debt	50.6%	5.76%	2.91%
Preferred Stock	0.3%	5.43%	0.02%
Common Stock Equity	49.1%	9.80%	4.81%
Total	100.0%		7.74%

Q. How did you determine the time period for updating the costs of long-term debt and preferred?

A. The test period in this proceeding is the 12 months ended December 31, 2010, with known and measurable adjustments. For calculating the cost of long-term debt and preferred stock, the Company has applied limited known and measurable adjustments to reflect events that have already occurred or will occur during the pendency of this proceeding.

Q. Has there been any material change in the Company's actual capital structure since the 2010 Rate Case decision?

A. No. The Company's actual capital structure remains in line with its actual capital structure in the 2010 Rate Case with a common equity component in excess of the 49.1 percent adopted by the Commission.

Q. Are you aware if Dr. Samuel Hadaway, the Company's cost of equity witness in the 2010 Rate Case, has materially changed his return on equity recommendations for PacifiCorp?

A. I am aware that Dr. Hadaway's recommendations in recent PacifiCorp general rate cases continue to support a return on equity in excess of the 9.8 percent authorized by the Commission in the 2010 Rate Case.

Financing Cost Calculations

Q. How did you calculate the Company's embedded costs of long-term debt and preferred stock?

A. I calculated the embedded costs of debt and preferred stock using the methodology relied upon in the Company's previous rate cases in Washington and other jurisdictions. Both items were uncontested in the 2010 Rate Case.

Q. Please explain the cost of long-term debt calculation.

A. I calculated the cost of debt by issue, based on each debt series' interest rate and net proceeds at the issuance date, to produce a bond yield to maturity for each series of debt. For variable rate securities, I used the costs at December 31, 2010. It should be noted that in the event a bond was issued to refinance a higher cost bond, the pre-tax premium and unamortized costs, if any, associated with the refinancing were subtracted from the net proceeds of the bonds that were issued. The bond yield was then multiplied by the principal amount outstanding of each debt issue, resulting in an annualized cost of each debt issue. Aggregating the annual cost of each debt issue produces the total annualized cost of debt. Dividing the total annualized cost of debt by the total principal amount of debt outstanding produces the weighted average cost for all debt issues. This is the Company's embedded cost of long-term debt.

Q. How did you calculate the embedded cost of preferred stock?

A. The embedded cost of preferred stock was calculated by first determining the cost of money for each issue. This is the result of dividing the annual dividend rate by the per share net proceeds for each series of preferred stock. The cost associated with each series was then multiplied by the total par or stated value outstanding for each issue to yield the annualized cost for each issue. The sum of annualized costs for each issue produces the total annual cost for the entire preferred stock portfolio. I then divided the total annual cost by the total amount of preferred stock outstanding to produce the weighted average cost for all issues. This is the Company's embedded cost of preferred stock.

Embedded Cost of Long-Term Debt

Q. What are the changes to the cost of long-term debt from the 2010 Rate Case?

A. There are certain events that are reflected in the updated cost of long-term debt.

First, during May of 2011, the Company completed the issuance of $400 million of first mortgage bonds with a coupon rate of 3.85 percent and a maturity of 2021.

Second, during the 12 months ending December 31, 2011, the balance of the outstanding long-term debt will change through maturities and principal amortizations totaling $586.7 million as detailed below.

Long-Term Debt Securities
Maturity Schedule
12 months ended 12/31/11

Maturity Date	Series Description	Coupon Rate	Amount
08/09/11	Ser C MTN (secured)	9.15%	$8,000,000
09/01/11	Ser C MTN (secured)	8.95%	45,000,000
09/01/11	Ser C MTN (secured)	8.92%	20,000,000
10/01/11	FMB Installment	7.978%	412,000
10/01/11	FMB Installment	8.493%	1,723,000
10/01/11	FMB Installment	8.797%	1,298,000
10/01/11	FMB Installment	8.734%	2,042,000
10/01/11	FMB Installment	8.294%	3,036,000
10/01/11	FMB Installment	8.635%	1,116,000
10/01/11	FMB Installment	8.470%	1,059,000
11/15/11	FMB	6.90%	500,000,000
12/30/11	Ser C MTN (secured)	8.29%	3,000,000
			$ 586,686,000

These events have been reflected in the cost of long-term debt calculation.

Q. What is the Company's embedded cost of long-term debt?

A. The average cost of long-term debt is 5.76 percent as shown in Exhibit No.___(BNW-2).

Embedded Cost of Preferred Stock

Q. What is the Company's embedded cost of preferred stock?

A. The embedded cost of preferred stock is 5.43 percent as shown in Exhibit No.___(BNW-3). This reflects a de minimus increase in the costs of preferred stock but has no impact on the weighted average cost of capital.

Q. Does this conclude your direct testimony?

A. Yes.