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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF PACIFICORP DBA UTAH POWER &  
LIGHT COMPANY FOR AUTHORITY TO  
INCREASE ITS RATES FOR ELECTRIC  
SERVICE TO ELECTRIC CUSTOMERS IN  
THE STATE OF IDAHO

Case No. PAC-E-05-1

**DIRECT TESTIMONY**

**OF**

**DENNIS E. PESEAU**

**ON BEHALF OF**

**AGRIUM, INC.**

July 1, 2005

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Dennis E. Peseau. My business address is Suite 250, 1500 Liberty Street, S.E., Salem, Oregon 97302.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am the President of Utility Resources, Inc. ("URI"). URI has consulted on a number of economic, financial and engineering matters for various private and public entities for more than twenty years.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION?

A. Yes, on many occasions.

Q. FOR WHOM ARE YOU APPEARING IN THIS CASE?

A. I am appearing on behalf of Agrium, Inc ("Agrium").

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. Agrium originally asked me to review PacifiCorp's application and analyze its request for the Commission.

Q. IS THAT THE PURPOSE OF THE TESTIMONY YOU ARE PREFILING HERE?

A. Not exactly. I did in fact review PacifiCorp's application as requested. However, before the Intervenors filed their direct testimony, the parties reached a Stipulation and settlement in this matter. Consequently, my purpose in this testimony is to support that settlement agreement.

Q. DID AGRIMUM PARTICIPATE IN THE SETTLEMENT DISCUSSIONS AND NEGOTIATIONS THAT LED TO THE AGREEMENT?

A. Yes. Agrium participated in all the formal settlement discussions as well as a number of informal meetings between the parties.

Q. PLEASE DESCRIBE THE STIPULATION.

A. The Stipulation is on file with the Commission and I am confident both PacifiCorp and the Staff will summarize it in some detail in their testimony, so I will not offer an extensive summary here. From Agrium's point of view the principal feature of the Stipulation is that it limits the increase in base rates to 4.8 percent.

Q. IS THIS A JUST AND REASONABLE RESULT FOR ALL OF PACIFICORP'S IDAHO CUSTOMERS?

A. I am convinced it is. If this case had proceeded to a full evidentiary hearing it would have required the resolution of a number of difficult contested issues of fact and policy. In addition, the case presents one important and contentious legal issue that might well have led to an appeal by one or more parties of any decision the Commission might reach. Under these circumstances, litigation would have been very time consuming and expensive for all parties, with an extremely uncertain outcome. This is precisely the type of case where a settlement makes sense.

Q. IS THE OVERALL RESULT WITHIN THE RANGE OF REASONABLE OUTCOMES THAT MIGHT BE PRODUCED IF THE CASE WERE FULLY LITIGATED?

A. Absolutely. My understanding is that the parties actual settlement negotiations are confidential, so I won't discuss the individual components of the rate case and the parties' views on those issues. But I can say that, based on decades of experience in these type of cases, I think litigation of the case would probably have produced an overall percentage increase somewhere between approximately 3 percent at the bottom and

something close to the Company's 12.5 percent request at the top, with the most likely result a bit above the middle of that range. In addition, the very long period of time that has elapsed since PacifiCorp's last filed cost of service study likely would result in numerous contentious rate design issues in this case that have, in my opinion, been fairly dealt with in the Stipulation. So I am satisfied the agreed upon rate increase is a reasonable outcome for ratepayers.

Q. ARE THERE ANY ASPECTS OF THE STIPULATION WITH WHICH AGRIMUM DISAGREES?

A. No, but there is one aspect of the Stipulation that Agrium did not positively endorse.

Q. PLEASE EXPLAIN?

A. The Stipulation states that, "Staff and the Company agree that all of the Company's Idaho customers should be served under the tariff standard." Agrium has no objection to the Staff and the Company agreeing on this issue, but Agrium takes no position on the merits, or lack thereof, of the Staff and Company's agreed upon position.

Q. PLEASE SUMMARIZE YOUR TESTIMONY IN THIS MATTER?

A. Agrium believes the proposed Stipulation is a reasonable result that is in the public interest, and it urges the Commission to approve the Stipulation as filed.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 1<sup>st</sup> day of July, 2005, I caused to be served a true and correct copy of the foregoing DIRECT TESTIMONY OF DENNIS E. PESEAU by the method indicated below and addressed to the following:

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