

Docket No. UE 263
Exhibit PAC/100
Witness: Richard P. Reiten

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

PACIFICORP

Direct Testimony of Richard P. Reiten

March 2013

DIRECT TESTIMONY OF RICHARD P. REITEN

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ATTACHED EXHIBITS

Exhibit PAC/101 – Service Territory Map

1 **Q. Please state your name, business address, and present position with**
2 **PacifiCorp d/b/a Pacific Power (PacifiCorp or Company).**

3 A. My name is Richard Patrick “Pat” Reiten. My business address is 825 NE
4 Multnomah Street, Suite 2000, Portland, Oregon 97232. My present position is
5 President and Chief Executive Officer (CEO) of Pacific Power.

6 **QUALIFICATIONS**

7 **Q. Briefly describe your education and professional experience.**

8 A. I received a Bachelor’s degree in political science with an emphasis in economics
9 from the University of Washington and completed executive training at the
10 Wharton School of Business, University of Pennsylvania. Before joining
11 PacifiCorp in September 2006, I was president and CEO of PNGC Power, an
12 energy cooperative located in Portland, Oregon, that provides power management
13 services to electric distribution utilities serving parts of seven western states.
14 I was appointed to that position in May 2002. I joined PNGC Power in 1993,
15 advancing through positions of increasing responsibility. Before PNGC Power,
16 I served as an aide to U.S. Senator Mark O. Hatfield, handling issues associated
17 with the U.S. Senate Energy and Natural Resources Committee. I also was an
18 official in several different capacities at the U.S. Department of Interior, including
19 serving as acting deputy director of the U.S. Bureau of Land Management.

20 **PURPOSE OF TESTIMONY**

21 **Q. What is the purpose of your testimony?**

22 A. My testimony provides an overview of the Company’s request for an increase in
23 its base electric prices, describes the major factors driving the need for the price

1 increase, and discusses the steps taken by the Company to mitigate the increase.

2 My testimony also introduces the other witnesses providing testimony on behalf
3 of the Company.

4 **Q. Please provide a brief introduction to PacifiCorp.**

5 A. PacifiCorp is a regulated electric utility company comprised of three business
6 units: Pacific Power, Rocky Mountain Power, and PacifiCorp Energy. Pacific
7 Power, headquartered in Portland, Oregon, serves customers in Oregon,
8 Washington, and California. Rocky Mountain Power, headquartered in Salt Lake
9 City, Utah, serves customers in Utah, Wyoming, and Idaho. PacifiCorp Energy,
10 containing the electric generation, commercial, energy trading, and coal mining
11 operations of the Company, is also headquartered in Salt Lake City.

12 In 2006, PacifiCorp was acquired by MidAmerican Energy Holdings
13 Company. Today, PacifiCorp serves more than 1.7 million customers across
14 136,000 square miles of service territory in six states. In Oregon, the Company
15 proudly serves approximately 587,000 retail customers. Maps of the Company's
16 service territories are provided in Exhibit PAC/101.

17 **SUMMARY OF PACIFICORP'S PRICE INCREASE REQUEST**

18 **Q. Please summarize the Company's price increase request.**

19 A. The Company is requesting an increase to its base electric prices in Oregon.
20 Based on the evidence provided in the direct testimony of Mr. Gary W. Tawwater,
21 the Company will earn a return on equity (ROE) in Oregon of 7.9 percent on a
22 normalized basis for the test period. An overall price increase of \$56.0 million or
23 4.6 percent is required to produce the 9.8 percent ROE approved by the Public

1 Utility Commission of Oregon (Commission) in docket UE 246 (2012 Rate
2 Case).¹ As discussed by Ms. Joelle R. Steward, if the Transmission Investment
3 Adjustment for the Mona-to-Oquirrh transmission project approved by the
4 Commission in the 2012 Rate Case becomes effective while this proceeding is
5 pending, the overall price increase in this case would be reduced by
6 approximately \$11.4 million, to \$44.6 million or 3.7 percent.²

7 The Company is also including in this filing the analysis and evidence that
8 demonstrates that the Lake Side 2 natural gas-fired generating plant (Lake Side 2)
9 is a prudent investment that will be used and useful during calendar year 2014,
10 which is the test period for this proceeding. The testimony of Mr. Stefan A. Bird
11 describes the Lake Side 2 investment in further detail.

12 Because Lake Side 2 is not projected to be in service until the second
13 quarter of 2014, the Company is proposing to delay implementation of the
14 revenue requirement increase related to Lake Side 2 (\$22.7 million or 1.8 percent
15 on an Oregon-allocated basis) until it is serving customers. The testimony of
16 Ms. Steward describes and provides an illustrative tariff that would be used to
17 implement the tariff rider to recover the investment. The proposed separate
18 tariff rider for Lake Side 2 is consistent with the separate tariff rider for the
19 Mona-to-Oquirrh transmission project proposed by the Company and approved
20 by the Commission in the 2012 Rate Case.

¹ The parties to the partial stipulation in the 2012 Rate Case agreed to an overall rate of return (ROR) of 7.655 percent and a 9.8 percent ROE for Oregon regulatory purposes. The stipulation was approved by the Commission in Order No. 12-493 on December 20, 2012.

² As discussed in the testimony of Ms. Steward, the increase to net rates is \$56.2 million, or 4.7 percent (\$44.8 million or 3.7 percent if the Mona-to-Oquirrh separate tariff rider becomes effective while this proceeding is pending), as a result of resetting the Rate Mitigation Adjustment to reflect forecast customer loads by rate schedule.

1 **Q. What is the test period in this case?**

2 A. As described in the testimony of Mr. Tawwater, the test year for this filing is the
3 12 months ending December 31, 2014.

4 **Q. What is the primary factor driving the need for a price increase?**

5 A. The primary factor driving the price increase in this case is the impact associated
6 with the revised depreciation rates proposed by the Company in docket UM 1647.
7 The Company filed its application for authority to implement revised depreciation
8 rates on January 31, 2013. As part of that filing, the Company requested authority
9 to implement the revised depreciation rates in its accounting system on January 1,
10 2014, which coincides with the beginning of the rate effective period in this
11 proceeding. The revenue requirement impact associated with the implementation
12 of the revised depreciation rates is reflected in the direct testimony and exhibits of
13 Mr. Tawwater.

14 **Q. What are the other drivers of the revenue requirement in this filing?**

15 A. As described in the testimony of Mr. Tawwater, the Company is continuing to
16 make significant investments to serve its customers. This case includes
17 investments in all facets of the system, including transmission, generation, and
18 distribution investment, which will help bolster reliability, improve power
19 delivery, and comply with regulatory mandates.

20 In addition to Lake Side 2, this filing includes a turbine upgrade project at
21 Unit 2 of the Jim Bridger generating plant. The upgraded turbine is expected to
22 produce 12 megawatts of additional generation with no increase in fuel input

1 or emissions at full load. This project is described in the direct testimony of
2 Mr. Dana M. Ralston.

3 This filing also includes an addition to the Company's hydro generation
4 plant at the Lewis River hydroelectric project that is required to comply with the
5 license issued by the Federal Energy Regulatory Commission (FERC). This
6 project is described in the direct testimony of Mr. Mark R. Tallman.

7 The direct testimony of Mr. Richard A. Vail describes transmission
8 infrastructure investments made to comply with mandatory system reliability and
9 performance requirements. Mr. Robert A. Ward's direct testimony discusses two-
10 way radio investments necessary to comply with Federal Communications
11 Commission narrowband rules that took effect on January 1, 2013.

12 **Q. Is the Company making any other proposals in this docket?**

13 A. Yes. As discussed in the testimony of Mr. Douglas K. Stuver, the Company is
14 proposing to include PacifiCorp's net prepaid pension and accrued other post-
15 retirement liability balances in rate base. Currently, the Commission has an open
16 investigation into the treatment of pension costs in utility rates (docket UM 1633).
17 The outcome of that investigation may require modifications to the Company's
18 proposal in this proceeding.

19 **Q. Are increases associated with net power costs part of the increase requested**
20 **in this case?**

21 A. No. Concurrent with this case, the Company is filing a separate Transition
22 Adjustment Mechanism (TAM) to address changes in the Company's net power

1 costs. The TAM rate changes related to 2014 net power costs will also have a
2 January 1, 2014 effective date.

3 **Q. What steps has the Company taken to mitigate cost increases in the current**
4 **business environment?**

5 A. The Company has taken several steps to mitigate the price increase. First, the
6 Company reduced operations and maintenance (O&M) expenses in this case
7 through its continuing efforts to operate more efficiently. As discussed in the
8 testimony of Mr. Tawwater, these efforts reduce Oregon O&M expenses by
9 approximately \$4.0 million.

10 Second, Mr. Erich D. Wilson discusses how the Company has prudently
11 contained increases to labor expenses and, in particular, has kept increases in
12 benefit costs at a reasonable level that reflect the economic conditions and market.
13 Health care costs have also continued to rise at a steep rate, and the Company has
14 made adjustments to cost sharing and plan design to control costs and align with
15 market practices.

16 In addition, in this filing the Company is not proposing changes to the
17 capital structure or cost of capital approved by the Commission in the 2012 Rate
18 Case. Because this filing is being made less than three months from the
19 December 20, 2012 Commission order in that case, the Company's Oregon
20 revenue requirement calculations use the current authorized ROR of 7.655 percent
21 and an ROE of 9.8 percent. Accordingly, the Company is not filing direct
22 testimony or exhibits on these issues. If other parties to this proceeding contest

1 the Company's capital structure or ROE, the Company will respond with a
2 comprehensive cost of capital analysis in its reply filing.

3 **INTRODUCTION OF WITNESSES**

4 **Q. Please list the Company witnesses in this case and provide a brief description**
5 **of their testimonies.**

6 A. **Stefan A. Bird**, Senior Vice President, Commercial and Trading, discusses the
7 Lake Side 2 natural gas-fired generating plant.

8 **Mark R. Tallman**, Vice President of Renewable Resources, discusses an addition
9 at the Lewis River hydroelectric project required to comply with the license
10 issued by FERC.

11 **Dana M. Ralston**, Vice President of Thermal Generation, provides information
12 supporting the prudence of a turbine upgrade project at Jim Bridger Unit 2.

13 **Richard A. Vail**, Vice President of Transmission, describes mandatory
14 transmission system reliability and performance requirements and provides
15 information on capital investments in the Company's transmission system.

16 **Robert A. Ward**, Manager, Narrowband Compliance, describes the Company's
17 narrowband compliance program.

18 **Kelcey A. Brown**, Regulatory Manager, Commercial and Trading, presents the
19 load forecasting methodologies used in this case.

20 **Erich D. Wilson**, Director, Human Resources, presents an overview of
21 compensation and incentive plans and supports the costs related to these areas
22 included in the test period.

1 **Douglas K. Stuver**, Senior Vice President and Chief Financial Officer, addresses
2 the Company's treatment of costs related to pensions and other post-retirement
3 benefits.

4 **Gary W. Tawwater**, Manager, Revenue Requirement, presents the Company's
5 overall revenue requirement using the 2010 Protocol inter-jurisdictional allocation
6 methodology.

7 **C. Craig Paice**, Regulatory Specialist, Cost of Service and Pricing, presents the
8 Company's cost of service study.

9 **Joelle R. Steward**, Director, Pricing, Cost of Service and Regulatory Operations,
10 presents the Company's proposed allocation of the proposed price increase across
11 rate schedules and the proposed changes in rate design for the affected rate
12 schedules.

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

14 **A. Yes.**