

1 Q. Please state your name and business address.

2 A. My name is D. Douglas Larson. My business address is One Utah Center, Suite
3 2300, 201 South Main Street, Salt Lake City, Utah, 84140-2300.

4 **Qualifications**

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

7 A. I am Vice President of Regulation. I joined the Company in 1981 in the Financial
8 Accounting Department and have held various accounting and regulatory related
9 positions prior to assuming my current position.

10 Q. What are your responsibilities as Vice President of Regulation?

11 A. My responsibilities include management of regulatory proceedings for the
12 Company. This would include revenue requirement, cost of service, rate design
13 and all other proposed changes to the Company's retail tariffs. In addition, I have
14 the responsibility for developing regulatory policy on issues that the Commissions
15 must address and making recommendations to management on policy direction.

16 Q. What is your educational background?

17 A. I graduated from Brigham Young University in 1982 with a Bachelor of Science
18 Degree in Accounting. In addition to formal education, I have also attended
19 various educational, professional and electric industry related seminars during my
20 career at the Company. I am currently a member of the board of directors of the
21 Intermountain Electric Association, and I am a licensed CPA in the State of Utah.

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23 **Purpose of Testimony**

1 Q. What is the purpose of your testimony?

2 A. My testimony provides an overview of the Company's proposal to implement the
3 increased Bonneville Power Administration credit for residential and small farm
4 customers, to adjust rates on a revenue neutral basis to bring customer classes
5 closer to their full cost of service and to recover the excess power costs that were
6 deferred from November 1, 2000 through October 31, 2001. I also introduce the
7 Company witnesses in this case and briefly discuss the issues they address.

8 **Overview of the Company's Proposal**

9 Q. Please describe the Company's proposal.

10 A. Under PacifiCorp's proposal, a surcharge would be added to the customer's bills
11 to recover the \$38 million in excess power costs incurred by the Company during
12 the deferral period. This surcharge would last over a two-year period, with the
13 level of the surcharge decreasing for the second year. In addition, the proposal
14 includes adjusting rates by class to bring them closer to the actual cost to serve
15 each class. This aspect of the proposal is necessary since the Company has not
16 adjusted rates to reflect the actual cost of service since the Company's 1990 case
17 (Case No. UPL-E-90-1). The adjustment is a reapportionment of the existing
18 revenues and will not result in an increase in the revenues collected in total. The
19 third aspect of the proposal is an increase in the Bonneville Power Administration
20 credit to the recently settled amount. Finally, the Company is proposing a Rate
21 Mitigation Adjustment. When combined, the result of these four elements of the
22 proposal is that no customer class will receive an increase during the two year

1 amortization period for the power costs and customers that qualify for the BPA
2 credit will see significant decreases.

3 Q. Please explain the Rate Mitigation Adjustment.

4 A. The Rate Mitigation Adjustment is a pricing mechanism that the Company
5 proposes on a policy basis. This filing consists of several elements that will each
6 have the effect to increase or decrease individual customer's rates. The Rate
7 Mitigation Adjustment assures that when summed together no customer class will
8 receive a rate increase during the two year power cost amortization period and
9 those that qualify for the BPA credit will see a significant decrease.

10 Q. Are you saying that rates are frozen for this two-year period?

11 A. Not necessarily. The Company continually monitors its earnings level in all
12 jurisdictions. If earnings fall below what the Company believes to be an
13 acceptable level the Company may propose a general rate case to reset base rates.

14 Q. Does this proposal increase the Company's base revenue requirement?

15 A. No. The Company's base revenue requirement was set during the case in 1990,
16 which implemented a revenue requirement reduction through stipulation. Since
17 then base revenue requirement has been unchanged. This filing recovers
18 extraordinary costs that occurred due to the volatility in the power cost markets
19 over a twelve-month period with a short duration sur-charge.

20 Q. The deferral period was only for 12 months. Were there costs outside of the
21 deferral period as well?

22 A. Yes. The Company incurred approximately \$1 billion of excess power costs over
23 the past 18 months. Of that, \$300 million is outside of the deferral period.

1 Q. Does the Company plan to recover the \$300 million that you mention from
2 customers?

3 A. No. Those costs will be borne by the shareholders.

4 Q. Are you saying that shareholders have paid for approximately 1/3 of the excess
5 power costs and this proposal is to recover the remaining 2/3 from customers?

6 A. Yes.

7 Q. On a relative basis, how has PacifiCorp weathered the volatile wholesale power
8 market?

9 A. PacifiCorp and its customers have certainly fared better than many other utilities.
10 Mr. Watters' testimony describes PacifiCorp's power supply strategy. This
11 strategy is based upon a broad diversification of markets, supply resources and
12 contract terms. The Company's diversification is designed to both increase
13 opportunities and mitigate risks. The strategy has resulted in solid fundamentals
14 with which to meet future market challenges, including relatively low wholesale
15 market exposure and future benefits to customers based on a reliable, stable
16 resource portfolio.

17 **Introduction of Witnesses**

18 Q. Please list the other Company witnesses and provide a brief description of the
19 subject matter of their testimony.

20 A. The Company witnesses in this proceeding will be the following:

21 **Stan Watters**, who discusses PacifiCorp's power supply strategy.

22 **Mark Widmer**, who addresses the calculation of the Company's deferred excess
23 net power costs.

1 **Barry Cunningham**, who will describe the specifics of the Hunter Unit No. 1
2 outage.

3 **Brian Hedman**, who will describe the settlement of exchange rights with the
4 Bonneville Power administration and the subsequent determination of the BPA
5 credit.

6 **Dave Taylor**, who sponsors testimony supporting the rates to reflect the current
7 cost of service study.

8 **James Zhang**, who sponsors testimony regarding the calculation of the proposed
9 surcharge, the allocation of the surcharge among customer classes, the application
10 of the BPA credit and the calculation of the rate mitigation adjustment.

11 Q. Does this conclude your testimony?

12 A. Yes.