

RECEIVED
FILED

2005 FEB -4 AM 10: 17

IDAHO PUBLIC
UTILITIES COMMISSION



February 4, 2005

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

Re: PacifiCorp
Docket No. PAC-E-05-1

Dear Ms. Jewell:

Please find enclosed for filing an original and nine (9) copies of Revised pages to John W. Stewart's direct testimony. Each changed page is labeled "REVISED FEBRUARY 4, 2005". Marked pages showing the changes in legislative style are also included. On the enclosed cd, is the corrected model for J. Ted Weston's Exhibit No. 9. To the attention of the Court Reporter is a paper copy of all documents along with a diskette containing the revised testimony and exhibit.

The enclosed pages are the following:

Direct Testimony of John W. Stewart, Pages 11 through 14.

Communications regarding discovery matters, including data requests issued to PacifiCorp, should be addressed to:

By E-mail (preferred): datarequest@pacificorp.com

By Fax: (503) 813-6060

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah St., Suite 800
Portland, OR 97232

Very truly yours,


D. Douglas Larson
Vice President, Regulation

cc: Service List
Enclosures

PROOF OF SERVICE

I hereby certify that on this 4th day of February, 2005 I caused to be served, via Overnight mail, a true and correct copy of the Revised pages to John W. Stewart's direct testimony. Also enclosed on cd, is the corrected model for J. Ted Weston's Exhibit No. 9.

IDAHO IRRIGATION PUMPERS
ASSOCIATION, INC;
Eric L. Olsen
Racine, Olson, Nye, Budge,
Bailey, Chartered
201 E. Center
P.O. Box 1391
Pocatello, ID 83204-1391

MONSANTO
Randall Budge
Racine, Olson, Nye, Budge,
Bailey, Chartered
201 E. Center
P.O. Box 1391
Pocatello, ID 83204-1391



Peggy Ryan
Regulatory Operations Coordinator

CASE NO. PAC-E-05-1

CORRECTED PAGES (11-14)
TO JOHN W. STEWART'S DIRECT TESTIMONY
(Marked)

REVISED FEBRUARY 4, 2005

1 and Oregon. Through the scrutiny of these rate cases we have refined and
2 improved the data to meet the objective of keeping our rate increase request as
3 conservative as possible, while seeking to recover the revenue necessary to allow
4 the Company an opportunity to earn a reasonable return on investment.

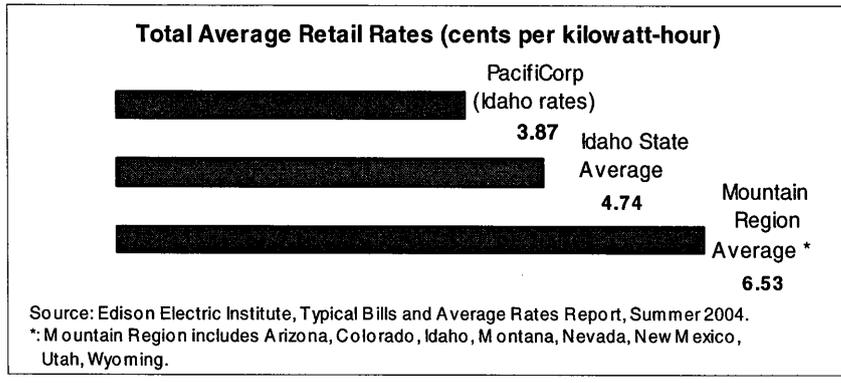
5 Further, as discussed earlier in my testimony, we work hard to help
6 customers mitigate their energy costs and to limit the need for rate case increases
7 by controlling our own operating costs. The Company has been able to limit the
8 net overall price increase in this case through the efforts discussed and through a
9 deliberate effort to seek a price increase that is as conservative as possible.

10 As noted earlier, since base rates were last set by the Commission in 1986,
11 PacifiCorp rates have decreased. PacifiCorp's request for a net overall price
12 increase of 9.2 percent based on rates that are lower than they were in 1986 is
13 clearly reasonable and will continue to represent an excellent value to Idaho
14 customers.

15 **Q If approved as filed, how will PacifiCorp's Idaho prices compare with other**
16 **utilities?**

17 A. As stated in the Commission's Fiscal Year 2004 Annual Report, "Idaho's
18 electricity rates are among the lowest in the nation." Based on information from
19 the Edison Electric Institute, Typical Bills and Average Rates Report – (Summer
20 2004), PacifiCorp's current retail average rates rank 171st lowest out of 172
21 utilities. If the full rate increase were granted PacifiCorp rates would rank as the
22 165th lowest among 172 utilities. Further, on ~~On~~ a regional basis, as shown in the

1 chart below, PacifiCorp rates in Idaho are very low when compared to other Idaho
2 utilities, and other regional utilities.



3
4

5 When comparing PacifiCorp's electric rates to that of other utilities,
6 PacifiCorp's request for a net overall price increase of \$11.4 million, or 9.2
7 percent, is reasonable. Granting this request would allow the Company an
8 opportunity to earn a reasonable return on investment and to continue meeting the
9 growing electrical service needs of customers in Idaho by providing safe and
10 reliable energy.

11 **Introduction of Witnesses**

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

14 A. The Company witnesses filing direct testimony are:
15 **Samuel C. Hadaway**, FINANCO, Inc., will testify concerning the Company's
16 return on equity. Based on a DCF (Discounted Cash Flow) methodology
17 confirmed by a risk premium analysis, as well as a review of the current market,
18 the electric utility industry, and company-specific factors, Mr. Hadaway proposes
19 a point value for PacifiCorp's cost of equity of 11.125 percent.

REVISED FEBRUARY 4, 2005

1 **Bruce N. Williams**, Treasurer, will testify concerning the Company's cost of debt
2 and preferred stock. Mr. Williams will show the Company's embedded cost of
3 long-term debt to be 6.34 percent and the embedded cost of preferred stock to be
4 6.64 percent. He will also explain the calculation of the average capital structure
5 for the utility for the test year.

6 **J. Ted Weston**, Regulation Manager, will present the Company's overall revenue
7 requirement based on normalized results of operations for a FY 2004 test year
8 with known and measurable adjustments. Mr. Weston will present the
9 normalizing adjustments to actual test period results related to revenue, operation
10 and maintenance expense, net power costs, depreciation and amortization, taxes
11 and rate base.

12 **Mark T. Widmer**, Director, Net Power Costs, will describe the operation of the
13 GRID model, including the new VISTA model for hydro normalization, and the
14 calculation of net power costs.

15 **Stan K. Watters**, Senior Vice President, Commercial & Trading, will provide
16 information regarding the West Valley lease, the Gadsby Project and the Currant
17 Creek generation project.

18 **Daniel J. Rosborough**, Director of Employee Benefits, will testify to the
19 Company's increased pension and employee benefit costs. Mr. Rosborough will
20 also address the actions the Company is taking to control these rising costs.

21 **David L. Taylor**, Principal Regulatory Consultant, explains the cost allocation
22 procedures that apply following the adoption of the new MSP Protocol in Idaho.

REVISED FEBRUARY 4, 2005

1 Mr. Taylor also presents testimony on class cost of service and functional revenue
2 requirement.

3 **William R. Griffith**, Director of Pricing and Regulatory Operations, will present
4 testimony on three primary areas: 1) description of the Company's pricing
5 objectives, 2) the Company's proposed rate spread, and 3) the Company's
6 proposed changes in price design for the affected rate schedules.

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

8 **A. Yes.**

CASE NO. PAC-E-05-1

CORRECTED PAGES (11-14)

TO JOHN W. STEWART'S DIRECT TESTIMONY

(Unmarked)

REVISED FEBRUARY 4, 2005

1 and Oregon. Through the scrutiny of these rate cases we have refined and
2 improved the data to meet the objective of keeping our rate increase request as
3 conservative as possible, while seeking to recover the revenue necessary to allow
4 the Company an opportunity to earn a reasonable return on investment.

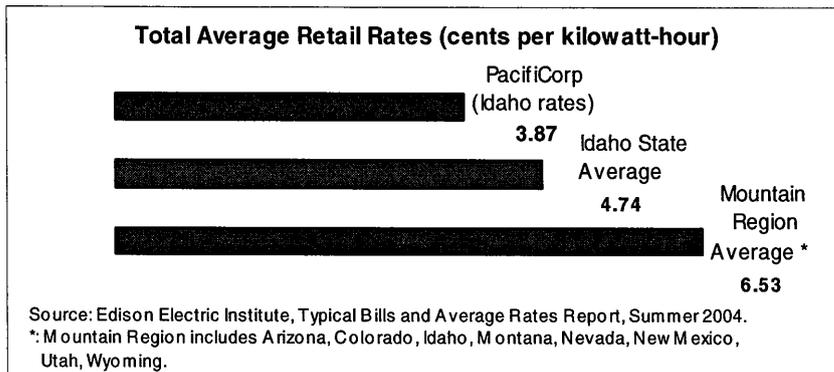
5 Further, as discussed earlier in my testimony, we work hard to help
6 customers mitigate their energy costs and to limit the need for rate case increases
7 by controlling our own operating costs. The Company has been able to limit the
8 net overall price increase in this case through the efforts discussed and through a
9 deliberate effort to seek a price increase that is as conservative as possible.

10 As noted earlier, since base rates were last set by the Commission in 1986,
11 PacifiCorp rates have decreased. PacifiCorp's request for a net overall price
12 increase of 9.2 percent based on rates that are lower than they were in 1986 is
13 clearly reasonable and will continue to represent an excellent value to Idaho
14 customers.

15 **Q If approved as filed, how will PacifiCorp's Idaho prices compare with other**
16 **utilities?**

17 A. As stated in the Commission's Fiscal Year 2004 Annual Report, "Idaho's
18 electricity rates are among the lowest in the nation." Based on information from
19 the Edison Electric Institute, Typical Bills and Average Rates Report – (Summer
20 2004), PacifiCorp's current retail average rates rank 171st lowest out of 172
21 utilities. If the full rate increase were granted PacifiCorp rates would rank as the
22 165th lowest among 172 utilities. Further, on a regional basis, as shown in the

1 chart below, PacifiCorp rates in Idaho are very low when compared to other Idaho
2 utilities, and other regional utilities.



3
4

5 When comparing PacifiCorp's electric rates to that of other utilities,
6 PacifiCorp's request for a net overall price increase of \$11.4 million, or 9.2
7 percent, is reasonable. Granting this request would allow the Company an
8 opportunity to earn a reasonable return on investment and to continue meeting the
9 growing electrical service needs of customers in Idaho by providing safe and
10 reliable energy.

11 **Introduction of Witnesses**

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

14 A. The Company witnesses filing direct testimony are:

15 **Samuel C. Hadaway**, FINANCO, Inc., will testify concerning the Company's
16 return on equity. Based on a DCF (Discounted Cash Flow) methodology
17 confirmed by a risk premium analysis, as well as a review of the current market,
18 the electric utility industry, and company-specific factors, Mr. Hadaway proposes
19 a point value for PacifiCorp's cost of equity of 11.125 percent.

REVISED FEBRUARY 4, 2005

1 **Bruce N. Williams**, Treasurer, will testify concerning the Company's cost of debt
2 and preferred stock. Mr. Williams will show the Company's embedded cost of
3 long-term debt to be 6.34 percent and the embedded cost of preferred stock to be
4 6.64 percent. He will also explain the calculation of the average capital structure
5 for the utility for the test year.

6 **J. Ted Weston**, Regulation Manager, will present the Company's overall revenue
7 requirement based on normalized results of operations for a FY 2004 test year
8 with known and measurable adjustments. Mr. Weston will present the
9 normalizing adjustments to actual test period results related to revenue, operation
10 and maintenance expense, net power costs, depreciation and amortization, taxes
11 and rate base.

12 **Mark T. Widmer**, Director, Net Power Costs, will describe the operation of the
13 GRID model, including the new VISTA model for hydro normalization, and the
14 calculation of net power costs.

15 **Stan K. Watters**, Senior Vice President, Commercial & Trading, will provide
16 information regarding the West Valley lease, the Gadsby Project and the Currant
17 Creek generation project.

18 **Daniel J. Rosborough**, Director of Employee Benefits, will testify to the
19 Company's increased pension and employee benefit costs. Mr. Rosborough will
20 also address the actions the Company is taking to control these rising costs.

21 **David L. Taylor**, Principal Regulatory Consultant, explains the cost allocation
22 procedures that apply following the adoption of the new MSP Protocol in Idaho.

REVISED FEBRUARY 4, 2005

1 Mr. Taylor also presents testimony on class cost of service and functional revenue
2 requirement.

3 **William R. Griffith**, Director of Pricing and Regulatory Operations, will present
4 testimony on three primary areas: 1) description of the Company's pricing
5 objectives, 2) the Company's proposed rate spread, and 3) the Company's
6 proposed changes in price design for the affected rate schedules.

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

8 **A. Yes.**