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

A. My name is Richard Patrick "Pat" Reiten. My business address is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232. I am President of Pacific Power.

Qualifications

Q. Briefly describe your education and business experience.

A. I received a bachelor's degree in political science with an emphasis in economics from the University of Washington and completed executive training at the Wharton School of Business, University of Pennsylvania. Prior to joining PacifiCorp in September 2006, I was president and chief executive officer of PNGC Power, an energy cooperative located in Portland, Oregon, that provides power management services to electric distribution utilities serving parts of seven Western states. I was appointed to that position in May 2002. I joined PNGC Power in 1993, advancing through positions of increasing responsibility. Prior to PNGC Power, I served as an aide to U.S. Sen. Mark O. Hatfield, handling issues associated with the U.S. Senate Energy and Natural Resources Committee. I also was an official in several different capacities at the U.S. Department of Interior, including deputy director of the U.S. Bureau of Land Management.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. My testimony provides an overview of the Company's request for an increase in its base electric rates and the major factors driving the need for the rate increase.

I briefly discuss the Company's proposed generation cost adjustment mechanism, the Company's request to begin amortizing costs associated with the 2005 hydro deferral, and changes the Company proposes to the low income bill assistance program. Additionally, my testimony introduces the other witnesses providing testimony on behalf of PacifiCorp.

Summary of PacifiCorp's Rate Increase Request

Q. Please summarize PacifiCorp's rate increase request.

A. PacifiCorp is requesting an increase to its base electric rates in Washington. Based on the evidence provided in Mr. Dalley's testimony, PacifiCorp is currently earning a return on equity (ROE) in Washington of 3.83 percent for the test period. This return is less than the 10.75 percent ROE requested by the Company, supported by Dr. Hadaway in his testimony, and needed to maintain the financial integrity of the Company. An overall price increase of $34.9 million or 14.6 percent would be required to produce the ROE requested by the Company.

Q. Upon what test year is the rate increase request based?

A. As described in the testimony of Mr. Dalley, the Company is using a historic test year of the twelve months ending June 30, 2007, adjusted for known and measurable changes through June 30, 2008.

Q. What are the primary factors driving the need for an overall rate increase?

A. As a regulated utility, PacifiCorp has a duty and an obligation to provide safe, adequate and reliable service to customers in its Washington service territory while balancing cost and risk. The Company's need for this rate increase is primarily driven by cost increases in the following key areas.

Investment in the system. As described in the testimony of Mr. Dalley, the case includes over $130 million in new capital additions which have been or will be placed in service during the test period. These capital additions are primarily related to the addition of the Marengo wind project and investments in the Washington distribution system. Mr. Tallman explains in his testimony the prudent steps taken by the Company in acquiring the new wind resources at Marengo and Goodnoe Hills. Mr. Tallman also describes in his testimony how the addition of the Marengo and Goodnoe Hills facilities located in Washington will enable the Company to comply with the recently enacted Renewable Portfolio Standard.

Increases in net power costs. As described in the testimony of Dr. Shu, increases in net power costs are another primary driver of the need for a rate increase. The increase in net power costs is driven by a variety of factors including the expiration of below-market priced purchase power contracts, increases in costs related to Mid-Columbia contracts, and increases in wheeling expense. The increase is mitigated by the addition of zero variable-cost wind resources. Dr. Shu describes these changes in more detail in her testimony.

Employee-related costs. In addition to the increase in costs described above, the Company is experiencing upward cost pressures related to employee labor and health insurance costs which are described in the testimony of Mr. Wilson. Mr. Wilson also highlights the actions taken by the Company to significantly reduce costs related to incentive compensation and pensions.

Q. Are the costs increases facing the Company unique in the industry?

A. No. Other utilities are facing the same types of cost pressures. As such, even with the price increase proposed in this case, PacifiCorp's prices will remain competitive when measured against other utilities within the state.

Additional Ratemaking Proposals

Q. As described above, the Company continues to experience new cost pressures related to both the variable and fixed costs of generation resources. What mechanism is the Company proposing to cope with these pressures?

A. This case includes a proposal for a generation cost adjustment mechanism (GCAM) that consists of two components: (1) an annual update to forecast net power costs, and (2) an as-needed update to all generation-related costs in between general rate cases for new and existing generation resources. Ms. Kelly and Dr. Shu describe this proposal in more detail in their testimonies.

Q. The Washington Utilities and Transportation Commission (Commission) has previously approved the deferral of costs related to low hydro conditions during 2005. How is the Company proposing to recover these costs?

A. As described in the testimony of Dr. Shu, the Commission has previously approved the deferral of costs related to low hydro conditions during 2005. However, amortization could not begin until an approved allocation methodology was in effect. With the approval of such a methodology in the Company's last rate case, Docket UE-061546, the company can now seek to begin to collect the costs in rates. With interest, the deferral will reach $12.5 million at the end of 2008. To minimize rate impacts, the Company is proposing to amortize the balance at the rate of $2.5 million, or approximately a one percent average increase, beginning when rates from this general rate case take effect and continuing for approximately five years until the balance is fully recovered.

Q. What changes is the Company proposing to the low income bill assistance program?

A. The company proposes a number of changes to its low income bill assistance program. It proposes to increase the present surcharge to fund the company's low income bill assistance program. In addition, it proposes to increase the present rate credits offered to qualifying low income customers and to raise the present cap on the number of qualifying low income customers who may participate in the program. Mr. Griffith offers additional details of the company's proposal.

Introduction of Witnesses

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

A. **Andrea L. Kelly,** Vice President, Regulation, describes the Company's proposal for a generation cost adjustment mechanism that consists of two components: (1) an annual update to forecast net power costs and (2) an as-needed update to all generation-related costs on a forecast basis in between general rate cases for new and existing generation resources. She also briefly addresses the Company's use of the West Control Area (WCA) allocation methodology in this case.

Dr. Samuel C. Hadaway, Principal, FINANCO, Inc. testifies concerning the Company's return on equity. He will present support for the requested authorized return on equity of 10.75 percent to account for the risks and operating challenges that the Company faces.

Bruce N. Williams, Treasurer, describes the calculation of PacifiCorp's cost of debt and preferred stock. He also presents studies that demonstrate PacifiCorp's compliance with the Company's and MEHC's commitment from Docket UE-051090 (Commitment 37).

Dr. Hui Shu, Regulatory Consultant, describes the Company's net power costs. She will also explain the Company's production cost model and the calculation associated with the 2005 deferral of hydro costs.

Mark R. Tallman, Vice President, Renewable Resource Development, describes the Company's acquisition of new wind resources at Marengo and Goodnoe Hills.

R. Bryce Dalley, Manager, Revenue Requirements, presents the Company's overall revenue requirement based on the test period (a historical twelve-month period ending June 30, 2007, adjusted for known and measurable changes through June 30, 2008). He also presents the normalizing and pro-forma adjustments to historic results related to revenue, operation and maintenance expense, net power costs, depreciation and amortization, taxes and rate base.

Erich D. Wilson, Director, Human Resources, describes the Company's compensation, pension, and benefits programs and the costs associated with each of them.

Mark E. Tucker, Senior Analyst, Cost of Service and Pricing, presents the Company's cost of service study.

William R. Griffith, Director, Pricing, Cost of Service and Regulatory Operations, presents the Company's proposed rate spread and changes in price design for the affected rate schedules. He also describes the changes proposed by the Company to the low income bill assistance program.

Carole A. Rockney, Director, Customer & Regulatory Liaison, proposes changes to the Washington Electric Service Schedules and Regulations to improve the clarity of the Company's regulations and to better describe the application of these regulations. She also provides background on the improvements in the level of service experienced by the Company's Washington customers.

Q. Does this conclude your direct testimony?

A. Yes.