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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR APPROVAL OF CHANGES TO ITS ELECTRIC SERVICE SCHEDULES AND A PRICE INCREASE OF $27.7 MILLION, OR APPROXIMATELY 13.7 PERCENT	))))))))	**CASE NO. PAC-E-10-07** **Direct Testimony of A. Richard Walje**

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-10-07

May 2010

Q. Please state your name, business address and present position with Rocky Mountain Power ("Company").

A. My name is A. Richard Walje. My business address is 201 South Main, Suite 2300, Salt Lake City, Utah 84111. I am the President of Rocky Mountain Power (or "Company").

Qualifications

Q. Please describe your educational and professional background.

A. I have worked in the electric utility industry since 1972 as a journeyman lineman, field service engineer with General Electric and as a substation design engineer for Rocky Mountain Power. At Rocky Mountain Power I have held numerous management and executive positions with increasing levels of responsibility in the areas of engineering, construction, transmission and distribution operations, customer service, procurement, information technology and community affairs. I have served on PacifiCorp's Board of the Directors since 2000 and I am also currently the Chairman of the Board of the PacifiCorp Foundation. I have a Bachelor of Science in Electrical Engineering degree (1984) and a Master of Business Administration degree (1991), both from the University of Utah. I have received additional executive level instruction from the University of Michigan and electrical engineering theory from General Electric's Crotonville education center.

Q. Please describe your present duties.

A. My responsibilities, as President of Rocky Mountain Power, cover all of the Company's affairs in the states of Utah, Idaho and Wyoming, including ensuring that the Company's strategy, infrastructure investments and operations result in the delivery of safe, reliable electric energy to the Company's customers at reasonable prices.

Q. Please describe Rocky Mountain Power's presence in Idaho.

A. Rocky Mountain Power provides safe, reliable, and low-priced electric service to over 72,700 customers in Idaho. Rocky Mountain Power provides nearly 200 jobs in the communities of southeast Idaho. The Company owns and operates 94 substations in Idaho plus over 2,000 miles of transmission lines and 5,600 miles of distribution lines. In addition, the Company purchases the output of the Wolverine Creek wind generation facility located near Idaho Falls.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide an overview of the Company's 2010 Idaho general rate case ("Application") requesting a revenue increase in the amount of $27.7 million, or 13.7 percent on average over Rocky Mountain Power's current rates.

My testimony also presents policy issues and the implications of the Company's and industry's need to address rising costs and capital investment requirements. Specifically, I will provide a summary of the Company's filing and introduction of the witnesses who will address the Company's case. In addition, I will address in more detail the following:

- The major cost drivers underlying the need for the price increase, including the capital investment required to meet current and future customer needs;

- The impact of the request on Monsanto's rate;
- The Company's efforts to control costs while maintaining reliable service and customer satisfaction; and
- The cost of service analysis and related tariff structure recommendations.

Q. Please explain why the Company is requesting to increase Idaho electricity consumers' rates during this downturn in the economy.

A. Clearly, our customers do not like their electric rates to increase, nor does the Company take lightly a request to raise rates; however, it is critical that rates reflect the current actual costs of serving our customers. Absent the increase requested in this case, the Company will not receive the revenues it requires to fund the future capital investments necessary to provide reliable service to our customers and customers will not receive the price signals they need to make sound economic decisions regarding efficient energy usage.

The Company continues its multi-year program of investing in renewable energy, transmission facilities and environmental controls to serve our customers and to comply with changing environmental requirements in Idaho and system-wide. This case includes in rates the investments, costs and benefits of the Company's activities during and after the test period.

This May 2010 Application means that the new rates will most likely become effective January 1, 2011. When the new rates from this case become effective, over 20 months will have passed since the April 18, 2009, effective date of the 2008 rate case increase. At a total Company level, the test period in this case includes over $4 billion of new plant investments and $87 million increased net power costs that should be reflected in rates.

Rate Case Overview

Q. Please explain the Company's requested rate increase in this Application.

A. The Company's filing supports a revenue requirement increase of approximately $27.7 million or 13.7 percent. Historical data from calendar year 2009 is used as a base period, with adjustments for known and measurable changes through December 31, 2010, as the test period. Company witness **Mr. Steven R. McDougal**, Director, Revenue Requirement, will discuss the revenue increase and the sources of the data used in determining the normalizing adjustments related to revenue, operation and maintenance expense, net power costs, depreciation and amortization, taxes, and rate base in developing the Idaho revenue requirement. Mr. McDougal will also support the Company's proposed interjurisdictional allocation of common costs, the allocation treatment of Monsanto's curtailment, and the Company's irrigation load control programs. Mr. McDougal's revenue requirement analysis is based on a cost of capital that includes a return on equity of 10.6 percent, which is the equity return authorized in the Company's recent rate cases in other states and is within the range of common equity costs supported by the Company's expert witness. The percentage of common equity in the proposed capital structure is 52.1 percent.

Mr. Bruce N. Williams, Vice-President and Treasurer, will testify concerning the Company's cost of debt, preferred stock and capital structure. Additionally, **Dr. Samuel C. Hadaway**, FINANCO, Inc. will testify concerning the Company's cost of common equity. Both witnesses describe the significant changes in the capital markets that affect Rocky Mountain Power.

The financial challenges and risks that Mr. Williams and Dr. Hadaway discuss in their testimony are demonstrably real. The Company has been in a period of load growth, though slowed by the recession, which is expected to continue. The Company must make large capital investments to provide customers with safe, reliable electric service. This necessary ongoing level of investment far exceeds both the Company's net operating income and depreciation expense. Therefore, the Company requires substantial levels of new financing to fund the investment necessary to meet its customers' electric service use. While the Company funds more than 50% of the costs of its investments with retained earnings and equity infusions from its parent, MidAmerican Energy Holdings Company ("MEHC"), the Company still needs to access short and long financial markets for the remainder of its funding needs and those markets remain risky and volatile.

Q. **How have the changes in the economy impacted cash flow and borrowing costs?**

A. Following a multi-year period of relative calm and accommodative access to capital the financial markets entered a period of upheaval beginning in the second half of 2008, featuring more volatility and substantially less liquidity or access to credit markets for many participants. Financial markets generally view utilities as relatively stable and creditworthy. However, as utilities across the country began to require access to additional capital to meet environmental compliance requirements, load growth and routine infrastructure investments, financial markets began to exhibit much greater differentiation in credit quality within the utility industry. Highly rated utilities experienced limited difficulty in accessing reasonably priced capital, while lower rated utilities experienced much higher borrowing costs, if they were able to access credit markets at all.

PacifiCorp's solid credit ratings have been beneficial to customers during the credit crisis, and are expected to be equally important as the Company finances approximately $16 to $18 billion of infrastructure investment to serve load growth and to implement environmental controls on existing facilities over the next ten years. In addition to having good access to the credit markets, the Company's financing challenge is being substantially supported through the receipt of approximately $990 million in additional cash equity contributions from MEHC, $1.7 billion of earnings that have been retained in PacifiCorp and the fact the Company has not paid any dividends to MEHC since the acquisition. These actions, plus the positive impact of ownership by MEHC and its parent, Berkshire Hathaway, have been important in positioning the Company to make additional investments cost effectively.

The Company's need for new capital is occurring at the same time that investors have become increasingly more selective and cautious. While the Company is fortunate that it can still access the financial markets on reasonable terms (unlike some lower rated utilities), Standard and Poor's April 2010 credit assessment of PacifiCorp states that "the ring-fenced utility's credit metrics are more consistent on a standalone basis with a 'BBB' category rating." This is discussed in more detail in the testimony of Mr. Williams.

In order to moderate the rate increase sought in this case and its impact to customers, the Company is proposing a conservative authorized return on common equity in the middle of the range of common equity costs supported by Dr. Hadaway. The 10.6 percent return on equity requested in this Application is the same return approved in February 2010 by the Public Service Commission of Utah for Rocky Mountain Power and requested in Oregon and Washington. It is also consistent with recent settlements in Wyoming and in line with recent decisions in Idaho for other utilities.

The persistent mismatch between actual cash outlay/end of AFUDC accrual and commencement of revenue recovery through rates results in an earnings shortfall as well as a cash flow shortfall that must be financed. Coupled with an ongoing high level of capital investments, the Company's financial performance metrics that rating agencies track have been challenging to meet, which in turn increases the risk of a credit rating downgrade. As the credit crisis has shown, a credit rating below 'A-' can limit the ability of a utility to access capital markets, which can be very costly in the long run for a utility and its customers. Additionally, financial analysts regularly cite the need for supportive regulatory treatment during periods of large investments. Rocky Mountain Power requests and needs continued support from the Idaho Public Utilities Commission ("Commission"), other regulatory agencies, and stakeholders in order to meet the demands of capital markets and to satisfy the growing energy needs of our customers while maintaining safe, reliable, and low cost service.

Q. If the requested rate increase proposed in this case is not approved, will the Company have a reasonable opportunity to recover the costs it incurs to serve our customers?

A. No. The investments proposed in this case to be recognized in rates are already serving Idaho customers or will be before the end of 2010. As a consequence, it will not be possible for the Company to recover its cost to serve customers and to make an adequate return on its investments to serve these customers without the requested rate increase.

Some parties argue that by delaying the inclusion of prudently incurred costs to serve customers in rates or by otherwise financially pressuring the Company, new efficiencies and cost savings can be identified to make up for the fact that certain of its investments have not been put in rates. This argument ignores the fact that, for many years, the Company has identified and undertaken successful efficiency improvements with minimal operations and maintenance cost increases. Delays in recognizing prudently made investments in rates will not create additional efficiency opportunities for the Company and, in fact, pressure to reduce costs may have an unintended effect on service.

It is a fundamental and universally accepted principle of ratemaking that customers' rates should reflect the revenue requirements associated with prudent investments. The investments are either prudent or not and the costs of those investments are either reasonable or not. An arbitrary delay creates a needless gap between the end of AFUDC accrual and the commencement of recovery of the revenue requirement associated with plant beneficially serving customers. A delay in recovering the costs of these beneficial investments seems punitive.

Every new generation plant, every transmission line, and nearly every distribution facility built today is significantly more costly than similar facilities currently in rates. The cost difference is caused by simple inflation and the vintage of existing facilities. The revenue requirement associated with the level of capital investment that is being made by the Company is a multiple of its annual depreciation expense and cannot be entirely offset by cost containment initiatives, productivity gains achieved by the workforce, compensation and benefit plan changes, or technological improvements. Nor can the Company rely upon increased sales revenue as the current economic conditions have slowed or reversed sales growth forecast in parts of the Company's service area.

Finally, in addition to it being a basic principle of rate regulation, reflecting prudently-incurred costs in rates is also necessary to send customers the correct price signals regarding the cost of their electricity use.

Q. Why is it important for the test period in this proceeding to include costs after the filing date but before the rates become effective?

A. If the rates in this case were based upon outdated historical investment levels and costs, the Company would have no chance of earning the return authorized by the Commission. If rates are set on purely historical costs ignoring known and measurable changes, they would not reflect the reality that costs and plant investment are steadily increasing and would not adequately reflect the Company's cost of serving customers during the rate effective period. In order to better align the costs and plant investment placed in service within the rate effective period (the time period from the rate effective date in this case to the rate effective date in the next rate case) a test period with known and measurable changes is used. The test period in this case uses calendar year 2009 as the base with adjustments for known and measurable changes through December 31, 2010, which means at the time of the rate effective date all of the test period revenues and expenses will already have occurred. Stated another way, if rates become effective on January 1, 2011, the test period will have passed, capital will have been expended on working facilities and the Company will continue to invest in additional capital. The Company will be operating on these new rates for at least 12 months into the future, so it is essential that the costs and investments in this case reflect the rate effective period or the Company will unable to achieve returns near Commission's authorized return. This outcome would be neither justifiable nor fair to the Company. The Company would be faced with finding other means to achieve performance nearer to the allowed return, and not just through efficiency gains.

Cost Control Efforts

Q. Explain the efforts the Company has made to control costs and keep electricity prices reasonable.

A. Rocky Mountain Power has an obligation to our customers to provide safe and reliable service, while keeping electricity prices as low as reasonably possible. Effective management of power costs and operating costs is one of the key elements of the Company's strategy to meet this obligation. Since its acquisition by MEHC, the Company has continued to increase the efficiency of its operations.

The Company has worked hard to strike the right balance between operational expenses, customer service, and preventive maintenance. In addition, the Company has focused on controlling labor costs. This approach helps to achieve maximum value for each dollar spent on operating and maintaining the Company's electric facilities. Unfortunately, these efforts will not be enough to offset the cost increases in other areas described in this case.

Additionally, the Company has reduced or deferred its capital investments where feasible, implemented reviews of tax matters and coal stripping issues to identify accounting changes, and effectively managed employee labor costs and its renewable energy credit portfolio to benefit customers.

Case Components

Capital Investments

Q. Please provide details on the major cost increases in this case.

A. The main component of the requested revenue increase in the 2010 Idaho general rate case is the significant capital investment the Company has made on behalf of our customers since the last rate case. In this rate case, several major new generation and transmission facilities will be in-service and providing benefits to customers, so the costs related to these new facilities definitely should be reflected in rates during the rate effective period. These include eight new wind generation plants, the Populus to Terminal 345 kV transmission line from Downey, Idaho to Salt Lake City, Utah, the environmental improvements at the Dave Johnston, Huntington and Jim Bridger power plants, turbine upgrades at Hunter, Huntington and Jim Bridger power plants, and hydro plant relicensing and upgrade investments.

Q. Has the Company's capital investment plan changed as a result of the new load projections?

A. The Company has scaled back local transmission and distribution capital expenditures from previously planned levels to more closely match revised load growth projections. This reduces situs based costs in Idaho. A reduction in the rate of load growth has allowed the Company to delay certain projects, such as transformer change outs and line re-constructions a year or more. Even with these plan modifications this case includes over $4 billion in new plant investments made since 2008 or that will be made by the end of the test period, December 31, 2010.

Q. Some argue that the Company should reduce its capital investment plan in response to the economic recession. What is your response to this argument?

A. First, as noted above, the Company has already decreased its local capital spending plans to the extent it can prudently do so and maintain the level of service customers expect and deserve. Those reductions are reflected by their absence from this filing. Second, many long lead projects have a multi-year development phase. It can take years to obtain permits and these projects will be at risk of completion if they are delayed and additional costs will be incurred if the permitting process is restarted later. Because of public opposition to transmission lines in particular, we may not be able to restart some delayed projects. Third, much of the Company's current prudent investment is for generation that does not emit greenhouse gases, or reduces environmental emissions or improve efficiency. Finally, the Company has reduced its projected 10 year capital budget from nearly $2.2 billion per year to $1.6 billion per year, partially in response to the price increases created by the capital plan. After completion of current projects no investments in new Company-owned generation is planned until 2014. Capital spending will focus on distribution, transmission and environmental controls projects.

Q. Some critics have suggested that the Company has complete discretion to make capital investments, implying that given the current economic downturn and the corresponding declining load growth, the Company could choose to cut back. What is your response to this argument?

A. The decision to build the current long lead capital projects was made years ago, before anyone knew that we would be in this type of economic downturn. Even if the Company had perfect vision into the future, it would have continued planning for growth because our load will continue to grow. We all know that just as there are economic recessions, there are also periods of robust economic growth. This is a normal consequence of the business cycle. This geographic area of the country, in particular, will continue to grow, and the Company must be prepared for that growth. Because Rocky Mountain Power has a long term obligation to serve growing loads and the time between a transmission or generation project's conceptual inception and completion can exceed five years, it is imprudent to stop and start projects that are in the permitting process, which can easily take up to three years. The Company has to make responsible decisions factoring in all aspects of capital investments and construction requirements and economic cycles.

Q. **Please explain the major generation additions in Rocky Mountain Power's capital investment strategy that are included in this case.**

A. To ensure the Company can continue to meet its customers' electricity needs and address load growth challenges at the same time that several long-term purchase power contracts are expiring, the Company is in the process of completing or adding significant new generation resources. **Mr. Stefan A. Bird**, Senior Vice-President of PacifiCorp Energy's Commercial and Trading organization, and **Mr. Mark R. Tallman**, Vice-President of Renewable Resource Development, explain in their direct testimony the prudent steps taken by the Company to meet its obligation to serve customers by adding new cost effective purchase power agreements and generation resources. **Mr. Chad A. Teply**, Vice-President of Resource Development and Construction, explains in his direct testimony the investment the Company has made in existing generation facilities to meet environmental guidelines and the upgrades made to turbines to increase plant capacity in order to ensure the reliability of the existing fleet.

Q. **Please explain the other major additions in Rocky Mountain Power's capital investment strategy that are included in this case.**

A. As I described above, the Company continues to make significant transmission investment. **Mr. John A. Cupparo**, Vice-President of Transmission and **Mr. Darrell T. Gerrard**, Vice-President of Transmission System Planning will support the Company's approximate $802 million investment in the Populus to Terminal transmission line.

Q. How would a failure to address the cost related to new investments affect Rocky Mountain Power's ability to attract new capital required to serve new load and maintain its system?

A. Absent supportive regulatory treatment in this and future rate cases, the combination of: (1) the Company's needed extensive construction program; (2) increasing labor, equipment, materials and fuel costs; and (3) regulatory risks involving resource coordination among the six states served by the Company could affect the Company's credit ratings. An unsupportive rate case outcome would make it more difficult for the Company to obtain competitively priced financing that benefits customers. Credit ratings are particularly critical when companies are in a "build" cycle and credit markets are as unsettled as they have been and continue to be.

Q. Did Standard & Poor's rating agency report on PacifiCorp note its large capital expenditure program?

A. Yes. Standard & Poor's (S&P) recent credit report on PacifiCorp, issued in April 2009, contains the following comments:

> *"Regulators will need to consistently support retail rate increases to recover PacifiCorp's planned capital investments....."*

This concern is not unique to S&P. Moody's has expressed similar sentiment including:

> *"...Moody's expectation that PacifiCorp will continue to receive reasonable regulatory treatment for the recovery of its higher capital expenditures, and that the funding requirements will be financed in a manner consistent with management's commitment to maintain a healthy financial profile."*

Fitch has also expressed its concerns including:

> *"The current ratings and Stable Outlook assume PPW continues to benefit from parent company support and will receive reasonable outcomes in pending and future rate proceedings to recover anticipated, significant capital investments. Ratings concerns facing the company primarily relate to cost overruns and the potential inability to recover its large, planned capital investment on a timely basis in a service territory that spans six states....."*

Q. Does the Company agree with S&P's observation regarding timely cost recovery during periods of significant capital investment?

A. Yes. We need support from the Commission and other parties to ensure that we can continue to meet this challenge and hope to receive that support in this case.

Q. Does MEHC remain committed to the capital investment required by PacifiCorp?

A. Yes, MEHC remains committed to the capital investment required by PacifiCorp. As previously mentioned, the commitment is made clear by the fact that MEHC has not taken any dividends from PacifiCorp since the transaction and is not expected to take any cash out of the business until at least 2012, while at the same time providing additional equity infusions. The Company expects to receive $100 million in additional cash equity contributions from MEHC before the end of the test period and may need more to maintain its current credit ratings. MEHC's commitment can only continue if the Company is provided with a reasonable opportunity to earn a fair return on its investment, including allowing in rates the increased amount of common equity asked for in this rate case.

Net Power Costs

Q. Please explain the net power costs impacts in this case.

A. Total net power costs consist of fuel, net wholesale transactions (purchases from and sales to other utilities and power marketers) and transmission wheeling costs. Total net power costs represent approximately 30 percent of the Idaho revenue requirement.

Net power costs currently included in base rates are $982 million based on the result in the Company's 2008 general rate case, Case No. PAC-E-08-07. The Company's net power costs continue to increase. In this case, the Company is proposing to establish a new base net power cost of approximately $1.069 billion on a total Company basis, or approximately $69.2 million on an Idaho allocated basis. The main components of this increase are coal costs and the expiration of beneficial long-term contracts. **Ms. Cindy A. Crane**, Vice-President, Interwest Mining Company and Fuel Resources, will describe the increases to coal costs and **Dr. Hui Shu**, Manager of Net Power Costs, will describe the net power costs in more detail in their direct testimony.

Taxes

Q. Is the Company proposing changes to the tax treatment of certain items in this case?

A. Yes. **Mr. Ryan R. Fuller**, Assistant Tax Director, in his direct testimony describes proposed changes to: (1) the Company's tax treatment of repairs deductions; (2) flow-through versus full normalization of property related items; and (3) the tax impacts on post-retirement prescription drug coverage from the March 23, 2010, Patient Protection and Affordable Care Act.

Historical Loads

Q. **How do the Company's and Idaho's 2009 loads compare to historical loads?**

A. While the Company's 2009 system energy usage was down approximately three percent compared to 2008, Idaho experienced a reduction of over 12 percent reduction in energy usage. Idaho's abnormal reduction compared to the system average was driven by two customer classes: (1) the unusually wet spring resulted in a decrease of over 20 percent in irrigation sales; and (2) Monsanto operated only 1 or 2 furnaces during most of 2009, which reduced its energy usage over 22 percent. Due to these abnormal impacts, the Company has made specific adjustments to its 2009 loads to account for the current economic downturn and Idaho specific impacts. **Dr. Peter C. Eelkema** is the Company's Senior Planner in the Load Forecasting Department and will provide additional details in his testimony about the loads in this case and how they were developed.

Pricing

Q. **Will the proposed revenue increase have the same percentage impact on all customers' prices?**

A. No. Customers' rates differ based on the Company's cost to serve them. For example, the overall requested increase in this case is $27.7 million or 13.7% on average, and the cost of service study in the filing shows Monsanto's increase is $11.6 million or 19.6%. Approximately $6.9 million of the requested increase is required to bring Monsanto to its full cost of service based on 2008 costs, which is the basis for rates that the rest of Idaho customers are currently paying.

Q. **Does the company understand the impact electricity prices have on a business such as Monsanto?**

A. Yes. As stated earlier one of the most difficult decisions we face, just as with any business, is to ask for price increases, especially at a time of economic challenges. Since 2003, Monsanto's rates have increased 59 percent nominally and 73 percent on a compounded basis. This has a significant impact on a company when approximately one third of its operating costs come from electricity consumption. However, although electricity price increases pose a significant business challenge to companies such as Monsanto, in Commission Order 30783, the final order from the Company's 2008 general rate case (PAC-E-08-07) indicated that Monsanto was paying only 87 percent of its cost of service—a $6.9 million shortfall per year. The price increases requested in this case represent the Company's actual costs of serving Monsanto.

Q. **How will the Company's rates compare to other electric utilities' rates in Idaho and rest of the country based on the increase requested in this case?**

A. Rocky Mountain Power's current overall average Idaho prices compare favorably to other U.S. investor-owned utilities according to the Edison Electric Institute. The Company's rates in Idaho have historically been and will remain favorable even after incorporating the price increase proposed in this Application.

Q. **Is the Company proposing changes to its residential rate design?**

A. Yes. As part of the Stipulation entered into by parties in Case PAC-E-08-07 and approved by the Commission in Order No. 30783, the Company agreed to include an inverted tier rate design proposal for residential customers in its next general rate case. **Mr. William R. Griffith**, Director of Pricing, Cost of Service and Regulatory Operations will present the Company's rate spread and rate design proposals that determine the ultimate prices customers will see. **Mr. C. Craig Paice**, Regulatory Consultant in the Pricing and Cost of Service Department, will present the Company's class cost of service study.

Conclusion

Q. Please provide a conclusion to your testimony.

A. The electric utility industry and the Company are in the midst of a significant capital investment cycle. Additionally, the electric utility industry is evolving rapidly and faces many challenges, including climate change, state and federal energy policies, volatile and rapidly increasing raw material costs, and generation and transmission shortages. The situation is exacerbated by the ongoing economic uncertainty. Rocky Mountain Power continues to effectively meet our customers' growing energy needs in this uncertain business and industry environment.

The Company has demonstrated that it is a good corporate citizen and partner to the state of Idaho. Rocky Mountain Power is managed according to six core values which are: (1) customer service; (2) employee commitment; (3) financial strength; (4) environmental respect; (5) regulatory integrity; and (6) operational excellence. I believe Rocky Mountain Power is an excellent company that cares about its customers, employees and the communities it serves. The proposed increase will allow us to continue to be an excellent provider of energy services to our valued customers in Idaho.

Q. **Is this proposed rate increase in the public interest and why?**

A. Yes. This proposed rate increase is in the public interest because it represents a justifiable and fair balance between the recovery of reasonable and prudent expenses incurred by the Company on behalf of customers, requests a reasonable return on the Company's investment, and supports the provision of safe, adequate and reliable service still at among the lowest prices in the nation. This rate increase fairly balances price increases against the good service and low rates provided by the Company. For these reasons, this rate increase is in the public interest and should be approved by the Commission.

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

A. Yes.