BEFORE THE

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IDAHO PUBLIC
UTILITIES COMMISSION

IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
PACIFICORP DBA ROCKY MOUNTAIN) CASE NO. PAC-E-10-07
POWER FOR APPROVAL OF CHANGES)
TO ITS ELECTRIC SERVICE SCHEDULES)
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DIRECT TESTIMONY OF TERRI CARLOCK

IDAHO PUBLIC UTILITIES COMMISSION

OCTOBER 14, 2010

Q. Please state your name and address for the record.

A. My name is Terri Carlock. My business address is 472 West Washington Street, Boise, Idaho.

Q. By whom are you employed and in what capacity?

A. I am the Deputy Administrator of the Utilities Division at the Idaho Public Utilities Commission. I am responsible for the Accounting/Audit Section and coordinating Staff's policy positions with Staff Administrator Randy Lobb.

Q. Please outline your educational background and experience.

A. I graduated from Boise State University in 1980, with B.B.A. Degrees in Accounting and Finance. I have attended various regulatory, accounting, rate of return, economics, finance, and ratings programs. I am currently the Chair of the National Association of Regulatory Utility Commissioners (NARUC) Staff Subcommittee on Accounting and Finance. I also Co-chair the Task Force on International Financial Reporting Standards. I previously chaired the NARUC Staff Subcommittee on Economics and Finance for more than 3 years. Under this subcommittee, I also chaired the Ad Hoc Committee on Diversification. I have been a presenter for the Institute of Public Utilities at

Michigan State University and for many other conferences. Since joining the Commission Staff in May 1980, I have participated in audits, performed financial analysis on various companies, and have presented testimony before this Commission on numerous occasions.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present the Staff's recommendation related to the return on equity and overall cost of capital for PacifiCorp to be used to determine the Staff proposed revenue requirement in this case, PAC-E-10-07. I will address the appropriate capital structure, cost rates and the overall rate of return. I also discuss the Idaho Irrigation Load Control Program.

Q. Please summarize your testimony.

A. In my testimony I support the Staff recommendation that the Idaho Irrigation Load Control Program be assigned as a power supply cost. I discuss this recommendation in terms of the Revised Protocol Allocation Methodology and the Multi-State Process (MSP).

I also present testimony on the capital structure and cost components comprising the overall rate of return. I am recommending a return on common equity (ROE) in the range of 9.5% - 10.5% with a point estimate of 10.0%. The Staff recommended 10% ROE compares to the Company-proposed 10.6% ROE. I accept the Company's proposed capital structure and updated the cost rates. I recommend an overall weighted cost of capital in the range of 7.769% - 8.29% with a point estimate of 8.03% to be applied to the rate base for the test year. The Company proposes an 8.357% overall weighted cost of capital.

Q. Are you sponsoring any exhibits to accompany your testimony?

A. Yes, I am sponsoring Staff Exhibit No. 132 consisting of 3 schedules.

Idaho Irrigation Load Control Program

Q. Staff witness Randy Lobb discusses the Idaho Irrigation Load Control Program and recommends the program costs being treated as power supply costs. First, do you believe this recommendation is supportable under Revised Protocol and through the Multi-State Process using the concepts in the Revised Protocol?

A. Yes. The Idaho Irrigation Load Control Program has evolved since inception to the point it now provides PacifiCorp a valuable system resource. With the program changes through 2008, the dispatchable service interruptions under Schedule 72A contracts allow PacifiCorp to reduce loads during peak periods and during outages at generation plants. These contracts provide system flexibility. The interruptions are large enough (over 200 MW load reduction capability) and are reliable enough to allow PacifiCorp to utilize these interruptions as a resource for planning purposes in the Integrated Resource Plan (IRP). The Idaho Irrigation Load Control Program contracts are more like power purchase agreements or ancillary service contracts and should be classified as such and treated the same for allocation purposes.

Q. How is the Idaho Irrigation Load Control Program currently allocated by PacifiCorp?

A. The Idaho Irrigation Load Control Program is currently identified as a Demand Side Management Program (DSM). All DSM is treated as a State Resource under the Revised Protocol and assigned situs to the state in which the investment is made.

PacifiCorp identifies the Idaho Irrigation Load Control Program as Class 1 DSM. Depending on dispatchability, reliability of results, term of load reduction, and persistence over time, PacifiCorp divides DSM into classes for IRP purposes. The definition for Class 1 DSM is defined as:

> Resources from fully dispatchable or scheduled firm capacity product offerings/programs - Class 1 programs are those for which capacity savings occur as a result of active Company control or advanced scheduling. Once customers agree to

participate in a Class 1 DSM program, the timing and persistence of the load reduction is involuntary on their part within the agreed limits and parameters of the program. In most cases, loads are shifted rather than avoided.

Q. Please explain why this allocation isn't acceptable?

A. This identification may be adequate for IRP and DSM reporting purposes but it is inadequate for allocation purposes in a state where the state loads are a small percentage of the system operations but the load interruptions are a growing percentage. The program success has outgrown the benefits that can be attributed to Idaho alone. The system operations rather than the state loads are the driver to evaluate cost effectiveness. As a result the system receives a benefit from the program of approximately $20 million as reported in the 2009 DSM Report due to avoidance or delay of generation. Therefore, base rates for all of the Company's customers are lower than they would have been absent the program. The total program costs, including irrigation payments for interruption, are $11.4 million. Idaho customers pay the full out of pocket program cost of $11.4 million. The Idaho benefits are received through the load decrements in the dynamic allocation model. The resulting change in system allocators and the allocated costs results in the $7.5 million benefit to Idaho customers. This system resource is provided at a net cost to Idaho customers because costs exceed the benefits by $3.9 million. These costs are recovered entirely from Idaho customers through base rates and the Idaho tariff rider. This simple cost/benefit analysis shows how the costs do not follow the system benefits, creating a mismatch to the detriment of Idaho customers. This mismatch needs to be corrected so this valuable system resource is not lost.

Q. What is the next step?

A. Although the program has changed and it is identified as Class 1 DSM, the classification of the contracts for allocation purposes has not changed. Based on my participation in all of the MSP Standing Committee and Workgroup discussions, along with my work analyzing the options to ultimately support the Revised Protocol, I believe a classification change would be allowed under Revised Protocol.

If PacifiCorp wants assurance it will be allowed the opportunity to recover its costs as a power supply expense, qualifications to the Revised Protocol could be requested through the MSP process. Now is a good time to make the distinctions related to the Idaho Irrigation Load Control Program as part of the MSP and the 2010

Amendments to the Revised Protocol currently filed before the various state commissions. This filing before the Idaho Commission is Case No. PAC-E-10-09.

Q. Is a change in allocation for the Idaho Irrigation Load Control Program a new concept before MSP since it is not currently part of the 2010 Amendments proposed in PAC-E-10-09?

A. No. The Idaho Irrigation Load Control Program and allocation methodology have been discussed on numerous occasions within the MSP forum. The discussions revolved around differences between investments in DSM where a capital investment saves energy and instances where there are contracts for the purchase of power or services associated with interruptions.

The 2010 Amendments to Revised Protocol are based in part on a concept agreement that is the basis of the current filing in PAC-E-10-9. The 2010 Amendments to Revised Protocol allows for state specific items to Revised Protocol but the Idaho Irrigation Load Control Program was not originally anticipated to be one of those specific items.

Q. How does the timeline for the ratification of Revised Protocol compare to the timeline for changes in the Idaho Irrigation Load Control Program.

A. Revised Protocol was approved by the Idaho

Commission on February 28, 2005 in Case No. PAC-E-02-3, Order No. 29708. In addition to Idaho, the Revised Protocol was ratified by Oregon, Utah and Wyoming.

As discussed previously, the Idaho Irrigation Load Control Program has evolved. Contract changes in 2008 created greater system operational benefits with dispatchable interruptions. Staff witness Lobb shows the increase in contract participants and the annual MWs available for interruptions. Between 2007 and 2009, the annual MWs increased from 78 MW to 276 MW or more than a 250% increase.

Q. Does this proposed power supply cost treatment for the Idaho Irrigation Load Control Program result in increased risk for the Company?

A. Yes and no. It results in some increased recovery and financial risks. However, these increased risks should be short-term risks associated with timing.

Q. Are there other allocation issues to address?

A. The newly proposed 2010 Allocation Study is presented in Case No. PAC-E-10-09. This 2010 Amendment starting with a rolled-in allocation methodology will reduce the Idaho Allocated costs. That case is a separate proceeding and a timeline for processing has yet to be established. The Company requests that the Commission issue an Order no later than March 31, 2011.

If PAC-E-10-09 were to be completed before the Commission issued an Order in this case, the reductions could be reflected in prospective 2011 rates.

Rate of Return

Q. Have you reviewed the testimony and exhibits of PacifiCorp witnesses Hadaway and Williams associated with the return components?

A. Yes. Much of the theoretical approach used by PacifiCorp witnesses Hadaway and Williams in their respective testimony and exhibits is generally similar to what I have used. My return on equity analysis is based primarily on the DCF analysis. My judgment in some areas of application results in different outcomes.

Q. What capital structure are you recommending be used to calculate the overall rate of return?

A. I recommend a capital structure consisting of 47.6% debt, 0.3% preferred equity and 52.1% common equity. This is the same capital structure proposed by Company witness Williams. I compared this capital structure to the actual June 30, 2010 capital structure of 47.5% debt, 0.3% preferred equity and 52.2% common equity finding the proposed capital structure to be reasonable. A common equity ratio of 52.1% supports PacifiCorp's bond rating even when debt is imputed for Purchase Power Agreements in the Standard and Poor's ratio analysis.

Q. Please discuss the general impact on PacifiCorp of being a wholly-owned subsidiary of PPW Holdings, LLC, an entity owned by MidAmerican Holdings Company (MEHC).

A. PacifiCorp does not have publicly traded stock as a wholly-owned subsidiary. Therefore, only comparable companies can be utilized when evaluating the required cost of equity for PacifiCorp. PacifiCorp has received cash equity contributions from MEHC, has retained earnings in PacifiCorp and has not paid dividends or made distributions. Overall, I believe the relationship has a positive impact on ratings and PacifiCorp's ability to finance debt at reasonable rates.

Q. Did you consider double or triple leveraging of PacifiCorp's common equity since it is wholly-owned and does not raise common equity in the market?

A. Yes, I considered double and triple leveraging of PacifiCorp's common equity. Leveraging ultimately reflects additional debt costs in the overall weighted cost of capital. To maintain reasonable cash flow levels and earnings, I do not believe a leveraging adjustment is reasonable.

Q. What legal standards have been established for determining a fair and reasonable rate of return?

A. The legal test of a fair rate of return for a utility company was established in the *Bluefield Water Works* decision of the United States Supreme Court and is repeated specifically in *Hope Natural Gas*.

In *Bluefield Water Works and Improvement Co. v. West Virginia Public Service Commission*, 262 U.S. 679, 692, 43 S.Ct. 675, 67 L.Ed. 1176 (1923), the Supreme Court stated:

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

The Court stated in *FPC v. Hope Natural Gas Company*, 320 U.S. 591, 603, 64 S.Ct. 281, 88 L.Ed. 333 (1944):

> From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock.
> ... By that standard the return to the equity owner should be commensurate with returns on

> investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital. (Citations omitted.)

The Supreme Court decisions in *Bluefield Water Works* and *Hope Natural Gas* have been affirmed in *In re Permian Basin Area Rate Case*, 390 U.S. 747, 88 S.Ct 1344, 20 L.Ed 2d 312 (1968), and *Duquesne Light Co. v. Barasch*, 488 U. S. 299, 109 S.Ct. 609, 102 L.Ed.2d. 646 (1989). The Idaho Supreme Court has also adopted the principles established in *Bluefield Water Works* and *Hope Natural Gas*. See *In re Mountain States Tel. & Tel. Co.* 76 Idaho 474, 284 P.2d 681 (1955); *General Telephone Co. v. IPUC*, 109 Idaho 942, 712 P.2d 643 1986); *Hayden Pines Water Company v. IPUC*, 122 Idaho 356, 834 P.2d 873 (1992).

As a result of these United States and Idaho Supreme Court decisions, three standards have evolved for determining a fair and reasonable rate of return: (1) The Financial Integrity or Credit Maintenance Standard; (2) the Capital Attraction Standard; and, (3) The Comparable Earnings Standard. If the Comparable Earnings Standard is met, the Financial Integrity or Credit Maintenance Standard and the Capital Attraction Standard will also be met, as they are an integral part of the Comparable Earnings Standard.

Q. Have you considered these standards in your recommendation?

A. Yes. These criteria have been thoroughly considered in the analysis upon which my recommendations are based. It is also important to recognize that the fair rate of return that allows the utility company to maintain its financial integrity and to attract capital is established assuming efficient and economic management, as specified by the Supreme Court in *Bluefield Water Works*.

Q. Why is the return on equity calculation important?

A. The return on equity and the overall rate of return provides the method for calculating the return authorized. This return provides the level of compensation to investors for the use of the capital invested in the utility plant and equipment to serve customers. The actual return investors receive is derived from dividends and growth in stock price when the shares are sold. Since the direct required return is not a contractual calculation, the authorized return on equity serves as the proxy.

Q. What approach have you used to determine the cost of equity for PacifiCorp?

A. I have primarily evaluated two methods: I utilized the Discounted Cash Flow (DCF) method and also tested its reasonableness with the Comparable Earnings method.

Q. Please explain the Comparable Earnings method and how the cost of equity is determined using this approach.

A. The Comparable Earnings method for determining the cost of equity is based upon the premise that a given investment should earn its opportunity costs. In competitive markets, if the return earned by a firm is not equal to the return being earned on other investments of similar risk, the flow of funds will be toward those investments earning the higher returns. Therefore, for a utility to be competitive in the financial markets, it should be allowed to earn a return on equity equal to the average return earned by other firms of similar risk. The Comparable Earnings approach is supported by the *Bluefield Water Works* and *Hope Natural Gas* decisions as a basis for determining those average returns.

Industrial returns tend to fluctuate with business cycles, increasing as the economy improves and decreasing as the economy declines. Utility returns are not as sensitive to fluctuations in the business cycle because the demand for utility services generally tends to be more stable and predictable. However, returns have fluctuated since 2000 partially due to the price volatility in the electricity markets. Electricity prices lately have been less volatile so earnings have tended to be more stable.

Q. Please evaluate interest rate trends.

A. The U.S. prime interest rate has been stable at 3.25% since December 16, 2008. The federal funds rate and other rates have been low and fairly flat during 2010.

Q. Please provide the current index levels for the Dow Jones Industrial Average and the Dow Jones Utility Average.

A. The Dow Jones Industrial Average (DJIA) closed at 10,751.27 on October 4, 2010. The DJIA all-time high of 14,164.53 was reached on October 9, 2007. The Dow Jones Utility Average closed on October 4, 2010 at 398.88. The 52-week high was 406.72 for the Dow Jones Utility Average.

Q. Please explain the risk differentials between industrials and utilities.

A. Risk is a degree of uncertainty relative to a company. The lower risk level associated with utilities is attributable to many factors even though the difference is not as great as it used to be. Utilities continue to have limited competition for distribution of utility services within the certificated area. With limited competition for regulated services, there is less chance of losses related to pricing practices, marketing strategy and advertising policies. The competitive risks for electric utilities have changed with increasing non-utility generation, deregulation in some states, open transmission access, and changes in electricity markets. However, demand has declined during the recession. Recently utility demand for some customers has been flat with forecasts of slight growth in usage. Competitive risks continue to be limited for the utility operations in general. The demand for electric utility services is relatively stable and certain compared to that of unregulated firms.

For PacifiCorp specifically, competitive risks continue to be average primarily because of the lower-cost source of power and the low retail rates compared to national averages. The risk differential between PacifiCorp and other electric utilities is based on the resource mix and the cost of those resources. All resource mixes have risks specific to resources chosen.

Under regulation, utilities are generally allowed to recover through rates, reasonable, prudent and justifiable cost expenditures related to regulated services. PacifiCorp has been authorized an Energy Cost

Adjustment Mechanism (ECAM) in Idaho. Recovery mechanisms have been approved also in Oregon and Wyoming. A mechanism is being reviewed in Utah. Recovery mechanisms reduce PacifiCorp's recovery risk from the level it was at before the mechanisms were adopted. Compared to other utilities with recovery mechanisms, the risk differential will be minimal but the overall risk has still been reduced for PacifiCorp. Unregulated firms have no such assurance. Utilities in general are sheltered by regulation for reasonable cost recovery risks, even if it isn't 100%, making the average utility less risky than the average unregulated industrial firm.

As everyone is aware, current market trends and earnings levels have dramatically declined. I believe PacifiCorp continues to be in a better position than many utilities to fund its near-term capital requirements with its current debt authority and equity levels. The current credit and investment markets are positive for utility capitalization at reasonable rates. Based on the Value Line industry rank for electric utilities, investors have reevaluated their investment portfolios, ranking utilities higher in probable performance. This indicates utility stocks with the primary operation being the utility will be favored over higher risk operations.

Authorized returns by State Commissions for electric utilities during the last quarter of 2009 and 2010 to date, range from 9.4% in Connecticut to 11.0% in Michigan. Many of the decisions authorized a return on equity between 10% and 10.25%.

Earnings comparisons for the Value Line electric utilities with a financial strength of A is around 10.5%. The earnings comparison for the electric utilities in the west, including Idaho utilities, is around 8.6% - 9%.

Considering all of these comparisons, I believe the most reasonable return on equity range attributed to PacifiCorp is 9.0% - 10.5% under the Comparable Earnings method.

Q. You indicated that the Discounted Cash Flow method is utilized in your analysis. Please explain this method.

A. The Discounted Cash Flow (DCF) method is based upon the theory that (1) stocks are bought for the income they provide (i.e., both dividends and/or gains from the sale of the stock), and (2) the market price of stocks equals the discounted value of all future incomes. The discount rate, or cost of equity, equates the present value of the stream of income to the current market price of the stock. The formula to accomplish this goal is:

$$P_o = PV = \frac{D_1}{(1+k_s)^1} + \frac{D_2}{(1+k_s)^2} + \ldots + \frac{D_N}{(1+k_s)^N} + \frac{P_N}{(1+k_s)^N}$$

P_o = Current Price

D = Dividend

k_s = Capitalization Rate, Discount Rate, or Required Rate of Return

N = Latest Year Considered

The pattern of the future income stream is the key factor that must be estimated in this approach. Some simplifying assumptions for ratemaking purposes can be made without sacrificing the validity of the results. Two such assumptions are: (1) dividends per share grow at a constant rate in perpetuity and (2) prices track earnings. These assumptions lead to the simplified DCF formula, where the required return is the dividend yield plus the growth rate (g):

$$k_s = \frac{D}{P_o} + g$$

Q. What is your estimate of the current cost of capital for PacifiCorp using the Discounted Cash Flow method?

A. The current cost of equity capital for PacifiCorp using the Discounted Cash Flow method is between 8.8% - 9.3%. The range is calculated using the Value Line electric utilities with an A financial strength. Due to ongoing capital requirements, the low end of the range is not the most reasonable and representative. I recommend the 9.3% as the point estimate using the comparable DCF.

Q. How is the growth rate (g) determined?

A. The growth rate is the factor that requires the most extensive analysis in the DCF method. It is important that the growth rate used in the model be consistent with the dividend yield so that investor expectations are accurately reflected and the growth rate is not too large or too small.

I have used the average expected growth rate of 4.4%. This expected growth rate was derived from an analysis of various projected growth indicators, including growth in earnings per share, growth in cash dividends per share, growth in book value per share and growth in cash flow.

Q. What are the costs related to the capital structure for debt?

A. I updated the cost of debt rate to reflect current information. The recommended cost of debt is 5.88% as shown on Staff Exhibit No. 132, Schedule 1.

Q. What are the costs related to the capital structure for preferred equity?

A. I updated the cost of preferred equity rate to reflect current information. The recommended cost of preferred equity is 5.42% as shown on Staff Exhibit No. 132, Schedule 2.

Q. You indicated the cost of common equity range for PacifiCorp is 9.0% - 10.5% under the Comparable Earnings method and 8.8% - 9.3% under the Discounted Cash Flow method. What is the cost of common equity capital you are recommending?

A. The fair and reasonable cost of common equity capital I am recommending for PacifiCorp is in the range of 9.5% - 10.5%. Although any point within this range is reasonable, the return on equity granted would not normally be at either extreme of the fair and reasonable range. I utilized a point estimate of 10.0% in calculating the overall rate of return for the revenue requirement.

Q. What is the basis for your point estimate being 10.0% when your range is 9.5% - 10.5%?

A. My recommended range and 10.0% return on equity point estimate is based on a review of market data and comparables, average risk characteristics for PacifiCorp, operating characteristics, and the capital structure. It also considers the reduced risk of PacifiCorp itself for the implementation of the ECAM and the increased risk for PacifiCorp itself for the recovery risk caused by the recommended change in allocation. I considered all Staff adjustments to determine if recovery risk increased. The adjustments moving plant in service to plant held for future use will delay recovery and impact cash flows.

Q. What is the overall weighted cost of capital recommended for PacifiCorp?

A. My recommended overall weighted cost of capital is in the range of 7.769% - 8.29%. For use in calculating the revenue requirement, a point estimate consisting of a return on equity of 10.0% and a resulting overall rate of return of 8.03% was utilized as shown on Staff Exhibit No. 132, Schedule 3.

Q. Many customer comments indicate the return earned by the Company should not be much higher than deposit rates they are able to obtain. Please explain how that view fits with your return on equity recommendation of 10%?

A. Any comparison must be based on risk assessment. The assessment also includes the cash volume available to invest and the length of time you are willing to tie up the cash in the investment. For instance, individuals are able to invest in different financial institutions at different interest rates. The basic savings account will typically have the lowest interest rate offered. As the volume of cash and the length of time available for the cash to be held at the institution increase, the higher the interest rate that will be available. As you add additional risk, the safety and ability to get your money back goes down and the return required goes up. Utilities require significant levels of cash to invest in the infrastructure to assure customers receive electric service with a safe and reliable system. Even when the economy is slow, a base level of investment is still required. The required return on equity for a utility will vary but will not swing like earnings for competitive companies, including 'Mom and Pop' stores.

Q. Does this conclude your direct testimony in this proceeding?

A. Yes, it does.

PACIFICORP
Electric Operations
Pro Forma Cost of Long-Term Debt Detail (Update for ID PUC Staff)
Fiscal Year Ending December 31, 2010

LINE NO.	INTEREST RATE	DESCRIPTION	ISSUANCE DATE	MATURITY DATE	ORIG LIFE	PRINCIPAL AMOUNT ORIGINAL ISSUE	PRINCIPAL AMOUNT AVERAGE OUTSTANDING*	ISSUANCE EXPENSES	REDEMPTION EXPENSES	NET PROCEEDS TO COMPANY TOTAL DOLLAR AMOUNT	NET PROCEEDS TO COMPANY PER $100 PRINCIPAL AMOUNT	MONEY TO COMPANY	ANNUAL DEBT SERVICE COST	LINE NO.
	(a)	(b)	(c)	(d)	(e)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
1														1
2		First Mortgage Bonds												2
3	8.271%	C-U Series due thru Oct 2010	04/15/92	10/01/10	18	$48,972,000	$3,803,200	$0	$0	$3,803,200	$100.000	8.270%	$314,525	3
4	7.978%	C-U Series due thru Oct 2011	04/15/92	10/01/11	19	$4,422,000	$716,800	$0	$0	$716,800	$100.000	7.977%	$57,179	4
5	8.493%	C-U Series due thru Oct 2012	04/15/92	10/01/12	20	$19,772,000	$4,860,400	$0	$0	$4,860,400	$100.000	8.492%	$412,745	5
6	8.797%	C-U Series due thru Oct 2013	04/15/92	10/01/13	20	$16,203,000	$5,201,400	$0	$0	$5,201,400	$100.000	8.796%	$457,515	6
7	8.734%	C-U Series due thru Oct 2014	04/15/92	10/01/14	21	$28,218,000	$10,803,400	$0	$0	$10,803,400	$100.000	8.733%	$943,461	7
8	8.294%	C-U Series due thru Oct 2015	04/15/92	10/01/15	21	$46,946,000	$20,160,400	$0	$0	$20,160,400	$100.000	8.293%	$1,671,902	8
9	8.635%	C-U Series due thru Oct 2016	04/15/92	10/01/16	22	$18,750,000	$9,140,400	$0	$0	$9,140,400	$100.000	8.634%	$789,182	9
10	8.470%	C-U Series due thru Oct 2017	04/15/92	10/01/17	22	$19,609,000	$10,366,600	$0	$0	$10,366,600	$100.000	8.469%	$877,947	10
11	**8.493%**	**Subtotal - Amortizing FMBs**			**21**		**$65,052,600**	**$0**	**$0**	**$65,052,600**		**8.492%**	**$5,524,456**	11
12														12
13	6.900%	Series due Nov 2011	11/21/01	11/15/11	10	$500,000,000	$500,000,000	($5,338,849)	$0	$494,661,151	$98.932	7.051%	$35,255,000	13
14	5.450%	Series due Sep 2013	09/08/03	09/15/13	10	$200,000,000	$200,000,000	($1,654,660)	($5,967,819)	$192,377,521	$96.189	5.960%	$11,920,000	14
15	4.950%	Series due Aug 2014	08/24/04	08/15/14	10	$200,000,000	$200,000,000	($2,170,365)	$0	$197,829,635	$98.915	5.090%	$10,180,000	15
16	7.700%	Series due Nov 2031	11/21/01	11/15/31	30	$300,000,000	$300,000,000	($3,701,310)	$0	$296,298,690	$98.766	7.807%	$23,421,000	16
17	5.900%	Series due Aug 2034	08/24/04	08/15/34	30	$200,000,000	$200,000,000	($2,614,365)	$0	$197,385,635	$98.693	5.994%	$11,988,000	17
18	5.250%	Series due Jun 2035	06/08/05	06/15/35	30	$300,000,000	$300,000,000	($3,992,021)	($1,295,995)	$294,711,984	$98.237	5.369%	$16,107,000	18
19	6.100%	Series due Aug 2036	08/10/06	08/01/36	30	$350,000,000	$350,000,000	($4,048,881)	$0	$345,951,119	$98.843	6.185%	$21,647,500	19
20	5.750%	Series due Apr 2037	03/14/07	04/01/37	30	$600,000,000	$600,000,000	($613,216)	$0	$599,386,784	$99.898	5.757%	$34,542,000	20
21	6.250%	Series due Oct 2037	10/03/07	10/15/37	30	$600,000,000	$600,000,000	($5,877,281)	$0	$594,122,719	$99.020	6.323%	$37,938,000	21
22	5.650%	Series due Jul 2018	07/17/08	07/15/18	10	$500,000,000	$500,000,000	($3,971,596)	$0	$496,028,404	$99.206	5.756%	$28,780,000	22
23	6.350%	Series due Jul 2038	07/17/08	07/15/38	30	$300,000,000	$300,000,000	($3,960,958)	$0	$296,039,042	$98.680	6.450%	$19,350,000	23
24	5.500%	Series due Jan 2019	01/08/09	01/15/19	10	$350,000,000	$350,000,000	($4,802,369)	$0	$345,197,631	$98.628	5.681%	$19,883,500	24
25	6.000%	Series due Jan 2039	01/08/09	01/15/39	30	$650,000,000	$650,000,000	($12,298,685)	$0	$637,701,315	$98.108	6.139%	$39,903,500	25
26	**6.037%**	**Subtotal - Bullet FMBs**			**23**		**$5,050,000,000**	**($55,044,555)**	**($7,263,815)**	**$4,987,691,630**		**6.157%**	**$310,915,500**	26
27														27
28	9.150%	Series C due Aug 2011	08/09/91	08/09/11	20	$8,000,000	$8,000,000	($75,327)	$0	$7,924,673	$99.058	9.254%	$740,320	28
29	8.950%	Series C due Sep 2011	08/16/91	09/01/11	20	$20,000,000	$20,000,000	($132,118)	$0	$19,867,882	$99.339	9.021%	$1,804,200	29
30	8.920%	Series C due Sep 2011	08/16/91	09/01/11	20	$20,000,000	$20,000,000	($188,318)	$0	$19,811,682	$99.058	9.022%	$1,804,400	30
31	8.950%	Series C due Sep 2011	08/16/91	09/01/11	20	$25,000,000	$25,000,000	($175,398)	$0	$24,824,602	$99.298	9.026%	$2,256,500	31
32	8.290%	Series C due Dec 2011	12/31/91	12/30/11	20	$3,000,000	$3,000,000	($23,040)	($410,784)	$2,566,175	$85.539	9.972%	$299,160	32
33	8.260%	Series C due Jan 2012	01/09/92	01/10/12	20	$1,000,000	$1,000,000	($7,649)	($136,928)	$855,423	$85.542	9.938%	$99,380	33
34	8.280%	Series C due Jan 2012	01/10/92	01/10/12	20	$2,000,000	$2,000,000	($13,297)	($273,856)	$1,712,847	$85.642	9.947%	$198,940	34
35	8.250%	Series C due Feb 2012	01/15/92	02/01/12	20	$3,000,000	$3,000,000	($22,946)	($410,784)	$2,566,270	$85.542	9.924%	$297,720	35
36	8.530%	Series C due Dec 2021	12/16/91	12/16/21	30	$15,000,000	$15,000,000	($115,202)	($2,053,922)	$12,830,877	$85.539	10.066%	$1,509,900	36
37	8.375%	Series C due Dec 2021	12/31/91	12/31/21	30	$5,000,000	$5,000,000	($38,400)	($684,641)	$4,276,959	$85.539	9.889%	$494,450	37
38	8.260%	Series C due Jan 2022	01/08/92	01/07/22	30	$5,000,000	$5,000,000	($33,243)	($684,641)	$4,282,117	$85.642	9.745%	$487,250	38
39	8.270%	Series C due Jan 2022	01/09/92	01/10/22	30	$4,000,000	$4,000,000	($30,594)	($547,712)	$3,421,693	$85.542	9.768%	$390,720	39
40	**8.766%**	**Subtotal - Series C MTNs**			**23**		**$111,000,000**	**($855,533)**	**($5,203,268)**	**$104,941,200**		**9.354%**	**$10,382,940**	40
41														41
42	8.130%	Series E due Jan 2013	01/20/93	01/22/13	20	$10,000,000	$10,000,000	($75,827)	($671,687)	$9,252,486	$92.525	8.939%	$893,900	42
43	8.050%	Series E due Sep 2022	09/18/92	09/18/22	30	$15,000,000	$15,000,000	($131,471)	($1,695,566)	$13,172,963	$87.820	9.258%	$1,388,700	43
44	8.070%	Series E due Sep 2022	09/09/92	09/09/22	30	$8,000,000	$8,000,000	($70,118)	($904,302)	$7,025,580	$87.820	9.280%	$742,400	44
45	8.110%	Series E due Sep 2022	09/11/92	09/09/22	30	$12,000,000	$12,000,000	($105,177)	($1,356,453)	$10,538,370	$87.820	9.325%	$1,119,000	45
46	8.120%	Series E due Sep 2022	09/11/92	09/09/22	30	$50,000,000	$50,000,000	($438,238)	($5,651,887)	$43,909,875	$87.820	9.336%	$4,668,000	46
47	8.050%	Series E due Sep 2022	09/14/92	09/14/22	30	$10,000,000	$10,000,000	($87,648)	($1,130,377)	$8,781,975	$87.820	9.258%	$925,800	47
48	8.080%	Series E due Oct 2022	10/15/92	10/14/22	30	$25,000,000	$25,000,000	($200,190)	($2,061,627)	$22,738,182	$90.953	8.953%	$2,238,250	48
49	8.080%	Series E due Oct 2022	10/15/92	10/14/22	30	$26,000,000	$26,000,000	($208,198)	($2,938,981)	$22,852,821	$87.895	9.283%	$2,413,580	49
50	8.230%	Series E due Jan 2023	01/29/93	01/20/23	30	$4,000,000	$4,000,000	$51,229	($88,989)	$3,962,241	$99.056	8.316%	$332,640	50
51	8.230%	Series E due Jan 2023	01/20/93	01/20/23	30	$5,000,000	$5,000,000	($37,914)	($335,843)	$4,626,243	$92.525	8.951%	$447,550	51

Exhibit No. 132
Case No. PAC-E-10-7
Carlock, T., Staff
10/14/10 Schedule 1
Page 1 of 2

Exhibit No. 132
Case No. PAC-E-10-7
Carlock, T., Staff
10/14/10 Schedule 1
Page 2 of 2

PACIFICORP
Electric Operations
Pro Forma Cost of Long-Term Debt Detail (Update for ID PUC Staff)
Fiscal Year Ending December 31, 2010

LINE NO.	INTEREST RATE	DESCRIPTION	ISSUANCE DATE	MATURITY DATE	ORIG LIFE	PRINCIPAL AMOUNT ORIGINAL ISSUE	PRINCIPAL AMOUNT AVERAGE OUTSTANDING*	ISSUANCE EXPENSES	REDEMPTION EXPENSES	NET PROCEEDS TO COMPANY TOTAL DOLLAR AMOUNT	NET PROCEEDS TO COMPANY PER $100 PRINCIPAL AMOUNT	MONEY TO COMPANY	ANNUAL DEBT SERVICE COST	LINE NO.
	(a)	(b)	(c)	(d)	(e)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
52	8.100%	**Subtotal - Series E MTNs**			29		$165,000,000	($1,303,552)	($16,835,712)	$146,860,736		9.194%	$15,169,820	52
53														53
54	7.260%	Series F due Jul 2023	07/22/93	07/21/23	30	$11,000,000	$11,000,000	($100,622)	($589,062)	$10,310,316	$93.730	7.804%	$858,440	54
55	7.260%	Series F due Jul 2023	07/22/93	07/21/23	30	$27,000,000	$27,000,000	($246,981)	($1,445,880)	$25,307,139	$93.730	7.804%	$2,107,080	55
56	7.230%	Series F due Aug 2023	08/16/93	08/16/23	30	$15,000,000	$15,000,000	($137,211)	($268,624)	$14,594,165	$97.294	7.457%	$1,118,550	56
57	7.240%	Series F due Aug 2023	08/16/93	08/16/23	30	$30,000,000	$30,000,000	($274,423)	($537,248)	$29,188,329	$97.294	7.467%	$2,240,100	57
58	6.750%	Series F due Sep 2023	09/14/93	09/14/23	30	$2,000,000	$2,000,000	($15,300)	$0	$1,984,700	$99.235	6.810%	$136,200	58
59	6.720%	Series F due Sep 2023	09/14/93	09/14/23	30	$2,000,000	$2,000,000	($15,300)	$0	$1,984,700	$99.235	6.780%	$135,600	59
60	6.750%	Series F due Sep 2023	09/14/93	09/14/23	30	$5,000,000	$5,000,000	($38,250)	($34,169)	$4,927,581	$98.552	6.865%	$343,250	60
61	6.750%	Series F due Oct 2023	10/23/93	10/26/23	30	$12,000,000	$12,000,000	($91,396)	$0	$11,908,604	$99.238	6.810%	$817,200	61
62	6.750%	Series F due Oct 2023	10/23/93	10/26/23	30	$16,000,000	$16,000,000	($121,861)	$0	$15,878,139	$99.238	6.810%	$1,089,600	62
63	6.750%	Series F due Oct 2023	10/23/93	10/26/23	30	$20,000,000	$20,000,000	($152,326)	$0	$19,847,674	$99.238	6.810%	$1,362,000	63
64	7.044%	**Subtotal - Series F MTNs**			30		$140,000,000	($1,193,670)	($2,874,983)	$135,931,347		7.291%	$10,208,020	64
65														65
66	6.710%	Series G due Jan 2026	01/23/96	01/15/26	30	$100,000,000	$100,000,000	($904,467)	$0	$99,095,533	$99.096	6.781%	$6,781,000	66
67	6.710%	**Subtotal - Series G MTNs**			30		$100,000,000	($904,467)	$0	$99,095,533		6.781%	$6,781,000	67
68														68
69	6.216%	**Total First Mortgage Bonds**			24		$5,631,052,600	($59,301,777)	($32,177,777)	$5,539,573,046		6.375%	$358,981,736	69
70														70
71		**Pollution Control Revenue Bonds**												71
72	1.079%	Moffat 94 due May 2013	11/17/94	05/01/13	18	$40,655,000	$40,655,000	($874,159)	($74,912)	$39,705,929	$97.666	1.220%	$495,991	72
73	4.002%	Converse 88 due Jan 2014	01/14/88	01/01/14	26	$17,000,000	$17,000,000	($155,970)	($579,849)	$16,264,181	$95.672	4.279%	$727,430	73
74	4.002%	Sweetwater 84 due Dec 2014	12/12/84	12/01/14	30	$15,000,000	$15,000,000	($227,887)	$0	$14,772,113	$98.481	4.091%	$613,650	74
75	2.138%	Lincoln 91 due Jan 2016	01/17/91	01/01/16	25	$45,000,000	$45,000,000	($771,836)	($2,578,602)	$41,649,562	$92.555	2.542%	$1,143,900	75
76	4.229%	Forsyth 86 due Dec 2016	12/29/86	12/01/16	30	$8,500,000	$8,500,000	($304,824)	$0	$8,195,176	$96.414	4.446%	$377,910	76
77	5.745%	Lincoln 93 due Nov 2021	11/01/93	11/01/21	28	$8,300,000	$8,300,000	($426,105)	($414,778)	$7,459,117	$89.869	6.536%	$542,488	77
78	5.770%	Emery 93A due Nov 2023	11/01/93	11/01/23	30	$46,500,000	$46,500,000	($1,624,793)	($2,842,053)	$42,033,154	$90.394	6.500%	$3,022,500	78
79	5.745%	Emery 93B due Nov 2023	11/01/93	11/01/23	30	$16,400,000	$16,400,000	($1,015,051)	($819,557)	$14,565,392	$88.813	6.604%	$1,083,056	79
80	0.987%	Carbon 94 due Nov 2024	11/17/94	11/01/24	30	$9,365,000	$9,365,000	($206,519)	($58,574)	$9,099,907	$97.169	1.098%	$102,828	80
81	1.011%	Converse 94 due Nov 2024	11/17/94	11/01/24	30	$8,190,000	$8,190,000	($209,778)	($86,323)	$7,893,899	$96.385	1.154%	$94,513	81
82	0.973%	Emery 94 due Nov 2024	11/17/94	11/01/24	30	$121,940,000	$121,940,000	($3,274,246)	($1,925,767)	$116,739,987	$95.736	1.142%	$1,392,555	82
83	1.059%	Lincoln 94 due Nov 2024	11/17/94	11/01/24	30	$15,060,000	$15,060,000	($422,858)	($81,427)	$14,555,715	$96.651	1.192%	$179,515	83
84	0.967%	Sweetwater 94 due Nov 2024	11/17/94	11/01/24	30	$21,260,000	$21,260,000	($510,479)	($88,352)	$20,661,169	$97.183	1.077%	$228,970	84
85	4.231%	Converse 95 due Nov 2025	11/17/95	11/01/25	30	$5,300,000	$5,300,000	($132,043)	$0	$5,167,957	$97.509	4.381%	$232,193	85
86	4.330%	Lincoln 95 due Nov 2025	11/17/95	11/01/25	30	$22,000,000	$22,000,000	($404,262)	$0	$21,595,738	$98.162	4.441%	$977,020	86
87	2.509%	**Subtotal - Secured PCRBs**			28		$400,470,000	($10,560,810)	($9,550,194)	$380,358,996		2.800%	$11,214,519	87
88														88
89	0.905%	Sweetwater 88B due Jan 2014	01/14/88	01/01/14	26	$11,500,000	$11,500,000	($84,822)	($392,250)	$11,022,928	$95.852	1.089%	$125,235	89
90	0.873%	Sweetwater 90A due Jul 2015	07/25/90	07/01/15	25	$70,000,000	$70,000,000	($660,750)	($795,122)	$68,544,128	$97.920	0.967%	$676,900	90
91	0.901%	Emery 91 due Jul 2015	05/23/91	07/01/15	24	$45,000,000	$45,000,000	($872,505)	($2,568,859)	$41,558,636	$92.353	1.270%	$571,500	91
92	0.950%	Sweetwater 88A due Jan 2017	01/14/88	01/01/17	29	$50,000,000	$50,000,000	($422,443)	($882,101)	$48,695,456	$97.391	1.055%	$527,500	92
93	0.903%	Forsyth 88 due Jan 2018	01/14/88	01/01/18	30	$45,000,000	$45,000,000	($380,198)	($1,013,283)	$43,606,519	$96.903	1.023%	$460,350	93
94	0.885%	Gillette 88 due Jan 2018	01/14/88	01/01/18	30	$63,000,000	$41,200,000	($351,905)	($1,006,013)	$39,842,082	$96.704	1.013%	$417,356	94
95	1.309%	Converse 92 due Dec 2020	09/29/92	12/01/20	28	$22,485,000	$22,485,000	($242,164)	($303,303)	$21,939,533	$97.574	1.413%	$317,713	95
96	1.309%	Sweetwater 92A due Dec 2020	09/29/92	12/01/20	28	$9,335,000	$9,335,000	($167,524)	($134,094)	$9,033,382	$96.769	1.449%	$135,264	96
97	1.309%	Sweetwater 92B due Dec 2020	09/29/92	12/01/20	28	$6,305,000	$6,305,000	($151,908)	($97,735)	$6,055,357	$96.041	1.481%	$93,377	97
98	0.895%	Sweetwater 95 due Nov 2025	12/14/95	11/01/25	30	$24,400,000	$24,400,000	($225,000)	($428,469)	$23,746,531	$97.322	0.999%	$243,756	98
99	6.150%	Emery 96 due Sep 2030	09/24/96	09/30/30	34	$12,675,000	$12,675,000	($735,013)	$0	$11,939,987	$94.201	6.578%	$833,762	99
100	1.143%	**Subtotal - Unsecured PCRBs**			28		$337,900,000	($4,294,232)	($7,621,229)	$325,984,539		1.303%	$4,402,713	100
101														101
102	1.884%	**Total PCRB Obligations**			28		$738,370,000	($14,855,042)	($17,171,423)	$706,343,535		2.115%	$15,617,231	102
103														103
104	5.714%	**Total Long-Term Debt**			24		$6,369,422,600	($74,156,818)	($49,349,200)	$6,245,916,581		5.881%	$374,598,968	104
105														105

PACIFICORP
Electric Operations
Cost of Preferred Stock (update for ID PUC Staff)
Fiscal Year Ending December 31, 2010

Line No.	Description of Issue (1)	Issuance Date (2)	Call Price (3)	Annual Dividend Rate (4)	Shares O/S* (5)	Total Par or Stated Value O/S* (6)	Net Premium & (Expense) (7)	Net Proceeds to Company (8)	% of Gross Proceeds (9)	Cost of Money (10)	Annual Cost (11)	Line No.
1	**5% Preferred Stock, $100 Par Value**	(a)	110.00%	5.000%	126,243	$12,624,300	($98,049)	$12,526,251	99.223%	5.039%	$636,156	1
2												2
3	**Serial Preferred, $100 Par Value**											3
4	4.52% Series	Oct-55	103.50%	4.520%	2,065	$206,500	($9,676)	$196,824	95.314%	4.742%	$9,793	4
5	7.00% Series	(b)	None	7.000%	18,046	$1,804,600	(c)	$1,804,600	100.000%	7.000%	$126,322	5
6	6.00% Series	(b)	None	6.000%	5,930	$593,000	(c)	$593,000	100.000%	6.000%	$35,580	6
7	5.00% Series	(b)	100.00%	5.000%	41,908	$4,190,800	(c)	$4,190,800	100.000%	5.000%	$209,540	7
8	5.40% Series	(b)	101.00%	5.400%	65,959	$6,595,900	(c)	$6,595,900	100.000%	5.400%	$356,179	8
9	4.72% Series	Aug-63	103.50%	4.720%	67,468	$6,746,800	($29,297)	$6,717,503	99.566%	4.741%	$319,838	9
10	4.56% Series	Feb-65	102.34%	4.560%	82,578	$8,257,800	($47,903)	$8,209,897	99.420%	4.587%	$378,753	10
11												11
12		May-95	(d)								$67,955	12
13		Oct-95	(e)								$84,019	13
14												14
15	**Total Cost of Preferred Stock**			5.030%	410,197	$41,019,700	($184,925)	$40,834,775		5.422%	$2,224,133	15

*average of the 5 quarter-ending balances spanning the fiscal year

(a) Issue replaced 6% and 7% preferred stock of Pacific Power & Light Company and Northwestern Electric Company and 5% preferred stock of Mountain States Power Company, most of which sold in the 1920's and 1930's.
(b) These issues replaced an issue of The California Oregon Power Company as a result of the merger of that Company into Pacific Power & Light Co.
(c) Original issue expense/premium has been fully amortized or expensed.
(d) Column 11 is the after-tax annual amortization of expenses related to the 8.375% QUIDS due 6/30/35 which were redeemed 11/20/00.
(e) Column 11 is the annual amortization of expenses related to the 8.55% QUIDS due 12/31/25 which were redeemed 11/20/00.

PacifiCorp
Cost of Capital
December 31, 2010

Component	Percent of Total	Cost Rate	Weighted Average
Long-Term Debt	47.6%	5.88%	2.80%
Preferred Equity	0.3%	5.42%	0.02%
Common Equity	52.1%	9.5% - 10.5%	4.949% - 5.470%
Total	100.0%		7.769% - 8.290%
Point Recommendation		10.0%	8.03%

Revised Exhibit No. 132
Case No. PAC-E-10-07
Carlock, T., Staff
11/24/10 Schedule 3

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14TH DAY OF OCTOBER 2010, SERVED THE FOREGOING **DIRECT TESTIMONY OF TERRI CARLOCK**, IN CASE NO. PAC-E-10-07, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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