BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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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 Greg R. Meyer**

DIRECT TESTIMONY OF GREG R. MEYER

ON BEHALF OF

THE PACIFICORP IDAHO INDUSTRIAL COMSUMERS

REDACTED VERSION

October 14, 2010

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q. WHAT IS YOUR OCCUPATION?

A. I am a Senior Consultant in the field of public utility regulation with Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. This information is included in Exhibit No. 610.

Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A. I am appearing on behalf of PacifiCorp Idaho Industrial Customers ("PIIC").

Q. WHAT IS THE SUBJECT OF YOUR TESTIMONY?

A. I am addressing issues surrounding Rocky Mountain Power Company's ("RMP" or "Company") proposed revenue requirement.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A.

1. Post-Test Year Rate Base Additions – RMP has failed to correctly reflect known increases and decreases to RMP's post-test year rate base including its effect on annualized depreciation expense. I recommend that the post-test year rate base be restated to reflect all changes to rate base and annualized depreciation expense.

2. Cash Working Capital ("CWC") – The Company has included an allowance for working capital using two methodologies. I recommend elimination of one working capital methodology on the basis of duplication. I also recommend a zero CWC allowance.

3. Normalization of Revenues – RMP's weather-normalized usage per residential customer is too low. I recommend that the residential usage per customer be based on a five-year average.

4. SO_2 Emission Allowance Sales Revenues – RMP proposes to amortize the historical sale of SO_2 emission allowances prior to June 30, 2009 over fifteen years. I recommend this historical balance of SO_2 emission allowance sales revenue be amortized over five years.

5. Injuries and Damages ("I&D") Expense – The Company has proposed to increase I&D expense based on the accrued methodology. I recommend that I&D expense should be based on actual expenses from claims paid.

6. Avian Settlement – RMP has proposed to increase the accrual level of I&D expense as it relates to this settlement. I recommend disallowance of this expense because I&D expense was annualized separately and this adjustment may result in double-recovery of expenses.

7. Incentive Compensation – RMP's incentive compensation plan contains goals which are not well defined, hard to quantify, relate to normal job requirements, do not motivate employees to achieve above-average performance, and may enhance shareholder value. I recommend that one-half of the incentive payments be disallowed.

8. Management Fees – RMP has proposed to include \$7.3 million for management fees. I recommend that \$2.1 million on a total company basis be disallowed from this amount.

9. Outside Services – RMP has included the test year level of outside services expense in its cost of service. I recommend that outside services expense be based on a four-year average of expenses from 2006-2009.

10. Generation Overhaul Expense – RMP has proposed a four-year average of generation overhaul expense for both existing and new generation. RMP has escalated its historic costs. I recommend no escalation of historic costs and a different level of generation overhaul expense for new generation.

11. Uncollectibles – RMP has included the test year level of uncollectibles. I recommend a four-year average of uncollectibles.

Table 1 summarizes the Idaho allocated revenue requirement impact of the adjustments I am proposing in this proceeding. I have not reviewed all aspects of the Company's filing, and PIIC will likely support or adopt other revenue requirement proposals made by other parties.

TABLE 1

Revenue Requirement Value
of Issues Addressed in Testimony

Issue	Change to Company Revenue Requirement (Idaho Situs)
Post-Test Year Plant Additions	
Rate Base Changes	$(4,046,053)
Depreciation Expense	(361,744)
Cash Working Capital	(364,248)
Residential Revenue	(1,205,179)
SO_2 Emission Allowance Sales Amortization	(256,767)
Injuries and Damages Annualization	(75,456)
Avian Settlement	(26,961)
Incentive Compensation	(653,785)
Affiliate Management Fee	(111,601)
Outside Services Expense	(327,080)
Generation Overhaul Expense	(134,918)
Uncollectibles	(68,807)
Total	$(7,632,599)

<u>Post-Test Year Rate Base Additions</u>

Q. **ARE YOU PROPOSING ANY ADJUSTMENT TO RMP'S RATE BASE?**

A. Yes. RMP has significantly overstated the change to rate base that will be caused by post-test year plant additions. Specifically, RMP witness Steven McDougal states that the Company has identified capital projects that will be completed by the end of the test period (December 31, 2010). Mr. McDougal states that the capital projects identified will have expenditures over $5 million and those projects will be used and useful by December 31, 2010.

Q. **WHY DO YOU BELIEVE THAT MR. MCDOUGAL HAS OVERSTATED HIS RATE BASE ADJUSTMENT BASED ON THE POST-TEST YEAR PLANT ADDITIONS?**

A. Mr. McDougal has not properly reflected both known and measurable <u>increases</u> and <u>decreases</u> to Idaho jurisdictional rate base for factors that will occur after the test year and extending through December 2010. Significantly, Mr. McDougal reflected <u>increases</u> to post-test year gross plant in-service, but only partially reflected known and measurable gross plant offsets caused by post-test year increases to accumulated depreciation reserve. Therefore, he has substantially overstated the impact on RMP's test year rate base that will be caused by post-test year changes through December 2010.

Q. **PLEASE DESCRIBE HOW RMP'S TEST YEAR RATE BASE CAN CHANGE BY THE INCLUSION OF POST-TEST YEAR ADJUSTMENTS.**

A. A utility's rate base can increase or decrease over time depending on the change to "net" plant investment. Net plant investment represents the difference between gross plant additions less the total change to accumulated depreciation reserve. When utilities make plant additions they increase gross plant investment. However, RMP's net plant investment will change by the amount of post-test year plant additions (i.e., increases to gross plant investment) less the total increase to accumulated depreciation reserve that will occur during the same post-test year time period as the plant additions. Hence, while RMP may be making plant additions after the test year, which will increase its delivery service gross plant, these plant additions will not directly increase delivery service net plant investment on a dollar-for-dollar basis because the gross plant additions will be offset by increases to accumulated depreciation reserve that will occur during the same post-test year time period.

Q. CAN YOU PROVIDE AN EXAMPLE THAT SHOWS THAT THE CHANGES IN GROSS PLANT DO NOT CORRELATE EXACTLY WITH CHANGES IN NET PLANT INVESTMENT?

A. Yes. This is illustrated by an example provided in Table 2. In the table, I show the impact on a hypothetical utility company with an initial gross plant amount of $1 million, that makes $100,000 per year capital additions to its gross plant, and depreciates its plant investment at a rate of approximately 3% per year. As shown under the column "Gross Plant," the company's gross plant would increase by $100,000 a year reflecting plant additions. However, the impact on net plant (i.e., the primary rate base factor) shown under column 3 would not be a dollar-for-dollar increase as it is in the gross plant column. The impact on net plant caused by gross plant additions is the difference between the gross plant investment less the change in accumulated depreciation reserve, column 2.

Importantly, in order to properly track changes in net plant investment over time, one must properly consider all <u>increases</u> in gross plant in post-test year periods, along with all increases in accumulated depreciation reserve from gross plant, and depreciation reserve, in the same time period. Without the proper consideration of both increases, it is not possible to accurately estimate the impact on net plant investment caused by post-test year capital additions.

TABLE 2

<u>Hypothetical Net Plant Investment Example</u>

Year	Gross Plant (1)	Accumulated Depreciation Reserve (2)	Net Plant (3)	Capital Additions (4)	Depreciation Expense (5)
2006	$1,000,000		$1,000,000		$30,000
2007	$1,100,000	$30,000	$1,070,000	$100,000	$33,000
2008	$1,200,000	$63,000	$1,137,000	$100,000	$36,000
2009	$1,300,000	$99,000	$1,201,000	$100,000	$39,000
2010	$1,400,000	$138,000	$1,262,000	$100,000	$42,000

Q. DID RMP INCLUDE AN ACCUMULATED DEPRECIATION RESERVE OFFSET TO PLANT ADDITIONS FOR ITS POST-TEST YEAR PLANT ADJUSTMENT TO RATE BASE?

A. No, not completely. RMP reflected increased accumulated depreciation, but only for the amount that corresponds with the post-test year plant additions. RMP ignored the <u>known and measurable</u> increase to post-test year accumulated depreciation that will be booked by the recovery of test year plant in-service during the same post-test year time period that RMP is projecting plant additions. The recovery of depreciation expense associated with test year plant in-service will increase accumulated depreciation reserve in the post-test year time period and mitigate the increase in delivery service rate base caused by the post-test year plant additions.

Q. HOW DID YOU DETERMINE THE ADJUSTMENT TO RMP'S TEST YEAR RATE BASE CAUSED BY THE PRO FORMA PLANT ADDITIONS PROPOSED BY RMP?

A. The pro forma plant additions will be offset by known and measurable changes to accumulated depreciation reserve during the same time period that pro forma plant additions are to be placed in-service. In addition, normalized plant retirements must also be considered as these plant retirements will lower the depreciation expense and thus affect the accumulated depreciation reserve. Matching plant additions with changes to accumulated depreciation will more accurately estimate the changes to RMP's net plant investment.

Q. WHAT IS THE IMPACT OF YOUR PROPOSED ADJUSTMENT TO RMP'S RATE BASE AND REVENUE REQUIREMENT?

A. I adjusted RMP's projected plant additions by reflecting additional accumulated depreciation for test year plant in-service that will be booked during the same time period that the projected plant additions will be placed in service. I also estimated the impact on accumulated deferred income taxes related to that same plant during the same post-test year time period. It should be noted, that the estimate of changes to accumulated deferred taxes was based on test year data which reflects depreciation expense for the plant recorded in the test year. Depreciation expense for test year plant in the post-test year period may change. Therefore, it may be appropriate for the Commission to require RMP to update this estimated change in accumulated deferred income tax balance for the post-test year net plant investment estimate.

The impact based on my recommendation to post-test year plant adjustments to test year rate base results in a decrease of approximately $665.8 million, which reduces RMP's claimed revenue requirement by approximately $4 million.

Q. IS THERE ANOTHER IMPACT FROM THIS PROPOSED ADJUSTMENT?

A. Yes. The normalized retirements that will occur from December 31, 2009, through December 31, 2010, will lower annualized depreciation expense and should be adjusted. I have recalculated annualized depreciation expense based on the normalized retirement of plant during 2010 and have reduced annualized depreciation by $361,744 (Idaho Situs).

Q. HOW DID YOU ESTIMATE THE RETIREMENTS FOR 2010?

A. I calculated a five-year average plant retirement ratio from the Company's Federal Energy Regulatory Commission ("FERC") Form 1 report. This ratio is the relationship between retirements in a year and plant (before retirements) at year's end.

Q. WHY DO YOU BELIEVE THE RETIREMENTS NEED TO BE CAPTURED?

A. If you do not recognize the retirement of plant, you will overstate the annualized depreciation expense for the cost of service. This would result in ratepayers paying for depreciation expense on plant which is not in service.

<u>**Cash Working Capital**</u>

Q. DID THE COMPANY INCLUDE AN ALLOWANCE FOR CWC IN ITS DIRECT FILING?

A. Yes. RMP witness Steven R. McDougal presented direct testimony which includes an allowance for CWC of $2,134,510 in rate base. In addition, RMP is requesting an additional $961,459 of Other Working Capital. In total, RMP is requesting $3,095,969 of working capital.

Q. DO YOU CONTEST THE INCLUSION OF THIS AMOUNT IN RMP'S RATE BASE?

A. Yes, I do. RMP is requesting an allowance for working capital using two different methodologies. I am recommending that the Other Working Capital amount of $961,459 be disallowed because it is merely another method to determine working capital and should not be included with a CWC analysis. Based on the lead-lag study, the Company is attempting to double-recover an allowance for working capital.

I am also recommending that the CWC allowance of $2.1 million be disallowed from RMP's rate base.

Q. WHY DO YOU PROPOSE TO NOT RECOGNIZE ANY ALLOWANCE FOR CWC IN THIS PROCEEDING?

A. It has been my experience that electric utilities generally have a negative CWC allowance when a properly calculated lead-lag study is performed. I both performed and supervised several electric utility lead-lag studies while employed by the Missouri Public Service Commission which resulted in negative CWC allowances. In fact, in Missouri, it is most often the case for electric utilities to have negative CWC allowances for purposes of rate cases.

In this instance, RMP is relying on a lead-lag study filed in a previous rate case. I have submitted a data request to obtain the lead-lag study but, to date, I have not received a response to this request. I may update my testimony after I review that data response.

Q. PLEASE EXPLAIN WHY YOU PROPOSE TO DISALLOW THE $961,459 OF OTHER WORKING CAPITAL.

A. The $961,459 of Other Working Capital is comprised of netting selective assets and liabilities of RMP. Specifically, RMP has requested working capital recognition of accounts receivables and payables. These components are considered in the lead-lag study and should not be included in PacifiCorp's proposed CWC allowance. RMP is requesting double-recovery of certain aspects of the lead-lag study.

Q. WHY IS AN ALLOWANCE FOR CWC NECESSARY?

A. The purpose of a CWC adjustment is to allow a utility to earn a rate of return on the amount of cash necessary for operations that is "supported by capital on which investors are entitled to a return."[1/] The lead-lag study determines who provides the amount of cash that is necessary to fund operations on a day-to-day basis. If a utility spends cash for an expense before the ratepayer provides cash for utility service provided, the shareholder must supply that cash. However, if the utility receives cash from the ratepayer for utility service provided before the utility must pay cash for expenses incurred to provide that service, then ratepayers have provided the cash.

Q. WHY IS YOUR RECOMMENDATION TO NOT INCLUDE CWC IN THE CALCULATION OF RATE BASE REASONABLE?

A. As I stated previously, my experience would suggest that a negative CWC allowance is a reasonable conclusion based on a properly conducted lead-lag study. I have requested that the Company provide a copy of its lead-lag study. I will review the response to this data request which provides the lead-lag study from a previous RMP rate case to determine if the lead-lag study prepared by RMP does produce a reasonable allowance for CWC. However, as I have stated previously, it is my experience from the lead-lag studies I have been involved in the preparation of, a negative CWC allowance is the normal outcome.

1/ WUTC v. PacifiCorp, Docket No. UE-050684, Final Order ¶ 189 (April 17, 2006) (stating, "[w]e agree with Staff that the objective is to quantify the amount of working capital and current assets supported by capital on which investors are entitled to a return.").

Q. YOU TESTIFIED THAT IN YOUR EXPERIENCE THAT ELECTRIC UTILITIES OFTEN HAVE A NEGATIVE CWC ALLOWANCE. CAN YOU CITE ANY SPECIFIC COMMISSION ORDERS WHICH RESULTED IN NEGATIVE CWC ALLOWANCES?

A. Yes. In Case No. ER-2008-0318, the Missouri Public Service Commission Order reflected a negative CWC allowance of $94.672 million including interest and tax offsets.[2/] In Docket Nos. 09-0306 through 09-0311, Consolidated, the Illinois Commerce Commission Order reflected a negative CWC allowance of $1.598 million for AmerenCILCO, a negative $3.040 million for AmerenCIPS and a negative $9.031 million for AmerenIP electric operations.[3/] I have attached the rate base schedules which depict these amounts to this direct testimony as Exhibit No. 611.

I have also attached as Exhibit No. 612 to this direct testimony the filing AmerenUE made in Case No. ER-2010-0036. As can be seen from this exhibit, AmerenUE filed for a negative CWC allowance of $18,350,000.[4/]

Q. PLEASE SUMMARIZE YOUR TESTIMONY REGARDING CWC.

A. I recommend the Commission recognize no CWC allowance for RMP and approve my adjustment of $364,248 (Idaho basis) to RMP's cost of service. I believe RMP is utilizing two methods to request a working capital allowance. I believe that RMP is requesting double-recovery of certain components of working

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2/ Missouri Public Service Commission Case No. ER-2008-0318, Staff's Recommendation to Approve Tariff Sheets (Feb. 10, 2009); Exhibit No. 611 at 1.

3/ Central Illinois Light Company et al., Docket Nos. 09-0306 et al., Corrected Order (May 6, 2010); Exhibit No. 611 at 2-4.

4/ Exhibit No. 612 at 1, lines 6-10.

capital. I also have not been able to check RMP's lead-lag study as the study was not provided to the parties in this case. Therefore, I recommend no CWC allowance be allowed in RMP's cost of service.

<u>Normalization of Revenues</u>

Q. DO YOU BELIEVE THE LEVEL OF ELECTRIC REVENUES IN RMP'S COST OF SERVICE IS APPROPRIATE?

A. No. RMP's proposed level of residential revenue is understated. I recommend that the level of residential revenues be increased by approximately $1.2 million. This amount is net of additional fuel cost.

Q. WHAT IS THE BASIS FOR YOUR STATEMENT THAT THE LEVEL OF RESIDENTIAL REVENUES IS TOO LOW?

A. I have reviewed the usage per customer for the calendar years 2005-2009 as compared to the Company's weather-normalized usage for the test year. Table 3 lists the annual average usage per customer for the residential class for 2005-2009 and the test year weather normalized.

TABLE 3

Historic Analysis of
Residential Use per Customer

Year	Residential Use Per Customer (kWh)
2005	12,336
2006	12,714
2007	12,785
2008	12,853
2009	12,687
Company Test Year (Weather Normalized)	12,309
Five-Year Average (2005-2009)	12,675

Sources:
FERC Form 1
Testimony of Peter C. Eelkema, Table 1
Response to Monsanto Data Request No. 1.17
in Case No. PAC-E-10-07

Table 3 shows that the average usage per customer used by RMP to annualize residential revenues (12,309 kWh) is too low. The residential usage proposed by RMP has been exceeded for each year since 2005. The amount of normalized residential usage I recommend be used (12,675 kWh), is still lower than the actual 2009 usage during the current economic recession (12,687 kWh).

Q. WHY IS IT IMPORTANT TO ANNUALIZE REVENUES USING THE CORRECT USAGE PER CUSTOMER?

A. It is important to annualize revenues using the correct usage per customer because that level of annualized revenues determines the incremental revenue requirement needed by the utility to pay the expenses to operate the utility and provide the opportunity for a reasonable return to shareholders. If the usage per customer is set too low, the utility will collect more revenues than is necessary to pay its expenses and provide the opportunity for a reasonable return to shareholders. If the usage per customer is set too high, the opposite will occur.

Q. PLEASE DESCRIBE YOUR RECOMMENDED ADJUSTMENT TO RMP'S RESIDENTIAL CLASS.

A. I analyzed the residential usage per customer for the period 2005-2009 and compared those usages to the level proposed by RMP. I calculated a five-year average usage per customer for the residential class and multiplied that usage by the normalized test year customers and the current average residential margin energy rate. Based on this analysis, I believe test year residential revenues should be increased by $1.2 million.

__SO_2 Emission Allowance Sales Revenues__

Q. HAS RMP INCLUDED REVENUES FROM THE SALE OF SO_2 EMISSION ALLOWANCES IN ITS COST OF SERVICE?

A. Yes. RMP has included a 15-year amortization of SO_2 emission allowance sales which occurred prior to June 30, 2009 in its cost of service.

Q. DO YOU AGREE WITH THE AMOUNT RMP HAS INCLUDED IN THE COST OF SERVICE?

A. No. I recommend that the sale of SO_2 allowances be amortized over five years. I am proposing that the unamortized balance of SO_2 allowance revenues occurring before June 30, 2009, be amortized over five years instead of the 15-year amortization period proposed by RMP.

Q. WHY ARE YOU PROPOSING TO AMORTIZE THE SO_2 ALLOWANCE SALES OVER FIVE YEARS?

A. I believe the current 15-year amortization period is too long. The revenues generated from the sale of SO_2 allowances should be flowed back to customers in a more expedited manner.

Q. WHY DID YOU CHOOSE A FIVE-YEAR AMORTIZATION PERIOD?

A. Generally, five-year amortizations are proposed when addressing extraordinary events, or recurring events with impacts that cannot be easily predicted. For example, when a major storm strikes the service territory of a utility, the utility is usually granted recovery of those external costs over five years. Five years, in my experience, is generally the most widely accepted amortization period for extraordinary events or recurring events with volatility unless a trend in the activity can be observed. Obviously, shorter and longer amortizations have been adopted by commissions, but five years is generally appropriate and reasonable.

In this instance, a five-year amortization period is more appropriate because it credits customers' rates in a more timely manner from the sales of SO_2

allowances. A shorter amortization period is also appropriate in this case because it reduces the impact of RMP's nearly 14% overall proposed rate increase. This is a very significant proposed rate increase, particularly in this economic climate.

Q. WHAT IS THE TOTAL VALUE OF YOUR SO_2 ALLOWANCE SALES ADJUSTMENT?

A. Reducing the amortization period for SO_2 allowance sales from 15 years to 5 years reduces revenue requirement by $256,767 on an Idaho jurisdictional basis.

<u>**Injuries and Damages Expense**</u>

Q. DID THE COMPANY PROPOSE AN ADJUSTMENT FOR I&D EXPENSE IN THEIR COST OF SERVICE?

A. Yes. The Company proposed to increase test year I&D expense by $86,480 on an Idaho basis (Adjustment 4.14.1).

Q. DO YOU AGREE WITH THE ADJUSTMENT PROPOSED BY THE COMPANY?

A. No. I recommend that the $86,480 adjustment be reduced by $75,456.

Q. WHAT IS THE BASIS FOR YOUR ADJUSTMENT?

A. My adjustment is based on actual claims paid averaged for the years 2007-2009, less insurance reimbursements that have been received by the Company.

Q. HOW IS YOUR ADJUSTMENT DIFFERENT FROM THE COMPANY'S?

A. The Company's proposed adjustment is based on the average accrual of expenses for the three years from 2007-2009. I recommend that I&D expense for purposes of this rate case be determined on the actual claims paid during the period 2007-2009, and not the amount accrued for possible claims.

Q. WHY DO YOU BELIEVE THE CASH BASIS APPROACH IS BETTER THAN THE ACCRUAL APPROACH?

A. By establishing rates based on the actual claims paid or cash approach, ratepayers are only required to pay in rates the actual expenses associated with I&D claims. Ratepayers are not being asked to fund future claims which may not materialize. The cash approach also eliminates the possibility of over-accruing for I&D claims, thus, requiring ratepayers to pay fictitious expenses. The estimation process is eliminated from ratepayer rates and it does not allow for the manipulation of the accrual process between rate cases.

<u>Avian Settlement</u>

Q. PLEASE DESCRIBE RMP'S AVIAN SETTLEMENT (ADJUSTMENT 4.17).

A. RMP has increased operations and maintenance ("O&M") expense and capital cost to protect the wildlife habitat in and around the Company's transmission and distribution assets. Among the proposed increases, the Company is proposing to increase the I&D expense to reverse an April 2009 accounting entry made to Account 925. This accounting entry lowered RMP's expense level. This Company adjustment is in addition to RMP's proposed annualization of I&D expense.

Q. DO YOU AGREE WITH THE PROPOSED ADJUSTMENT?

A. No. I would recommend that the Company's Avian Settlement adjustment for Account 925 – Injuries and Damages – be disallowed ($26,961 – Idaho jurisdictional basis).

Q. WHY ARE YOU PROPOSING TO DISALLOW THIS DOLLAR AMOUNT?

A. My adjustment for I&D expense as discussed above is based on actual cash expenditures for claims less than the amount received by insurance. To increase the revenue requirement through a separate adjustment is improper. To the extent that actual payments for this event have been made, I believe those payments would have been included in the claim totals provided in response to PIIC Data Request No. 74.

My proposed adjustment is based on a three-year average of actual claims paid. Finally, this adjustment may represent a double-counting of expenses. If the expenses are included in the claim totals, then by recognizing this expense, the Commission would be allowing double-recovery of the expenses.

Q. ARE YOU PROPOSING TO ELIMINATE ALL OF THE PROPOSED AVIAN SETTLEMENT INCREASES TO THE COMPANY'S REVENUE REQUIREMENT?

A. No. I am proposing only the elimination of the Avian Settlement adjustment to Account 925, I&D expense. My concern is that the Company's proposal improperly inflates revenue requirement by proposing a second adjustment to an expense that the Company has already annualized.

Q. IF THIS ADJUSTMENT IS INTENDED TO INCREASE THE ACCRUAL LEVEL OF EXPENSE, DO YOU BELIEVE THE ADJUSTMENT WAS CORRECTLY INCLUDED BY RMP IN THE RATE CASE?

A. No, I do not. If the adjustment is intended to increase the accrual level of I&D expense, then separating this adjustment from RMP's I&D adjustment overstates the cost of service. If the adjustment had been included as a component of RMP's I&D adjustment, only one-third of the adjustment would have been recognized instead of the entire amount. This is due to the fact that RMP proposed a three-year average on the accrual level of expenses for their cost of service.

Q. PLEASE SUMMARIZE YOUR POSITION.

A. I believe the I&D expense adjustment for the Avian Settlement (Adjustment 4.17) should be disallowed. The I&D adjustment for the Avian Settlement could allow double-recovery of expenses or, in the alternative, could overstate the accrued level of expense. Therefore, I recommend, consistent with my I&D adjustment, that this portion be disallowed.

Incentive Compensation

Q. DID THE COMPANY INCLUDE IN ITS COST OF SERVICE EXPENSES ASSOCIATED WITH THE PAYMENT OF INCENTIVE COMPENSATION?

A. Yes. Company Exhibit No. 2 (Case No. PAC-E-10-07, page 4.3.4) identifies that RMP is proposing to include $32.2 million (approximately $1.3 million on an Idaho jurisdictional basis) to cover incentive compensation payments.

Q. DO YOU CONTEST THE INCLUSION OF ANY PORTION OF THIS $1.3 MILLION?

A. Yes. I recommend that half or $653,785 of the incentive compensation expense be removed from cost of service.

Q. WHAT IS THE BASIS FOR YOUR PROPOSED DISALLOWANCE?

A. Based on my review of the goals (included as an attachment to PacifiCorp witness Erich Wilson's direct testimony in Washington Utilities and Transportation Commission ("WUTC") Docket No. UE-100749 and attached as Exhibit 613 to my testimony), I believe the goals for the achievement of incentive compensation payments are not well defined.

On page 6 of his direct testimony in the referenced docket, PacifiCorp witness Mr. Wilson states:

> Individual employee goals start with the goals set for the Company as a whole. Each year, the Company President, in conjunction with MidAmerican Energy Holdings Company, sets the overall goals for the Company.

In my opinion, many of these goals are more related to normal job requirements/duties and do not motivate employees to achieve above-average performance. Furthermore, many of the goals are not quantitative, thus, making it hard for an employee to gauge performance at any particular time frame. Based on these observations, I am recommending that one-half of the incentive payments be disallowed.

Q. PLEASE DESCRIBE RMP'S ANNUAL INCENTIVE PLAN ("AIP").

A. RMP's AIP is based on the achievement of group employee goals and achievement of individual goals. In addition to group goals and individual goals, employees may be evaluated based on new issues or opportunities that affect RMP during the year.

Employees are evaluated by their performance against six group goals. The group goals describe the characteristics the Company believes are important to the success of RMP. RMP's employees establish their own individual goals which are designed to advance the achievement of the group goals of the Company. The individual goals are weighted 70% of the employees' overall evaluation, while the group goals are weighted 30% towards the employees' overall evaluation.

Q. PLEASE DESCRIBE WHAT STANDARDS YOU BELIEVE SHOULD BE INCLUDED IN A PROPERLY CONSTRUCTED INCENTIVE PLAN.

A. I believe an acceptable incentive plan should be developed that contains goals that improve or maintain RMP's existing operational performance. The payments associated with the incentive plan should be directly related to the achievement of those goals.

The goals for the incentive plan should be easily understood by the affected employees. Employees should also easily be able to determine their performance against those goals at any time during the year.

Q. WHAT TYPES OF GOALS WOULD YOU RECOMMEND BE INCLUDED IN AN INCENTIVE PLAN?

A. Appropriate goals for an incentive plan could include safety, managing O&M expenses, system reliability, and customer service.

Q. ARE YOU AWARE OF COMMISSION ORDERS WHICH SUPPORT YOUR IDEAS ABOUT A PROPERLY CONSTRUCTED INCENTIVE PLAN?

A. Yes. In WUTC v. Washington Natural Gas Co., the Commission stated:

> The Commission does agree with Staff that some of the incentives fall short in terms of sending employees the message that the purpose of the program is to encourage improved service. The Commission believes however that the company can do a far better job in the future of creating incentives and setting goals that advantage ratepayers.... Such goals might include controlling costs, promoting energy efficiency, providing good customer service, and promoting safety. Plans which do not tie payments directly to goals that clearly and directly benefit ratepayers will face disallowance in future proceedings.[5/]

Also, in Union Electric Case No. EC-87-114, the Missouri Public Service Commission stated:

> At a minimum, an acceptable management performance plan should contain goals that improve existing performance, and the benefits of the plan should be ascertainable and related to the plan.[6/]

5/ WUTC v. Washington Natural Gas Co., Docket No. UG-920840, Fourth Suppl. Order at 19 (Sept. 27, 1993).

6/ Staff v. Union Elec. Co., 29 Mo. P.S.C. (N.S.) 313, 325 (1987).

Q. DO YOU BELIEVE THE GROUP GOALS AS LISTED IN EXHIBIT NO. 613 CONTAIN THE STANDARDS AND CRITERIA YOU DESCRIBED ABOVE?

A. No. I have reviewed the group goals. I continue to believe that these goals do not provide the employees with the quantitative goals to assess their performance. It is also difficult to assess or ascertain how some of the goals improve or maintain RMP's existing operational performance. Finally, I believe some of the goals are more properly classified as standard job requirements/duties and therefore should not be considered performance goals tied to incentive compensation payments.

Q. CAN YOU PROVIDE SOME EXAMPLES OF PERFORMANCE FACTORS CONTAINED IN THE GROUP GOALS WHICH DO NOT GIVE EMPLOYEES THE ABILITY TO ASSESS THEIR PERFORMANCE?

A. Yes. I have listed below certain performance factors which I believe would not be easily quantifiable for use as a performance measure. These are examples from RMP's AIP group goals.

- Customer Focus:
  - Proactively meets internal or external customer expectations by anticipating needs and effectively addressing and resolving problems, issues and concerns in a timely manner.
- Job Knowledge:
  - Ensures that all compliance aspects of position are known and followed; understands and complies with all policies, codes and regulations applicable to position and company.

- Planning and Decision Making:
  - Demonstrates high levels of personal accountability.
- Productivity:
  - Holds self and others accountable to quality results.
- Builds Relationships:
  - Accepts personal differences and values diversity.
- Leadership:
  - Embraces change and motivates others to achieve goals.

The above list contains performance factors from each of the six group goals. I believe these performance factors are not quantifiable to different levels of performance. For example, how would a person exceed performance for the performance factor "Embraces Change and Motivates Others to Achieve Goals"? These performance factors also lead to subjective evaluation by the manager. Subjective evaluation of employees for incentive compensation should be minimized.

Q. CAN YOU PROVIDE SOME EXAMPLES OF PERFORMANCE FACTORS WHICH YOU CONTEND SHOULD BE CONSIDERED AS A JOB DUTY OR REQUIREMENT?

A. Yes. I have listed below certain performance factors which I believe should be considered job duties or requirements.

- Customer Focus:
  - Shares information with customers to build their understanding of issues and capabilities.

- Job Knowledge:
  - Keeps up with current developments and trends in area of expertise as a part of personal development.
- Planning and Decision Making:
  - Not afraid to make decisions and ensure appropriate people are informed.
- Productivity:
  - Performs well under pressure and does not create undue pressure for others; meets deadlines.
- Builds Relationships:
  - Acts with integrity by demonstrating professional, courteous, ethical and fair behavior at all times.
- Leadership:
  - Demonstrates passion; personal commitment and enthusiasm.

The above list contains performance factors from each of the six group goals. I believe these performance factors are more properly classified as job requirements or duties. I cannot understand, for example, why an incentive plan needs to incent an employee to "act with integrity by demonstrating professional, courteous, ethical and fair behavior at all times." This performance factor should be a job requirement for all employees working at RMP and should not be used as a performance factor for incentive compensation.

Q. DO YOU HAVE ANY FURTHER COMMENTS REGARDING THE PERFORMANCE FACTORS CONTAINED IN THE SIX GROUP GOALS?

A. Yes. I would like to point out that I only provided examples of performance factors which could not be quantified or which should be job requirements. I am not suggesting these examples are exhaustive, or that the categories are mutually exclusive.

Also, referring back to Exhibit No. 613, I would argue that many of the performance factors do not have performance metrics associated with them to determine if the operations of RMP are improved or maintained.

Q. IN YOUR REVIEW OF THE COMPANY'S AIP GROUP GOALS DID YOU FIND ANY GROUP GOALS THAT COULD BE ATTRIBUTABLE TO THE ATTAINMENT OF SHAREHOLDER VALUE?

A. Yes. Both the Customer Focus and Productivity performance goals have attributes that are designed to enhance shareholder value.

- Customer Focus: Dedicated to meeting the expectations of internal and external customers, co-workers and stakeholders; obtains first-hand information from customers and uses it to improve processes and services; acts with customers in mind; establishes and maintains effective relationships with customers and gains their respect and trust.

- Productivity: Achieves a high level of relevant accomplishments for the benefit of the company and its customer. Uses appropriate methods to implement solutions; checks processes and tasks to ensure accuracy and efficiency; initiates action to correct problems or notifies others of quality issues as appropriate.

Along with these performance goals, many of the performance factors improve shareholder value.

Q. ARE YOU REJECTING ALL OF THE PERFORMANCE FACTORS WHICH COMPRISE THE SIX GROUP GOALS?

A. No. I believe that several of the performance factors which comprise the six group goals would be good starting points to develop performance standards for an incentive compensation plan that are understandable, quantifiable and performance-enhancing.

For example, a performance factor under the Planning and Decision Making Goal states, "[u]ses metrics and milestones, and goal reassessment to measure execution and determine whether correction to plan is needed." I believe this performance factor could be used to implement several performance criteria for different departments in adhering to O&M expense control.

Q. PLEASE SUMMARIZE YOUR INCENTIVE COMPENSATION ADJUSTMENT.

A. I am recommending that 50% of the incentive compensation payments be removed from cost of service. I have discussed some of the concerns I have with the six group goals of the AIP. The individual goals are weighted 70% while the group goals are weighted 30% for the employees' overall evaluation. A 50% reduction to the incentive plan is a fair and reasonable adjustment to the incentive compensation expense level. I believe this is a conservative recommendation. Particularly, considering the current economic environment, the Commission may wish to eliminate all incentive compensation from the RMP's Idaho revenue requirement.

__Management Fees__

Q. PLEASE DESCRIBE THE "MANAGEMENT FEE" THAT RMP HAS INCLUDED IN ITS TEST YEAR OPERATING EXPENSES.

A. RMP pays an annual "Management Fee" to MidAmerican Energy Holdings Company ("MEHC") under an "Intercompany Administrative Services Agreement." The Services Agreement allocates certain of MEHC's costs to its subsidiaries. The Agreement describes "Administrative Services" as including, but not being limited to: services by executive, management, professional, technical and clerical employees; financial services tax and accounting services; use of office facilities; and use of vehicles and equipment.[7/]

In 2009, PacifiCorp booked $8,353,029 above-the-line for MEHC management fees. Before allocating any portion of this to Idaho operations, RMP removed $1,053,029 of this amount pursuant to MEHC Merger Idaho Commitment No. 28 which caps the amount allowable for the fee at $7.3 million.[8/] The Idaho-allocated portion of the resulting $7.3 million fee is $393,635 ($7.3 million x Idaho SO allocation factor).

7/ Exhibit No 614 at 4-5 (PacifiCorp's Response to Staff Data Request No. 25, Attachment 2, p. 1 in Washington Docket No. UE-100749).

8/ Rocky Mountain Power Exhibit No. 2, Case No. PAC-E-10-07, page 4.8.

Q. ARE YOU RECOMMENDING A DISALLOWANCE OF ANY OF THE AMOUNT THAT RMP DID NOT REMOVE?

A. Yes. I am recommending that the amount included in Idaho rates be reduced by $111,601 to reflect disallowance of costs included in the management fee that are not appropriate for inclusion in Idaho rates. Specifically these costs are: MEHC and MidAmerican Energy Company ("MEC") bonuses and legislative costs and contributions. Table 4 summarizes the adjustment that I am proposing.

TABLE 4

<u>Adjustment to Affiliate Management Fee</u>

	System Amount	Allocation Factor[3]	Idaho Situs
MEHC Bonuses[1]	[redacted]	5.392%	[redacted]
MEC Bonuses[1]	[redacted]	5.392%	[redacted]
Legislative/Contributions[2]	[redacted]	5.392%	[redacted]
Total to Remove	$2,069,661		$111,601

Sources:

[1]PacifiCorp response to WUTC Staff Data Request No. 25, Attachment 1, (Exhibit No. 614).

[2]PacifiCorp response to Washington Public Counsel Data Request No. 103, Confidential Attachment (Exhibit No. 615).

[3]Rocky Mountain Power Exhibit No. 2, E-PAC-10-07, Page 4.8.

Q. DOES THE $1 MILLION REDUCTION THAT RMP MADE IN COMPLIANCE WITH CASE NO. PAC-E-05-08, ORDER NO. 29973, FUNCTIONALLY REMOVE THE BONUS COSTS MENTIONED ABOVE?

A. No. The Commitment to reduce the management fee established in Commission Docket No. PAC-E-05-08 appears to be designed to limit allowable management fees and says nothing of any disallowed amounts covering those types of expenses that should be booked below-the-line or otherwise not charged to RMP's Idaho customers.[9] Moreover, the total amount of inappropriate costs well exceeds the $1 million removed for compliance with Idaho Commitment No. 28. Therefore, the $7.3 million limitation should be considered before inappropriate costs are removed.

Q. IS THERE SUPPORT FOR YOUR RECOMMENDATION IN RMP'S OWN ADMINISTRATIVE SERVICES AGREEMENT WITH MEHC?

A. Yes. According to the terms of the Services Agreement, the Company must bear those costs that are inappropriate for recovery in each state where it operates. Article 4(a)(iii) of the Agreement states:

> It is the responsibility of rate-regulated Recipient Parties to this Agreement [i.e., PacifiCorp] to ensure that *costs which would have been denied recovery in rates had such costs been directly incurred by the regulated operation are appropriately identified and segregated in the books of the regulated operation.*[10]

Q. PLEASE EXPLAIN THE DISALLOWANCE YOU ARE RECOMMENDING FOR MEC AND MEHC BONUSES.

A. RMP has included in Idaho rates [redacted] for annual bonuses paid to MEC and MEHC executives.[11] I am recommending disallowance of this entire amount because, after a review of page 125 of PacifiCorp's Form 10-K, it appears that

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9/ Re 2008 Idaho General Rate Case, IPUC Case No. PAC-E-05-08, Order No. 29973 at 17.

10/ Exhibit No. 614 at 5-6 (PacifiCorp's Response to Staff Data Request No. 25, Attachment 2, p. 3) (emphasis added) in Washington Docket No. UE-100749).

11/ See Id. at 2-3 (PacifiCorp's Response to Staff Data Request No. 25, Attachment 1 in Washington Docket No. UE-100749).

these bonuses are tied to performance of PacifiCorp's parent company and therefore not closely aligned to customer-related performance at the utility level.

Unlike incentive compensation at the utility-company level, MEHC and MEC performance naturally relates more to financial success of the parent corporation, the focus of which is on the financial performance of subsidiaries. MEHC's Form 10-K, page 144, states that the objective of annual bonus awards is to "reward the achievement of significant annual corporate goals." The annual bonuses are given on a subjective basis, but are based on defined objectives that "commonly include financial and non-financial goals." MEHC's 10-K, on page 143, states that the annual incentive awards are part of an overall compensation philosophy meant to "create significant value for [MEHC]."

Q. WHY ARE YOU RECOMMENDING DISALLOWANCE OF LEGISLATIVE/CONTRIBUTION COSTS?

A. I believe costs associated with lobbying or influencing legislation should be prohibited from recovery through rates. PacifiCorp's response to Public Counsel Data Request No. 103 in WUTC Docket No. UE-100749 (Exhibit No. 615) shows that the Company has included on a system-basis [redacted] for "Legislative (includes contributions)." This amount does not appear to include regulatory costs, as there are separate "Regulatory" and "Regulation" cost categories. The Idaho-allocated portion of legislative costs is [redacted], which I have removed completely.

<u>Outside Services</u>

Q. DID RMP INCLUDE EXPENSES FOR OUTSIDE SERVICES IN ITS COST OF SERVICE?

A. Yes. RMP has included the test year level (2009) of outside services expense in its cost of service.

Q. DO YOU AGREE WITH THE AMOUNT RMP HAS INCLUDED IN ITS COST OF SERVICE?

A. No, I do not. I believe the test year level proposed by RMP is too high.

Q. COULD YOU PROVIDE SOME EXAMPLES OF OUTSIDE SERVICES EXPENSE?

A. Yes. Outside services expense would include expenses for outside legal expenses, engineering analysis, and other services.

Q. PLEASE PROVIDE THE HISTORICAL LEVELS OF EXPENSE RMP HAS RECOVERED FOR OUTSIDE SERVICES EXPENSE.

A. Listed below in Table 5 are the levels of outside services expense assigned to RMP's Idaho operations.

TABLE 5

Outside Services
<u>Expense by Year</u>

Year	Amount
2006	$1,067,814
2007	$ 580,987
2008	$ 670,661
2009	$1,209,260
Four-Year Average	$ 882,181

As can be seen from the above table, the level of expense incurred in 2009 is the highest level of expense recorded by RMP since 2006.

Q. WHAT LEVEL OF EXPENSE DO YOU RECOMMEND FOR OUTSIDE SERVICES?

A. I recommend a level of expense for outside services based on a four-year average of the expenses listed above. I believe a four-year average is the more reasonable level of expense. A four-year average of outside services expense would reduce RMP's Idaho cost of service by $327,080.

<u>Generation Overhaul Expense</u>

Q. DID RMP PROPOSE TO ADJUST GENERATION OVERHAUL EXPENSES IN ITS COST OF SERVICE?

A. Yes. RMP proposed to decrease generation overhaul expense by $114,184 from the test year level. RMP's adjustment normalizes generation overhaul expenses using a four-year average methodology.

Q. DO YOU AGREE WITH THE METHODOLOGY RMP USED TO NORMALIZE THIS EXPENSE?

A. No. I am in disagreement with RMP on this adjustment based on two points. First, I do not agree that these expenses should be escalated for inflation in calculating this adjustment. Second, I disagree with RMP's assumption used to normalize expenses associated with new generation overhaul expenses. I am proposing that RMP's adjustment to decrease generation overhaul expense by

$114,184 does not go far enough. The generation overhaul expense should be further reduced by $134,918 on an Idaho basis.

Q. PLEASE DESCRIBE RMP'S ESCALATION OF GENERATION OVERHAUL EXPENSES.

A. RMP segregated the historical generation overhaul between Plants-Steam and Plants-Other. For Plants-Steam, RMP calculated an average where each year prior to 2009 was escalated to 2009 dollars. RMP then compared this inflation adjusted average to the per book expense level for generation overhaul related to Plants-Steam.

For Plants-Other, RMP calculated a historical inflation adjusted average for existing generation. For new facilities in Plants-Other, the Company used an inflation escalated average, but included some years of cost projections. Summing the averages for both existing and new generation, RMP developed an annualized level of generation overhaul expense.

Q. WHAT LEVEL OF EXPENSE HAS RMP RECORDED FOR GENERATION OVERHAUL EXPENSE FOR THE YEARS 2006-2009?

A. Table 6 shows the recorded expenses for generation overhaul expenses for RMP.

TABLE 6

Historical Analysis of Generation
Overhaul Expenses for Existing Generation

Year	Steam Generation	Other Generation	Total
2006	$29,613,264	$2,940,000	$32,553,264
2007	$28,560,541	$2,860,000	$31,420,541
2008	$20,030,017	$1,725,000	$21,755,017
2009	$25,392,474	$2,552,000	$27,944,474

As can be seen from the table above, the level of actual generation overhaul expenses over the historical period shows there are fluctuations from one year to another, both upwards and downwards. The absence of an escalation factor has not caused these fluctuations.

Q. WHY ARE YOU OPPOSED TO ESCALATING THE HISTORIC GENERATION OVERHAUL EXPENSES?

A. The historic expenses recorded by RMP vary by year, thus, indicating that past expenses do not need to be escalated to present dollars.

Q. ARE YOU AWARE OF ANY STATEMENTS MADE BY RMP WHICH WOULD ALSO LEAD ONE TO BELIEVE THAT AN ESCALATION FACTOR SHOULD NOT BE USED FOR THESE EXPENSES?

A. Yes. In response to PIIC Data Request No. 63, RMP made the following statement:

> No other inflation rates or escalation factors were used to estimate test year cost levels.

I therefore recommend that the generation overhaul expense adjustment be recalculated without the use of an escalation factor.

Q. DO YOU HAVE CONCERNS WITH THE METHODOLOGY RMP USED TO ESTIMATE NEW PLANT GENERATION OVERHAUL EXPENSES?

A. Yes, I do. RMP developed four years of expenses for each new power plant by estimating generation overhaul expenses for certain plants to be incurred through calendar year 2012. This methodology produced a level of expense of $3,808,000. I believe this methodology overstates the generation overhaul expenses. I recommend that the new plant generation overhaul expenses be developed using the four-year average of expenses incurred for those plants from 2007-2010 (estimated expenses). Using my recommended methodology produces an annual level of expense of $2,837,000 on an Idaho basis.

Q. DO YOU FEEL THE LEVEL YOU HAVE PROPOSED IS REASONABLE?

A. Yes, I do. RMP has estimated what its generation overhaul expenses will be for these new plants for 2010-2012. I have listed in Table 7 these expense levels.

TABLE 7

Estimated New Plant Generation Overhaul Expenses

Year	Amount
2010	$ 232,000
2011	$2,579,000
2012	$1,898,000

As can be seen from the above table, the level I have recommended of $2,837,000 is more than adequate to provide generation overhaul expenses for these new plants.

Q. PLEASE SUMMARIZE YOUR POSITION.

A. I recommend that the escalation factor for generation overhaul expenses be eliminated from RMP's adjustment. The history of this expense does not reveal that these expenses need to be escalated. Furthermore, RMP states that no expenses should be escalated.

I also recommend that the new plant generation overhaul expense level be set at $2,837,000. RMP's proposed level of $3,808,000 is excessive and will not be incurred by RMP prior to 2013. If the Commission feels that the level of new plant generation overhaul expense I have proposed is also excessive, then I would suggest that the level of expense for 2011 as estimated by RMP be used ($2,579,000).

RMP's cost of service should be reduced by $134,918 on an Idaho jurisdictional basis as a result of my recommended adjustments to generation overhaul expenses.

<u>Uncollectibles</u>

Q. HAS RMP INCLUDED UNCOLLECTIBLE EXPENSE IN THEIR COST OF SERVICE?

A. Yes. RMP is requesting that cost of service include the level of uncollectibles recorded in the test year (2009) of $472,263.

Q. DO YOU AGREE WITH THE AMOUNT RMP PROPOSES TO INCLUDE IN THE COST OF SERVICE?

A. No, I do not. I believe that the level proposed by RMP is too high.

Q. WHAT LEVEL DO YOU PROPOSE BE INCLUDED IN COST OF SERVICE FOR UNCOLLECTIBLES?

A. I am recommending that a four-year average of uncollectibles be included in the cost of service. Listed in Table 8 are the levels of uncollectibles and annual rate revenues recorded by RMP for each calendar year from 2006-2009.

TABLE 8

Uncollectible Expense By Year

Year	Amount	Revenues
2006	$529,196	$140,250,947
2007	$308,510	$182,699,838
2008	$303,856	$197,505,456
2009	$472,263	$184,995,386

As can be seen from the above table RMP is proposing the highest level of uncollectible expense that has been experienced by RMP since 2006. The table also reveals that the level of revenue does not dictate the level of uncollectibles. For example, in 2008 the revenues were the highest, yet the uncollectibles were not the highest in that year. I believe a four-year average is the more reasonable adjustment for this expense. A four-year average of the uncollectibles expense would reduce the Company's Idaho cost of service by $68,807.

Q. **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

A. Yes, it does.

Case. No. PAC-E-10-07
Exhibit No. 610
Witness: Greg R. Meyer

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

PACIFICORP IDAHO INDUSTRIAL CUSTOMERS

Exhibit Accompanying Direct Testimony of Greg R. Meyer

Qualifications of Greg R. Meyer

October 14, 2010

Qualifications of Greg R. Meyer

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a Senior Consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I graduated from the University of Missouri in 1979 with a Bachelor of Science Degree in Business Administration, with a major in Accounting. Subsequent to graduation I was employed by the Missouri Public Service Commission. I was employed with the Commission from July 1, 1979 until May 31, 2008.

I began my employment at the Missouri Public Service Commission as a Junior Auditor. During my employment at the Commission, I was promoted to higher auditing classifications. My final position at the Commission was an Auditor V, which I held for approximately ten years.

As an Auditor V, I conducted audits and examinations of the accounts, books, records and reports of jurisdictional utilities. I also aided in the planning of audits and investigations, including staffing decisions, and in the development of staff positions in which the Auditing Department was assigned. I served as Lead Auditor and/or Case Supervisor as assigned. I assisted in the technical training of other auditors, which included the preparation of auditors' workpapers, oral and written testimony.

During my career at the Missouri Public Service Commission, I presented testimony in nine electric rate cases, nine gas rate cases, seven telephone rate cases and several water and sewer rate cases. In addition, I was involved in cases regarding service territory transfers. In the context of those cases listed above, I presented testimony on all conventional ratemaking principles related to a utility's revenue requirement. During the last three years of my employment with the Commission, I was involved in developing transmission policy for the Southwest Power Pool as a member of the Cost Allocation Working Group.

In June of 2008, I joined the firm of Brubaker & Associates, Inc. as a Consultant. The firm Brubaker & Associates, Inc. provides consulting services in the field of energy procurement and public utility regulation to many clients including industrial and institutional customers, some utilities and, on occasion, state regulatory agencies.

More specifically, we provide analysis of energy procurement options based on consideration of prices and reliability as related to the needs of the client; prepare rate, feasibility, economic, and cost of service studies relating to energy and utility services; prepare depreciation and feasibility studies relating to utility service; assist in contract negotiations for utility services, and provide technical support to legislative activities.

In addition to our main office in St. Louis, the firm has branch offices in Phoenix, Arizona and Corpus Christi, Texas.

Case. No. PAC-E-10-07
Exhibit No. 611
Witness: Greg R. Meyer

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

PACIFICORP IDAHO INDUSTRIAL CUSTOMERS

Exhibit Accompanying Direct Testimony of Greg R. Meyer

AmerenUE Rate Base Schedule
Test Year Ending 3/31/08

October 14, 2010

AmerenUE
Case No. ER-2008-0318
Ameren Corp
Test Year Ending 03-31-2008
RATE BASE SCHEDULE

Line Number	A Rate Base Description	B Percentage Rate	C Dollar Amount
1	Plant In Service		$12,079,857,343
2	Less Accumulated Depreciation Reserve		$5,223,796,832
3	Net Plant In Service		$6,856,060,511
4	ADD TO NET PLANT IN SERVICE		
5	Cash Working Capital		-$44,349,554
6	Prepayments		$7,375,656
7	Materials & Supplies		$151,254,612
8	Fuel Inventories		$173,137,005
9	Net Cost of Removal Reg. Asset		$0
10	TOTAL ADD TO NET PLANT IN SERVICE		$287,417,719
11	SUBTRACT FROM NET PLANT		
12	Federal Tax Offset	10.9151%	$18,559,354
13	State Tax Offset	28.3205%	$7,567,121
14	City Tax Offset	61.7342%	$205,798
15	Interest Expense Offset	15.6384%	$23,990,512
16	Customer Deposits		$14,942,116
17	Customer Advances for Construction		$2,842,350
18	Pension Tracker Liability		$11,401,861
19	OPEB Tracker Liability		$19,902,608
20	Deferred Taxes		$1,257,279,860
21	Reserved		$0
22	Reserved		$0
23	TOTAL SUBTRACT FROM NET PLANT		$1,356,691,580
24	Total Rate Base		$5,786,786,650

AmerenCILCO - Electric
Rate Base
For the Test Year Ending 12/31/2008
(In Thousands)

Line No.	Description	Company Rebuttal Rate Base (Ex. 29.1, Sch. 2)	Adjustments (Appendix A, Page 6)	Approved Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	$ 864,685	$ (5,417)	$ 859,268
2	Accumulated Depreciation	(466,000)	(23,936)	(489,936)
3	-	-	-	-
4	Net Plant	398,685	(29,353)	369,332
5	Additions to Rate Base			
6	Cash Working Capital	1,137	(2,735)	(1,598)
7	Materials & Supplies Inventory	5,298	(558)	4,740
8	CWIP Not Subject to AFUDC	189	-	189
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Customer Advances	(5,853)	-	(5,853)
18	Accumulated Deferred Income Taxes	(60,362)	(4,006)	(64,368)
19	Customer Deposits	(3,167)	-	(3,167)
20	Accrued OPEB Liability	-	(20,077)	(20,077)
21	-	-	-	-
22	-	-	-	-
23	Rate Base	$ 335,927	$ (56,728)	$ 279,199

PacifiCorp Idaho Industrial Customers
Exhibit No. 611 Page 2 OF 4
Witness: Greg R. Meyer

AmerenCIPS - Electric
Rate Base
For the Test Year Ending 12/31/2008
(In Thousands)

Line No.	Description	Company Rebuttal Rate Base (Ex. 29.2, Sch. 2)	Adjustments (Appendix B, Page 6)	Approved Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	$ 1,404,840	$ (7,896)	$ 1,396,944
2	Accumulated Depreciation	(746,880)	(59,831)	(806,711)
3	-	-	-	-
4	Net Plant	657,960	(67,727)	590,233
5	Additions to Rate Base			
6	Cash Working Capital	2,765	(5,805)	(3,040)
7	Materials & Supplies Inventory	11,155	(1,175)	9,980
8	CWIP Not Subject to AFUDC	140	-	140
9	Plant Held for Future Use	376	-	376
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Customer Advances	(3,345)	-	(3,345)
18	Accumulated Deferred Income Taxes	(113,255)	(8,816)	(122,071)
19	Customer Deposits	(8,500)	-	(8,500)
20	Accrued OPEB Liability	-	(3,774)	(3,774)
21	-	-	-	-
22	-	-	-	-
23	Rate Base	$ 547,296	$ (87,297)	$ 459,999

AmerenIP - Electric
Rate Base
For the Test Year Ending December 31, 2008
(In Thousands)

Line No.	Description	Company Rebuttal Rate Base (Ex. 29.3, Sch.2)	Adjustments (Appendix C, page 6)	Approved Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	$ 2,410,254	$ (17,262)	$ 2,392,992
2	Accumulated Depreciation	(743,911)	(99,445)	(843,356)
3	-	-	-	-
4	Net Plant	1,666,343	(116,707)	1,549,636
5	Additions to Rate Base			
6	Cash Working Capital	523	(9,554)	(9,031)
7	Materials & Supplies Inventory	17,782	(1,873)	15,909
8	CWIP Not Subject to AFUDC	16	-	16
9		-	-	-
10		-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Customer Advances	(17,579)	-	(17,579)
18	Accumulated Deferred Income Taxes	(158,910)	(49,133)	(208,043)
19	Customer Deposits	(9,489)	-	(9,489)
20	Accrued OPEB, net of ADIT	(12,959)	(2,012)	(14,971)
21	-	-	-	-
22	-	-	-	-
23	Rate Base	$ 1,485,727	$ (179,279)	$ 1,306,448

Case. No. PAC-E-10-07
Exhibit No. 612
Witness: Greg R. Meyer

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

PACIFICORP IDAHO INDUSTRIAL CUSTOMERS

Exhibit Accompanying Direct Testimony of Greg R. Meyer

AmerenUE Missouri Jurisdictional Original Cost Rate Base
For the 12 Months Ended 3/31/09

October 14, 2010

AmerenUE
MISSOURI JURISDICTIONAL ORIGINAL COST RATE BASE AND COST OF SERVICE
FOR THE TWELVE MONTHS ENDED MARCH 31, 2009 WITH TRUE-UP THROUGH FEBRUARY 28, 2010
($000)

LINE	DESCRIPTION (A)	REFERENCE (B)		MISSOURI JURISDICTIONAL AMOUNT (C)
	A. Original Cost Rate Base			
1	Original Cost of Plant In Service	SCHEDULE GSW-E1-2	$	12,617,264
2	Less: Reserves for Depreciation	SCHEDULE GSW-E2-2		5,527,036
3	Net Original Cost of Plant			7,090,229
4	Materials and Supplies	SCHEDULE GSW-E3-2		366,866
5	Average Prepayments	SCHEDULE GSW-E4-2		10,015
6	Cash Working Capital	SCHEDULE GSW-E5		9,677
7	Interest Expense Cash Requirement	SCHEDULE GSW-E6		(27,242)
8	Federal Income Tax Cash Requirement	SCHEDULE GSW-E6		(496)
9	State Income Tax Cash Requirement	SCHEDULE GSW-E6		(78)
10	City Earnings Tax Cash Requirement	SCHEDULE GSW-E6		(211)
11	Average Customer Advances for Construction	SCHEDULE GSW-E7		(2,814)
12	Average Customer Deposits	SCHEDULE GSW-E7		(15,641)
13	Accumulated Deferred Taxes on Income	SCHEDULE GSW-E8		(1,396,803)
14	Pension Tracker Reg Liability	SCHEDULE GSW-E9		(4,251)
15	OPEB Tracker Reg Liability	SCHEDULE GSW-E9		(27,806)
16	**Total Original Cost Rate Base**		**$**	**6,001,444**
	B. Revenue Requirement			
	Operating Expenses:			
17	Production	SCHEDULE GSW-E11-5	$	1,200,541
18	Transmission	SCHEDULE GSW-E11-5		40,522
19	Regional Market Expenses	SCHEDULE GSW-E11-5		8,535
20	Distribution	SCHEDULE GSW-E11-5		204,335
21	Customer Accounts	SCHEDULE GSW-E11-5		56,887
22	Customer Service	SCHEDULE GSW-E11-5		11,020
23	Sales	SCHEDULE GSW-E11-5		1,195
24	Administrative and General	SCHEDULE GSW-E11-5		271,713
25	Total Operating Expenses			1,794,748
26	Depreciation and Amortization	SCHEDULE GSW-E12-3		376,408
27	Taxes Other than Income Taxes	SCHEDULE GSW-E13-3		130,950
	Income Taxes-Based on Proposed Rate of Return			
28	Federal	SCHEDULE GSW-E14		170,952
29	State	SCHEDULE GSW-E14		26,864
30	City Earnings	SCHEDULE GSW-E14		324
31	Total Income Taxes			198,140
	Deferred Income Taxes			
32	Deferred Income Tax Expense	SCHEDULE GSW-E14		(1,898)
33	I.T.C. Amortization	SCHEDULE GSW-E14		(4,683)
34	Total Deferred Income Taxes			(6,581)
35	Return (Rate base * 8.577%)	**8.577%**		514,744
36	**Total Revenue Requirement**		**$**	**3,008,409**

AmerenUE
MISSOURI ELECTRIC
CASH WORKING CAPITAL
TWELVE MONTHS ENDED MARCH 31, 2009 WITH TRUE-UP THROUGH FEBRUARY 28, 2010
($000)

LINE	DESCRIPTION (A)	REVENUE LAG(1) (B)	EXPENSE LEAD (1) (C)	NET LEAD/LAG (D)	FACTOR (E)	TEST YEAR EXPENSE (F)	CASH WORKING CAPITAL REQUIREMENT (G)
1	PENSIONS AND BENEFITS	36.820	(32.900)	3.920	0.010740	$ 108,558	$ 1,166
2	PURCHASED POWER	36.820	(22.500)	14.320	0.039233	128,333	5,035
3	PAYROLL & WITHHOLDINGS	36.820	(11.510)	25.310	0.069342	343,990	23,853
4	FUEL						
5	NUCLEAR	36.820	(15.210)	21.610	0.059205	72,522	4,294
6	COAL	36.820	(21.310)	15.510	0.042493	627,394	26,660
7	OIL	36.820	(13.180)	23.640	0.064767	2,106	136
8	NATURAL GAS	36.820	(39.450)	(2.630)	(0.007205)	27,928	(201)
9	UNCOLLECTIBLE ACCOUNTS	36.820	(36.820)	0.000	-	11,690	-
10	OTHER OPERATING EXPENSES	36.820	(42.140)	(5.320)	(0.014575)	472,227	(6,883)
11	TOTAL O&M EXPENSES					1,794,748	
12	**TOTAL CASH WORKING CAPITAL REQUIREMENT**						**54,060**
13	FICA - EMPLOYER'S PORTION	36.820	(13.160)	23.660	0.064822	20,439	1,325
14	FEDERAL UNEMPLOYMENT TAXES	36.820	(76.380)	(39.560)	(0.108384)	241	(26)
15	STATE UNEMPLOYMENT TAXES	36.820	(76.380)	(39.560)	(0.108384)	509	(55)
16	CORPORATE FRANCHISE TAXES	36.820	77.000	113.820	0.311836	1,997	623
17	PROPERTY TAXES	36.820	(183.000)	(146.180)	(0.400493)	96,997	(38,847)
18	SALES TAXES	36.820	(35.210)	1.610	0.004411	42,657	188
19	USE TAXES	36.820	(76.380)	(39.560)	(0.108384)	1,261	(137)
20	GROSS RECEIPTS TAXES	23.410	(51.050)	(27.640)	(0.075726)	98,361	(7,448)
21	ST. LOUIS PAYROLL EXPENSE TAXES	36.820	(76.380)	(39.560)	(0.108384)	52	(6)
22	TOTAL TAXES					262,514	
23	**NET CUSTOMER SUPPLIED FUNDS**						**(44,383)**
24	**NET CASH WORKING CAPITAL REQUIREMENT**						**$ 9,677**

25 (1) Revenue Lag and Expense Lead per direct testimony of Company witness Michael J. Adams.

AmerenUE
INTEREST EXPENSE CASH REQUIREMENT AND
FEDERAL AND STATE INCOME TAX AND CITY EARNINGS TAX CASH REQUIREMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2009 WITH TRUE-UP THROUGH FEBRUARY 28, 2010
($000)

LINE	DESCRIPTION (A)		MISSOURI JURISDICTIONAL (B)
	INTEREST EXPENSE CASH REQUIREMENT		
1	MISSOURI JURISDICTIONAL INTEREST ON LONG-TERM DEBT	$	182,684
2	FACTOR PER DIRECT TESTIMONY OF MICHAEL J. ADAMS		-14.91%
3	**INTEREST EXPENSE CASH REQUIREMENT**	$	(27,242)
	FEDERAL INCOME TAX CASH REQUIREMENT		
4	MISSOURI JURISDICTIONAL CURRENT FEDERAL INCOME TAXES	$	170,951
5	FACTOR PER DIRECT TESTIMONY OF MICHAEL J. ADAMS		-0.29%
6	**FEDERAL INCOME TAX CASH REQUIREMENT**	$	(496)
	STATE INCOME TAX CASH REQUIREMENT		
7	MISSOURI JURISDICTIONAL STATE INCOME TAXES	$	26,864
8	FACTOR PER DIRECT TESTIMONY OF MICHAEL J. ADAMS		-0.29%
9	**STATE INCOME TAX CASH REQUIREMENT**	$	(78)
	CITY EARNINGS TAX CASH REQUIREMENT		
10	MISSOURI JURISDICTIONAL CITY EARNINGS TAX	$	324
11	FACTOR PER DIRECT TESTIMONY OF MICHAEL J. ADAMS		-64.98%
12	**CITY EARNINGS TAX CASH REQUIREMENT**	$	(211)

Case. No. PAC-E-10-07
Exhibit No. 613
Witness: Greg R. Meyer

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

PACIFICORP IDAHO INDUSTRIAL CUSTOMERS

Exhibit Accompanying Direct Testimony of Greg R. Meyer

Performance Factors

October 14, 2010

Performance Factors

Customer Focus: Dedicated to meeting the expectations of internal and external customers, co-workers and stakeholders; obtains first-hand information from customers and uses it to improve processes and services; acts with customers in mind; establishes and maintains effective relationships with customers and gains their respect and trust.

- Proactively meets internal or external customer expectations by anticipating needs and effectively addressing and resolving problems, issues and concerns in a timely manner
- Develops and sustains productive customer relationships through appropriate communications
- Shares information with customers to build their understanding of issues and capabilities

Job Knowledge: Puts knowledge, understanding and skills to practical use on the job; demonstrates an understanding of key policies, compliance, skills and procedures in functional and related areas of work.

- Achieves a satisfactory level of skill and knowledge in position-related areas; demonstrates ability to learn new skills
- Ensures that all compliance aspects of position are known and followed; understands and complies with all policies, codes and regulations applicable to position and company
- Keeps up with current developments and trends in area of expertise as a part of personal development
- Generates solutions in work situations; utilizes a variety of resources and tools
- Demonstrates clear communication in written and verbal formats

Planning and Decision Making: Identifies and understands issues, problems and opportunities, demonstrates sound judgment while utilizing plan, execute, measure and correct process.

- Develops plans using a disciplined planning approach taking into account a variety of creative alternatives for choosing a recommended course of action with a clearly defined desired outcome, risks, identification of key assumptions, cost benefit analysis, milestones and metrics; properly identifies all stakeholders
- Executes in accordance with the plan by taking action that is timely and consistent with available facts, constraints and probable consequences
- Uses metrics and milestones, and goal reassessment to measure execution and determine whether correction to plan is needed
- Makes timely and thoughtful corrections to the plan when appropriate; takes responsibility for results; properly reports the plan's progress or corrections to the appropriate individuals
- Not afraid to make decisions and ensure appropriate people are informed
- Makes sound, logical, business decisions; shows good judgment in prioritizing work
- Demonstrates high levels of personal accountability

Productivity: Achieves a high level of relevant accomplishments for the benefit of the company and its customers. Uses appropriate methods to implement solutions; checks processes and tasks to ensure accuracy and efficiency; initiates action to correct problems or notifies others of quality issues as appropriate.

- Takes initiative by generating new approaches to continuously improve efficiency and quality in every aspect of work
- Performs well under pressure and does not create undue pressure for others; meets deadlines
- Ensures job processes, tasks and work products are free from errors, omissions or defects
- Work products are professional and clearly reflect a high level of attention to detail
- Holds self and others accountable to quality results
- Focuses on the desired outcomes and produces results

Builds Relationships: Identifies opportunities and takes action to develop strategic relationships across the organization and externally. Relates well to all people and builds constructive and effective relationships for the improvement of the organization as a whole.

- Adapts interpersonal style to accommodate tasks, situations and individuals involved
- Effectively exchanges ideas and information with others
- Accepts personal differences and values diversity
- Acts with integrity by demonstrating professional, courteous, ethical and fair behavior at all times
- Promotes cooperation by sharing information, encouraging contributions
- Open to constructive feedback and provides it to others

***Leadership:** Keeps the organization's vision and values at the forefront of decision-making and actions; demonstrates ability to guide individuals towards goal achievement by setting clear expectations, providing feedback and coaching.

- Demonstrates passion; personal commitment and enthusiasm
- Embraces change and motivates others to achieve goals
- Enlists the active participation of appropriate resources to accomplish goals
- Inspires employees to perform to their maximum potential
- Provides opportunities for growth and development through delegation and succession planning
- Provides candid and timely performance feedback
- Clearly communicates expectations to teams and individuals; sets an example to others

*Supervisor determines if performance factor is applicable to employee's position.

Case. No. PAC-E-10-07
Exhibit No. 614
Witness: Greg R. Meyer

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

PACIFICORP IDAHO INDUSTRIAL CUSTOMERS

Exhibit Accompanying Direct Testimony of Greg R. Meyer

PacifiCorp's Response to WUTC Data Request 25

REDACTED VERSION

October 14, 2010

UE-100749/PacifiCorp
July 8, 2010
WUTC Data Request 25

WUTC Data Request 25

Re: Exhibit No. ___ (RBD-3), Adjustment 4.5 – Affiliate management Fee

Please explain the components of, and provide the calculation of, the MEHC Management Fee of $8,353,029 booked in 2009. Does PacifiCorp expect this fee to be of a similar magnitude in upcoming years?

Response to WUTC Data Request 25

Please refer to Attachment WUTC 25-1 for the components of the MEHC Management Fee of $8,353,029. Please refer to Attachment WUTC 25-2 for the Intercompany Administrative Service Agreement (IASA) agreement. The IASA addresses the affiliate management fee between PacifiCorp and its affiliates.

Under the IASA, management fees are charged on the following basis:

1.) **Direct charges:** The costs are directly assigned. The party receiving the benefit will be charged for the operating costs incurred by the party providing the services, including, but not limited to, allocable salary and wages, paid absences, payroll taxes, payroll additives (insurance premiums, heath care, retirement benefits, etc.), direct non-labor costs and reimbursements of out-of-pocket third party costs and expenses such as travel and training.
2.) **Indirect charges:** Costs incurred for the general benefit of the receiving group for which direct charging and service charges are not practical. An allocation methodology has been established and used consistently from year to year.
3.) **Service charges:** Costs that are impractical to charge directly, but for which a cost/benefit relationship can be reasonably identified. A practical allocation method has been established by the providing party that allocates the cost of this service equitably and consistently to the recipient party.

In the filing, Adjustment 4.5 of Exhibit No__(RBD-3) reduces the $8,353,209 expense booked to the allowed $7.3 million in accordance with MEHC transaction commitment WA 4. This commitment expires December 31, 2010. The Company will continue to effectively manage the management fee charges and will strive to keep any growth in charges at reasonable levels, aligned with inflationary assumptions and projected new operational support requirements.

PREPARER: R. Bryce Dalley

SPONSOR: R. Bryce Dalley

[redacted]

Attachment WUTC 25-1

WA UE-100749

[redacted]

[redacted]

Attachment WUTC 25-1

WA UE-100749

[redacted]

INTERCOMPANY ADMINISTRATIVE SERVICES AGREEMENT

BETWEEN

MIDAMERICAN ENERGY HOLDINGS COMPANY

AND

ITS SUBSIDIARIES

This Intercompany Administrative Services Agreement ("Agreement") is entered into as of March 31, 2006 by and between MidAmerican Energy Holdings Company (hereinafter the "Company") and its direct and indirect subsidiaries (hereinafter the "Subsidiaries") (each a "Party" and together the "Parties").

WHEREAS, the Company provides senior management, executive oversight and other administrative services that provide value to and benefit the Subsidiaries as entities in the consolidated group;

WHEREAS, the Subsidiaries have access to professional, technical and other specialized resources that the Company may wish to utilize from time to time in the provision of such administrative services; and

WHEREAS, the Company and Subsidiaries may desire to utilize the professional, technical and other specialized resources of certain Subsidiaries;

NOW, THEREFORE, in consideration of the premises and mutual agreements set forth herein, the Company and Subsidiaries agree as follows:

ARTICLE 1. <u>PROVISION OF ADMINISTRATIVE SERVICES</u>

Upon and subject to the terms of this Agreement, services will be provided between and among the Company and its Subsidiaries that are not directly applicable to the production, distribution or sale of a product or service available to customers of the Company or its subsidiaries ("Administrative Services"). For purposes of this Agreement, Administrative Services shall include, but not be limited to the following:

a) services by executive, management, professional, technical and clerical employees;
b) financial services, payroll processing services, employee benefits participation, supply chain and purchase order processing services, tax and accounting services, contract negotiation and administration services, risk management services, environmental services and engineering and technical services;
c) the use of office facilities, including but not limited to office space, conference rooms, furniture, equipment, machinery, supplies, computers and computer software, insurance policies and other personal property;
d) the use of automobiles, airplanes, other vehicles and equipment;

To obtain specialized expertise or to achieve efficiencies, the following situations may arise under this Agreement whereby Administrative Services may be provided between and among the Company and its Subsidiaries:

a) The Company may directly assign or allocate common costs to the Subsidiaries,
b) The Company may procure Administrative Services from the Subsidiaries for its own benefit,
c) The Company may procure Administrative Services from the Subsidiaries for subsequent allocation to some or all Subsidiaries commonly benefiting, or
d) The Subsidiaries may procure Administrative Services from each other.

ARTICLE 2. <u>DEFINITIONS</u>

For purposes of this Agreement these terms shall be defined as follows:

(a) "Laws" shall mean any law, statute, rule, regulation or ordinance.
(b) "State Commissions" shall mean any state public utility commission or state public service commission with jurisdiction over a rate-regulated Party.
(c) "Subsidiaries" shall mean current and future direct and indirect majority-owned subsidiaries of the Company.

ARTICLE 3. <u>EFFECTIVE DATE</u>

This Agreement shall be effective as of the date set forth above; provided, however, that in those jurisdictions in which regulatory approval is required before the Agreement becomes effective, the effective date shall be as of the date of such approval.

ARTICLE 4. <u>CHARGES AND PAYMENT</u>

(a) CHARGES.

Parties shall charge for Administrative Services on the following basis:

(i) Direct Charges: The Party receiving the benefit of Administrative Services ("Recipient Party") will be charged for the operating costs incurred by the Party providing the Administrative Services ("Providing Party"), including, but not limited to, allocable salary and wages, incentives, paid absences, payroll taxes, payroll additives (insurance premiums, health care and retirement benefits and the like), direct non-labor costs, if any, and similar expenses, and reimbursement of out-of-pocket third party costs and expenses.
(ii) Service Charges: Costs that are impractical to charge directly but for which a cost/benefit relationship can be reasonably identified. A practical allocation method will be established by Providing Party that allocates the cost of this service equitably and consistently to the Recipient Party. Any changes in the methodology will be communicated in writing to rate-regulated subsidiaries at least 180 days before the implementation of the change.
(iii) Allocations: Costs incurred for the general benefit of the entire corporate group for which direct charging and service charges are not practical. An allocation methodology will be established and used consistently from year to year. Any changes to the methodology will be communicated

in writing to rate-regulated subsidiaries at least 180 days before the implementation of the change.

The charges constitute full compensation to the Providing Party for all charges, costs and expenses incurred by the Providing Party on behalf of the Recipient Party in providing the Administrative Services, unless otherwise specifically agreed to in writing between the Parties.

If events or circumstances arise which, in the opinion of the Parties, render the costs of providing any Administrative Services materially different from those charged under a specific rate or formula then in effect, the specific rate or formulas shall be equitably adjusted to take into account such events or changed circumstances.

Providing Parties will bill each and all Recipient Parties, as appropriate, for Administrative Services rendered under this Agreement in as specific a manner as practicable. To the extent that direct charging for services rendered is not practicable, the Providing Party may utilize allocation methodologies to assign charges for services rendered to the Recipient Party, reflective of the drivers of such costs. Such allocation methodologies may utilize allocation bases that include, but are not limited to: employee labor, employee counts, assets, and multi-factor allocation formulae.

Any cost allocation methodology for the assignment of corporate and affiliate costs will comply with the following principles:

i) For Administrative Services rendered to a rate-regulated subsidiary of the Company or each cost category subject to allocation to rate-regulated subsidiaries by the Company, the Company must be able to demonstrate that such service or cost category is reasonable for the rate-regulated subsidiary for the performance of its regulated operations, is not duplicative of Administrative Services already being performed within the rate-regulated subsidiary, and is reasonable and prudent.
ii) The Company and Providing Parties will have in place positive time reporting systems adequate to support the allocation and assignment of costs of executives and other relevant personnel to Recipient Parties.
iii) Parties must maintain records sufficient to specifically identify costs subject to allocation, particularly with respect to their origin. In addition, the records must be adequately supported in a manner sufficient to justify recovery of the costs in rates of rate-regulated subsidiaries.
iv) It is the responsibility of rate-regulated Recipient Parties to this Agreement to ensure that costs which would have been denied recovery in rates had such costs been directly incurred by the regulated operation are appropriately identified and segregated in the books of the regulated operation.

(b) PAYMENT.

(i) Each Providing Party shall bill the Recipient Party monthly for all charges pursuant to this Agreement via billings to the Company. The Company, in its capacity as a clearinghouse for intercompany charges within the Company shall aggregate all charges and bill all Recipient Parties in a single bill. Full payment to or by the Company for all Administrative Services shall be made by the end of the calendar month following the intercompany charge. Charges shall be supported by reasonable documentation, which may be maintained in electronic form.

(ii) The Parties shall make adjustments to charges as required to reflect the discovery of errors or omissions or changes in the charges. The Parties shall conduct a true-up process at least quarterly and more frequently if necessary to adjust charges based on reconciliation of amounts charged and costs incurred. It is the intent of the Parties that such true-up process will be conducted using substantially the same process, procedures and methods of review as have been in effect prior to execution of this Agreement by the Parties.

ARTICLE 5. GENERAL OBLIGATIONS; STANDARD OF CARE
Rate-regulated Parties will comply with all applicable State and Federal Laws regarding affiliated interest transactions, including timely filing of applications and reports. The Parties agree not to cross-subsidize between the rate-regulated and non-rate-regulated businesses or between any rate-regulated businesses, and shall comply with any applicable State Commission Laws and orders. Subject to the terms of this Agreement, the Parties shall perform their obligations hereunder in a commercially reasonable manner.

ARTICLE 6. TAXES
Each Party shall bear all taxes, duties and other similar charges except taxes based upon its gross income (and any related interest and penalties), imposed as a result of its receipt of Administrative Services under this Agreement, including without limitation sales, use, and value-added taxes.

ARTICLE 7. ACCOUNTING AND AUDITING
Providing Parties and the Company shall maintain such books and records as are necessary to support the charges for Administrative Services, in sufficient detail as may be necessary to enable the Parties to satisfy applicable regulatory requirements ("Records"). All Parties:

(a) shall provide access to the Records at all reasonable times;

(b) shall maintain the Records in accordance with good record management practices and with at least the same degree of completeness, accuracy and care as it maintains for its own records; and

(c) shall maintain its own accounting records, separate from the other Party's accounting records.

Subject to the provisions of this Agreement, Records supporting intercompany billings shall be available for inspection and copying by any qualified representative or agent of either Party or its affiliates, at the expense of the inquiring Party. In addition, State Commission staff or agents may audit the accounting records of Providing Parties that form the basis for charges to rate-regulated subsidiaries, to determine the reasonableness of allocation factors used by the Providing Party to assign costs to the Recipient Party and amounts subject to allocation or direct charges. All Parties agree to cooperate fully with such audits.

ARTICLE 8. BUDGETING

In advance of each budget year, Providing Parties shall prepare and deliver to the Recipient Parties, for their review and approval, a proposed budget for Administrative Services to be performed during that year. The approved schedule of budgeted Administrative Services shall evidence the base level of Administrative Services. The schedule shall be updated at least annually. Each Party shall promptly notify the other Party in writing of any requested material change to the budget costs for any service being provided.

ARTICLE 9. COOPERATION WITH OTHERS

The Parties will use good faith efforts to cooperate with each other in all matters relating to the provision and receipt of Administrative Services. Such good faith cooperation will include providing electronic access in the same manner as provided other vendors and contractors to systems used in connection with Administrative Services and using commercially reasonable efforts to obtain all consents, licenses, sublicenses or approvals necessary to permit each Party to perform its obligations. Each Party shall make available to the other Party any information required or reasonably requested by the other Party regarding the performance of any Administrative Service and shall be responsible for timely providing that information and for the accuracy and completeness of that information; provided, however, that a Party shall not be liable for not providing any information that is subject to a confidentiality obligation owed by it to a person or regulatory body other than an affiliate of it or the other Party. Either Party shall not be liable for any impairment of any Administrative Service caused by it not receiving information, either timely or at all, or by it receiving inaccurate or incomplete information from the other Party that is required or reasonably requested regarding that Administrative Service. The Parties will cooperate with each other in making such information available as needed in the event of any and all internal or external audits, utility regulatory proceedings, legal actions or dispute resolution. Each Party shall fully cooperate and coordinate with each other's employees and contractors who may be awarded other work. The Parties shall not commit or permit any act, which will interfere with the performance of or receipt of Administrative Services by either Party's employees or contractors.

ARTICLE 10. COMPLIANCE WITH ALL LAWS

Each Party shall be responsible for (i) its compliance with all laws and governmental regulations affecting its business, including but not limited to, laws and governmental regulations governing federal and state affiliate transactions, workers' compensation, health, safety and security, and (ii) any use it may make of the Administrative Services to assist it in complying with such laws and governmental regulations.

ARTICLE 11. LIMITATION OF LIABILITY

Notwithstanding any other provision of this Agreement and except for (a) rights provided under Article 12 in connection with Third-Party Claims, (b) direct or actual damages as a result of a breach of this Agreement, and (c) liability caused by a Party's negligence or willful misconduct, no Party nor their respective directors, officers, employees and agents, will have any liability to any other Party, or their respective directors, officers, employees and agents, whether based on contract, warranty, tort, strict liability, or any other theory, for any indirect, incidental, consequential, special damages, and no Party, as a result of providing a Service pursuant to this Agreement, shall be liable to any other Party for more than the cost of the Administrative Service(s) related to the claim or damages.

ARTICLE 12. INDEMNIFICATION

Each of the Parties will indemnify, defend, and hold harmless each other Party, members of its Board of Directors, officers, employees and agents against and from any third-party claims resulting from any negligence or willful misconduct of a Party's employees, agents, representatives or subcontractors of any tier, their employees, agents or representatives in the performance or nonperformance of its obligations under this Agreement or in any way related to this Agreement. If a Third-Party claim arising out of or in connection with this Agreement results from negligence of multiple Parties (including their employees, agents, suppliers and subcontractors), each Party will bear liability with respect to the Third-Party Claim in proportion to its own negligence.

ARTICLE 13. DISPUTE RESOLUTION

The Parties shall promptly resolve any conflicts arising under this Agreement and such resolution shall be final. If applicable, adjustments to the charges will be made as required to reflect the discovery of errors or omissions in the charges. If the Parties are unable to resolve any service, performance or budget issues or if there is a material breach of this Agreement that has not been corrected within ninety (90) days, representatives of the affected Parties will meet promptly to review and resolve those issues in good faith.

ARTICLE 14. TERMINATION FOR CONVENIENCE

A Party may terminate its participation in this Agreement either with respect to all, or with respect to any one or more, of the Administrative Services provided hereunder at any time and from time to time, for any reason or no reason, by giving notice of termination at least sixty (60) days in advance of the effective date of the termination to enable the other Party to adjust its available staffing and facilities. In the event of any termination with respect to one or more, but less than all, Administrative Services, this Agreement shall continue in full force and effect with respect to any Administrative Services not terminated hereby. If this Agreement is terminated in whole or in part, the Parties will cooperate in good faith with each other in all reasonable respects in order to effect an efficient transition and to minimize the disruption to the business of all Parties, including the assignment or transfer of the rights and obligations under any contracts. Transitional assistance service shall include organizing and delivering records and documents necessary to allow continuation of the Administrative Services, including delivering such materials in electronic forms and versions as reasonably requested by the Party.

ARTICLE 15. CONFIDENTIAL INFORMATION/NONDISCLOSURE

To the fullest extent allowed by law, the provision of any Administrative Service or reimbursement for any Administrative Service provided pursuant to this Agreement shall not operate to impair or waive any privilege available to either Party in connection with the Administrative Service, its provision or reimbursement for the Administrative Service.

All Parties will maintain in confidence Confidential Information provided to each other in connection with this Agreement and will use the Confidential Information solely for the purpose of carrying out its obligations under this Agreement. The term Confidential Information means any oral or written information, (including without limitation, computer programs, code, macros or instructions) which is made available to the Company, its

Subsidiaries or one of its representatives, regardless of the manner in which such information is furnished. Confidential Information also includes the following:

a. All Information regarding the Administrative Services, including, but not limited to, price, costs, methods of operation and software, shall be maintained in confidence.

b. Systems used to perform the Administrative Services provided hereunder are confidential and proprietary to the Company, its Subsidiaries or third parties. Both Parties shall treat these systems and all related procedures and documentation as confidential and proprietary to the Company, its Subsidiaries or its third party vendors.

c. All systems, procedures and related materials provided to either Party are for its internal use only and only as related to the Administrative Services or any of the underlying systems used to provide the Administrative Services.

Notwithstanding anything in this Article 15 to the contrary, the term "Confidential Information" does not include any information which (i) at the time of disclosure is generally available to and known by the public (other than as a result of an unpermitted disclosure made directly or indirectly by a Party), (ii) was available to a Party on a non-confidential basis from another source (provided that such source is not or was not bound by a confidentiality agreement with a Party or had any other duty of confidentiality to a Party), or (iii) has been independently acquired or developed without violating any of the obligations under this Agreement.

The Parties shall use good faith efforts at the termination or expiration of this Agreement to ensure that all user access and passwords are cancelled.

All Confidential Information supplied or developed by a Party shall be and remain the sole and exclusive property of the Party who supplied or developed it.

ARTICLE 16. PERMITTED DISCLOSURE

Notwithstanding provisions of this Agreement to the contrary, each Party may disclose Confidential Information (i) to the extent required by a State Commission, a court of competent jurisdiction or other governmental authority or otherwise as required by law, including without limitation disclosure obligations imposed under the federal securities laws, provided that such Party has given the other Party prior notice of such requirement when legally permissible to permit the other Party to take such legal action to prevent the disclosure as it deems reasonable, appropriate or necessary, or (ii) on a "need-to-know" basis under an obligation of confidentiality to its consultants, legal counsel, affiliates, accountants, banks and other financing sources and their advisors.

ARTICLE 17. SUBCONTRACTORS

To the extent provided herein, the Parties shall be fully responsible for the acts or omissions of any subcontractors of any tier and of all persons employed by such subcontractors and shall maintain complete control over all such subcontractors. It being understood and agreed that not anything contained herein shall be deemed to create any contractual relation between the subcontractor of any tier and the Parties.

ARTICLE 18. NONWAIVER
The failure of a Party to insist upon or enforce strict performance of any of the terms of this Agreement or to exercise any rights herein shall not be construed as a waiver or relinquishment to any extent of its right to enforce such terms or rights on any future occasion.

ARTICLE 19. SEVERABILITY
Any provision of this Agreement prohibited or rendered unenforceable by operation of law shall be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement.

ARTICLE 20. ENTIRE AGREEMENT/DOCUMENTS INCORPORATED BY REFERENCE
All understandings, representations, warranties, agreements and any referenced attachments, if any, existing between the Parties regarding the subject matter hereof are merged into this Agreement, which fully and completely express the agreement of the Parties with respect to the subject matter hereof.

ARTICLE 21. OTHER AGREEMENTS
This Agreement does not address or govern the Parties' relationship involving: (a) the tax allocation agreement nor (b) any other relationships not specifically identified herein. All such relationships not addressed or governed by this Agreement will be governed and controlled by a separate agreement or tariff specifically addressing and governing those relationships or by applicable Laws or orders.

This Agreement has been duly executed on behalf of the Parties as follows:

MIDAMERICAN ENERGY HOLDINGS COMPANY

By: PJGood
Patrick J. Goodman
Title: Sr. Vice President &
Chief Financial Officer

NNGC ACQUISITION, LLC

By: BHanke
Brian K. Hankel
Title: Vice President & Treasurer

PPW HOLDINGS LLC

By: BHanke
Brian K. Hankel
Title: Vice President & Treasurer

KR HOLDING, LLC

By: PJGood
Patrick J. Goodman
Title: Vice President & Treasurer

CE ELECTRIC UK FUNDING COMPANY

By: PJGood
Patrick J. Goodman
Title: Director

CALENERGY INTERNATIONAL SERVICES, INC.

By: BHanke
Brian K. Hankel
Title: Vice President & Treasurer

HOME SERVICES OF AMERICA, INC.

By: Paul J Leighton
Paul J. Leighton
Title: Asst Secretary

CE CASECNAN WATER AND ENERGY COMPANY, INC.

By: BHanke
Brian K. Hankel
Title: Vice President & Treasurer

MIDAMERICAN FUNDING, LLC

By: TB Specketer
Thomas B. Specketer
Title: Vice President & Controller

Case. No. PAC-E-10-07
Exhibit No. 615
Witness: Greg R. Meyer

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

PACIFICORP IDAHO INDUSTRIAL CUSTOMERS

Exhibit Accompanying Direct Testimony of Greg R. Meyer

PacifiCorp's Response to Public Counsel Data Request 103

REDACTED VERSION

October 14, 2010

UE-100749/PacifiCorp
September 14, 2010
Public Counsel Data Request 103

Public Counsel Data Request 103

Re: Management Fee.

(a) Please provide the amounts included in the Washington-allocated portion of the MEHC management fee attributable to: (1) Board of Directors' Fees; (2) Board of Directors' Meeting Costs; (3) other Director-related costs; (4) Executive compensation (broken down by type); (5) Executive travel (listed by trip); (6) Executive meals; (7) Executive meeting costs; (8) Executive training/education (broken down by event/course); (9) All other executive or director perquisites; (10) Charitable donations and other corporate sponsorships (broken down by cost); (11) Dues and fees for organizations/foundations (broken down by organization/foundation); (12) shareholder relations costs (broken down type of cost); (13) Advertising or other corporate communications (broken down by project/campaign); and/or (14) Subsidiary-related costs.

Response to Public Counsel Data Request 103

All costs billed by MidAmerican Energy Holdings Company ("MEHC") are derived by either direct charges or allocation of costs. Because the billings do not include the details of the allocated costs, the Company does not have the break-down requested above. Please refer to Confidential Attachment PC 103 which lists the costs of the MEHC departments included in the filing on a total-company and a Washington only basis.

Confidential information is provided subject to the terms and conditions of the protective order in this proceeding.

PREPARER: R. Bryce Dalley

SPONSOR: To Be Determined

WASHINGTON

UE-100749

GENERAL RATE CASE

PACIFIC POWER

PC DATA REQUEST 90-105

CONFIDENTIAL PER PROTECTIVE ORDER IN UTC DOCKET UE-100749

CONFIDENTIAL (LEVEL YELLOW) ATTACHMENT PC 103

IN HARD COPY AND ON THE ENCLOSED CONFIDENTIAL CD