



STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL
LAWRENCE G. WASDEN

RECEIVED
2010 NOV 24 PM 3:16
IDAHO PUBLIC
UTILITIES COMMISSION

To: Parties of Record
Commission Secretary

From: Scott Woodbury

Date: November 24, 2010

RE: Case No. PAC-E-10-07

Attached please find Revised Pages 3, 21 and 22 and Exhibit No.132, Schedule 3 to the Direct Testimony of Staff witness Terri Carlock previously filed on October 14, 2010. Changes are located at:

Page 3, line 5
Page 21, lines 5 and 6
Page 22, lines 8 and 11

Ms. Carlock inadvertently filed the incorrect exhibit page that included incorrect numbers. Changes are necessary only to the final overall rate of return numbers. The changes do not change the testimony concepts and are consistent with the remaining testimony.

Substitute pages were sent to the parties electronically on this date.

Please contact me if you have any questions at (208) 334-0320.

for 
Scott D. Woodbury
Deputy Attorney General

1 of 10.0%. The Staff recommended 10% ROE compares to the
2 Company-proposed 10.6% ROE. I accept the Company's
3 proposed capital structure and updated the cost rates. I
4 recommend an overall weighted cost of capital in the
5 range of 7.769% - 8.29% with a point estimate of 8.03%
6 to be applied to the rate base for the test year. The
7 Company proposes an 8.357% overall weighted cost of
8 capital.

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

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

13 **Idaho Irrigation Load Control Program**

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

20 A. Yes. The Idaho Irrigation Load Control Program
21 has evolved since inception to the point it now provides
22 PacifiCorp a valuable system resource. With the program
23 changes through 2008, the dispatchable service
24 interruptions under Schedule 72A contracts allow
25 PacifiCorp to reduce loads during peak periods and during

1 reflect current information. The recommended cost of
2 preferred equity is 5.42% as shown on Staff Exhibit
3 No. 132, Schedule 2.

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

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

17 Q. What is the basis for your point estimate being
18 10.0% when your range is 9.5% - 10.5%?

19 A. My recommended range and 10.0% return on equity
20 point estimate is based on a review of market data and
21 comparables, average risk characteristics for PacifiCorp,
22 operating characteristics, and the capital structure. It
23 also considers the reduced risk of PacifiCorp itself for
24 the implementation of the ECAM and the increased risk for
25 PacifiCorp itself for the recovery risk caused by the

1 recommended change in allocation. I considered all Staff
2 adjustments to determine if recovery risk increased. The
3 adjustments moving plant in service to plant held for
4 future use will delay recovery and impact cash flows.

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

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

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

18 A. Any comparison must be based on risk
19 assessment. The assessment also includes the cash volume
20 available to invest and the length of time you are
21 willing to tie up the cash in the investment. For
22 instance, individuals are able to invest in different
23 financial institutions at different interest rates. The
24 basic savings account will typically have the lowest
25 interest rate offered. As the volume of cash and the

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%

CERTIFICATE OF SERVICE

RECEIVED

I HEREBY CERTIFY THAT I HAVE THIS 24TH DAY OF NOVEMBER 2010, 3:50 PM
SERVED THE FOREGOING **REVISED TESTIMONY OF TERRI CARLOCK**, IN
CASE NO. PAC-E-10-07, BY ELECTRONIC COPY THEREOF TO THE FOLLOWING
TRAFFIC PUBLIC UTILITIES DIVISION

TED WESTON
ID REGULATORY AFFAIRS MANAGER
ROCKY MOUNTAIN POWER
201 S MAIN ST STE 2300
SALT LAKE CITY UT 84111
E-MAIL: ted.weston@pacificorp.com

PAUL J HICKEY
HICKEY & EVANS LLP
1800 CAREY AVE., SUITE 700
PO BOX 467
CHEYENNE WY 82003
E-MAIL: phickey@hickeyevans.com

E-MAIL: ONLY
MARK C MOENCH
DANIEL E SOLANDER
ROCKY MOUNTAIN POWER
E-MAIL: mark.moench@pacificorp.com
daniel.solander@pacificorp.com

E-MAIL: ONLY
DATA REQUEST RESPONSE CENTER
PACIFICORP
E-MAIL: datarequest@pacificorp.com

RANDALL C BUDGE
RACINE OLSON NYE ET AL
PO BOX 1391
POCATELLO ID 83204-1391
E-MAIL: rcb@racinelaw.net

E-MAIL: ONLY
KATIE IVERSON
BRUBAKER & ASSOCIATES
E-MAIL: kiverson@consultbai.com

E-MAIL: ONLY
JAMES R SMITH
MONSANTO COMPANY
E-MAIL: jim.r.smith@monsanto.com

ERIC L OLSEN
RACINE OLSON NYE ET AL
PO BOX 1391
POCATELLO ID 83204-1391
E-MAIL: elo@racinelaw.net

ANTHONY YANKEL
29814 LAKE ROAD
BAY VILLAGE OH 44140
E-MAIL: tony@yankel.net

TIM BULLER
JASON HARRIS
AGRIUM INC
3010 CONDA RD
SODA SPRINGS ID 83276
E-MAIL: tbuller@agrium.com
jaharris@agrium.com

E-MAIL: ONLY
DR. DON READING
E-MAIL: dreading@mindspring.com

RONALD L WILLIAMS
WILLIAMS BRADBURY, P.C.
1015 W HAYS STREET
BOISE ID 83702
E-MAIL: ron@williamsbradbury.com

BENJAMIN J OTTO
IDAHO CONSERVATION LEAGUE
710 N 6TH STREET
PO BOX 844
BOISE ID 83702
E-MAIL: botto@idahoconservation.org

MELINDA J DAVISON
DAVISON VAN CLEVE, P.C.
333 SW TAYLOR, SUITE 400
PORTLAND, OR 97204
E-MAIL: mjd@dvclaw.com

BRAD M PURDY
ATTORNEY AT LAW
2019 N 17TH STREET
BOISE ID 83702
E-MAIL: bmpurdy@hotmail.com



SECRETARY