**Q. Please state your name and business address.**

A. My name is Steven R. McDougal. My business address is One Utah Center, Suite 2300, 201 South Main Street, Salt Lake City, Utah 84140.

**Qualifications**

**Q. What is your current position at PacifiCorp (the Company) and your previous employment history with the Company?**

A. I am currently employed as the Manager of Regulatory Analysis. Previously, I was the Manager of Modeling and Analysis in the Integrated Resource Planning department.

**Q. What are your responsibilities as the Manager of Regulatory Analysis?**

A. My responsibilities include the calculation of revenue requirement forecasts and internal analysis of PacifiCorp regulatory related issues.

**Q. What is your educational background?**

A. I received a Master of Accountancy from Brigham Young University with an emphasis in Management Advisory Services in 1983 and a Bachelor of Science degree in Accounting from Brigham Young University in 1982. In addition to my formal education, I have also attended various educational, professional and electric industry related seminars during my career at the Company.

**Q. What professional certifications do you have?**

A. I am a Certified Public Accountant (CPA) and also a Certified Internal Auditor.

**Purpose of Testimony**

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

A. My testimony presents the Company's most recent actual Washington financial results for the period ended March 31, 2002 and forecasts of the Company's Washington revenue requirement for the remainder of the Rate Plan Period. My testimony provides the basis for the conclusions drawn by Mr. Larsen in his testimony regarding the Company's financial results in Washington for the remainder of the Rate Plan Period.

**Overview of recent actual results**

**Q. Please describe the Washington-specific revenue requirement information included in your testimony.**

A. The first two columns in Exhibit ___(SRM-1) summarizes the Company's Results of Operation in the State of Washington for the following historic periods:

- The Company's most recent Washington general rate filing, originally filed on November 24, 1999, as revised on May 9, 2000 (1999 Rate Case), and
- The Fiscal Year 2002 Results of Operations ending March 31, 2002 as filed with the Commission on July 31, 2002.

In addition to the above mentioned historical information, Exhibit ___(SRM-1) also includes forecasted information for Fiscal Year 2003 through Fiscal Year 2006. (As a matter of information, the Company's fiscal year is the twelve month period ending March 31 of each year; "Fiscal Year 2003" refers to the twelve months ending March 31, 2003.)

**Adjustments in Forecasted Results of Operations**

**Q. What does Exhibit ___(SRM-2) show, and how is it different from Exhibit ___(SRM-1)?**

A. The forecasted information in Exhibit ___(SRM-2) includes certain ratemaking adjustments, which are described below. The historical information is the same in both exhibits.

**Q. What adjustments have you made to the Washington results?**

A. Exhibit ___(SRM-3) lists the on-going adjustments applicable to the State of Washington. These adjustments are calculated in the same way as in the Company's March 31, 2002 Results of Operations filed with the Commission.

**Monthly Projections**

**Q. Do you have more detailed monthly information for Fiscal Year 2003, and if so, how are they prepared?**

A. Yes. Exhibit ___ (SRM-4) shows the Company's results of operation for Fiscal Year 2003 on a monthly basis for Washington.

**Q. How is the monthly information prepared?**

A. The monthly view of the Washington results is generated from the annual information in Exhibit ___(SRM-2), incorporating as much monthly information as available.

**Q. What information is available on monthly basis?**

A. General Business Revenues, Net Power Costs, and taxes are calculated on a monthly basis. The monthly General Business Revenues are an annual value shaped by the monthly retail load used in the calculation of the Modified Accord allocation factors. The monthly net power cost components that are included in Special Sales, Steam Production, Other Power Supply and Transmission are consistent with those used in Mr. Widmer's calculation for deferred net power costs. The federal and state income taxes are annual values shaped by the monthly differences between Total Operating Revenues and Total Operation and Maintenance (O&M) Expenses.

**Q. How is the other monthly information derived?**

A. All other revenue and expense components are the annual numbers from Exhibit ___(SRM-2) divided by 12. Rate base components are kept constant at average rate base amounts shown in Exhibit ___(SRM-2).

**Washington Revenue Requirement Forecasts**

**Q. How are the Washington revenue requirement forecasts determined?**

A. The forecasts begin at the Total Company level, based on the Company's latest long-term projections. These projections are then broken into sufficient detail to be allocated to Washington. The main components of the forecasts are:

- Loads
- Retail Revenues
- Expenses Other than Power Costs
- Net Power Costs
- Rate Base and Capital Additions

The calculation of each of these items is described below except for Net Power Costs, which are included in Mr. Widmer's testimony.

**Q. How are Total Company costs allocated to Washington?**

A. Total Company costs are allocated to Washington using the Modified Accord allocation method, along with average rate base. This is the same method used in the Company's 1999 Rate Case in Washington, as well as in the most recent

Annual Results of Operations filing for the twelve months ended March 31, 2002. For purposes of calculating factors and allocating revenues, all special contracts are directly assigned to the state. Therefore, the revenues and loads of Boise Cascade—the only special contract customer in Washington during any part of the period—are both allocated to Washington.

**Loads**

**Q. How are the Washington load forecasts determined?**

A. The load forecasts are calculated by the Company's load forecasting group. The long-term forecasts are the same as those used in the Integrated Resource Plan (IRP). The short-term forecasts have been updated for known changes. The loads for Washington are adjusted for reductions due to DSM programs.

**Q. How are loads used in the revenue requirement forecasts?**

A. The load forecasts provide the basis for many of the components of the revenue requirement forecast. They are used in calculating allocation factors to allocate system costs to Washington, along with forming the basis for the revenue and net power cost forecasts.

**Retail Revenues**

**Q. How are the Washington Revenue forecasts determined?**

A. The revenue forecasts are based on the load forecasts mentioned above, multiplied by the average rates of Washington customers, adjusted for known changes.

**Q. What adjustments are made to the average rates of Washington customers in the revenue forecasts?**

A. The revenue forecasts have been adjusted for the 1 percent price increase scheduled in Washington on January 1, 2003, and for Boise Cascade's return to standard tariff rates effective January 1, 2002. Retail revenues also include the projected impact of DSM programs.

**Expenses**

**Q. How are the Washington expense forecasts determined?**

A. Forecasts of expenses, other than power costs, are from the Company's planning group. These expenses include not only the ones that are on-going, but also the incremental expenses associated with capital additions. Total Company expenses are allocated to Washington based on various Modified Accord allocation factors.

**Q. Are the expense forecasts adjusted for savings from implementation of the Transition Plan?**

A. The expense forecasts from the Company's planning group include the impact of the Transition Plan on projected expenses.

**Q. How are taxes calculated?**

A. Federal and State income taxes are calculated in the same manner as in the Company's most recent Results of Operations statement, except that deferred income taxes and Schedule M items are kept constant at Fiscal Year 2002 levels.

**Rate Base and Capital Additions**

**Q. What is the starting point for the Rate Base forecasts?**

A. The beginning rate base is based on the year-end data using March 31, 2002 Results of Operations.

**Q. What changes are made to Rate Base?**

A. The rate base is adjusted annually for depreciation and amortization, retirements and capital additions.

**Q. What are the Company's projected capital requirements with respect to Washington operations during the Rate Plan Period?**

A. Exhibit ___(SRM-5) shows the forecasted capital expenditures for Fiscal Years 2003 through 2006 allocated to Washington. **[Redacted].**

**Q. Please describe the Major IRP Plant Additions line included in the forecasts.**

A. The Major IRP Plant Addition line is a placeholder for the results of the current IRP process. The Company's Rate Base, O&M and Net Power Cost forecasts all use the same assumptions regarding the construction of new generation facilities.

**Q. What are the significant drivers for the increasing capital expenditures?**

A. As a result of increasing load, new generation facilities are being added to the Company's system. In particular, Major IRP Plant Additions result in an average of $16 million a year in additional capital expenditures in Fiscal Years 2004 through 2006. During the same time period, in addition to responding to the load growth, the Company will need to spend an average of $7.3 million a year to meet federal Clean Air Act requirements.

**Q. How are capital additions allocated to Washington?**

A. Those capital additions to the distribution system that are Washington-specific are directly assigned to Washington. The capital additions for other functional areas are Total Company amounts allocated to Washington based on various Modified Accord factors.

**Q. How much of the hydro capital additions are related to the Lewis River projects in Washington?**

A. Hydro licensing capital expenditures associated with the Lewis River projects are expected to be between $4 million to $5 million each year in Fiscal Years 2003 through 2006. However, because Hydro resources are allocated using Modified Accord factors, only a portion of these expenditures has been allocated to Washington.

**Net Income**

**Q. What does Exhibit ___(SRM-6) show, and how is it different from Exhibit ___(SRM-2), adjusted Results of Operations?**

A. Exhibit ___(SRM-6) shows the Company's Income Statement for Washington operations for Fiscal Year 2002 (historical) and Fiscal Years 2003 through 2006. Beyond rearranging lines to be consistent with a traditional income statement format, there are only two differences between Exhibit ___(SRM-6) and Exhibit ___(SRM-2): (1) the addition of both long and short-term interest, less capitalized interest (AFUDC), and (2) the reduction of state and federal income taxes to account for the tax impact of short-term interest. The tax impact of long-term interest is already considered in the Results of Operations Exhibit ___(SRM-2).

**Q. Please describe the calculation of interest expense in Exhibit ___(SRM-6).**

A. Long-term interest is calculated using the projected rate base times the Washington weighted cost of debt. Short-term interest is held constant at the

Fiscal Year 2002 level for each year. AFUDC is calculated by the Company's planning group.

**Conclusion**

**Q. Please summarize your testimony.**

A. My testimony presents the Company's most recent actual Washington financial results for the period ended March 31, 2002 and forecasts of Washington revenue requirement for the remainder of the Rate Plan Period. This information supports Mr. Larsen's testimony that the results of operations in the state of Washington over the Rate Plan Period are deteriorating, **[Redacted].**

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

A. Yes.