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July 23, 2013

Steven V. King, Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

RE: *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co. (2013 Rate Case)*
Docket UE-130043

Dear Mr. King:

Enclosed for filing are the original and 13 copies revised page 15 of the Testimony of Kenneth L. Elgin, in the above proceeding. Distribution has been made to all other parties of record.

The enclosures are not to be construed as testimony or evidence until such time as they are received into the record. Accordingly, we reserve the right to make revisions or additions to them as may become necessary prior to the time that this witness presents his testimony.

Sincerely,

ROBERT D. CEDARBAUM
Assistant Attorney General

RDC:klg
Enclosures
cc: All parties

Exhibit No. ___ T (KLE-1T)
Docket UE-130043
Witness: Kenneth L. Elgin

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP D/B/A PACIFIC POWER
& LIGHT COMPANY,

Respondent.

DOCKET UE-130043

TESTIMONY OF

Kenneth L. Elgin

STAFF OF WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Fair Rate of Return

June 21, 2013

Revised July 23, 2013

1 **B. Short-Term Debt Ratio**

2
3 **Q. Should the Commission include short-term debt in PacifiCorp's capital**
4 **structure for ratemaking purposes?**

5 A. Yes. My capital structure includes 4.0 percent short term debt. This is a reasonable
6 amount that is consistent with the principle adopted by the Commission that a
7 balanced capital structure should consider all available sources of capital.¹⁸

8
9 **Q. What is a reasonable amount of short-term debt to include in a utility's capital**
10 **structure?**

11 A. Three to five percent. Furthermore, in the current market the Company should
12 consider exceeding this amount due to the extremely low cost of this source of funds.
13 Indeed, in 2011 the Company had short-term debt of \$688 million outstanding, or
14 almost 5 percent of total capital.¹⁹

15
16 **Q. Does PacifiCorp currently have short-term debt credit facilities?**

17 A. Yes. PacifiCorp's short-term debt credit facility is \$1.5-2 billion.

18
19 **Q. Do you accept the preferred equity ratio proposed by PacifiCorp of 0.28**
20 **percent?**

21 A. Yes.

¹⁸ *WUTC v. PacifiCorp*, Docket UE-050684, Order 04 at ¶224 (April 17, 2006).

¹⁹ Response to Staff Data Request. No. 37 and FERC Form No. 1, 4th Quarter 2011.