TABLE OF CONTENTS

[QUALIFICATIONS 1](#_Toc447617508)

[PURPOSE AND SUMMARY OF TESTIMONY 2](#_Toc447617509)

[EMPLOYEE COUNT 3](#_Toc447617510)

[PENSION AND PBOP EXPENSE 5](#_Toc447617511)

[SALARY OVERHEAD COSTS 7](#_Toc447617512)

[CONCLUSION 8](#_Toc447617513)

Q. Please state your name, business address, and present position with PacifiCorp.

A. My name is Kathryn C. Hymas, and my business address is 1407 West North Temple, Suite 330, Salt Lake City, Utah, 84116. I am currently employed as the Vice President of Human Resources and Procurement. I am testifying for Pacific Power & Light Company (Pacific Power or Company), a division of PacifiCorp. I have been employed by the Company or its predecessor companies since 1983. My experience includes various positions in the finance, business services, and demand-side management organizations at the Company.

# QUALIFICATIONS

Q. What are your responsibilities as the Vice President of Human Resources and Procurement?

A. My primary human resources responsibilities include managing the Company’s human resource function, including compensation, benefits, compliance, staffing, training and development, employee and labor relations, and payroll. My primary procurement responsibilities include managing the Company’s procurement function to ensure efficient and economical procurement of materials, supplies, and services for Company operations.

Q. What is your educational background?

A. I received a Master of Accountancy from Brigham Young University in 1979 and a Bachelor of Science in Accounting from Brigham Young University in 1978. In addition to my formal education, I have also attended various educational, professional, and electric-industry-related seminars, including the Utility Executive Course offered by the University of Idaho.

Q. Have you appeared as a witness in previous regulatory proceedings?

A. Yes. I was the witness for the Company’s depreciation study in 2002. I have also been a witness for various demand-side management filings from 2013 to 2015. I have been the Company witness on human resources and procurement since 2015.

# PURPOSE AND SUMMARY OF TESTIMONY

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

A. My rebuttal testimony responds to certain labor-related adjustments proposed by the Public Counsel Division of the Attorney General’s Office (Public Counsel) and Boise White Paper, L.L.C. (Boise).

**Q. Please summarize your testimony.**

A. In this limited issue filing, the Company conservatively excluded all post-test-year wage and labor adjustments from its proposed revenue requirement. Both Public Counsel and Boise recommend post-test-year labor adjustments, but have selectively chosen only those components of the Company’s overall labor expenses that decrease. Public Counsel recommends a post-test-year adjustment to employee count, and both Public Counsel and Boise recommend post-test-year adjustments to pension and post-retirement benefits other than pension (PBOP) costs.[[1]](#footnote-1) The parties, however, made no attempt to determine potentially offsetting labor expenses and their adjustments result in a fundamental mismatch of labor expenses. Such a mismatch is inconsistent with the treatment of wage and labor expense in prior Washington Utilities and Transportation Commission’s (Commission) orders.

Public Counsel’s update to employee count is appropriate and accepted by the Company *only* if it is adopted in conjunction with corresponding increases in wages, consistent with the Commission’s order in the Company’s 2014 general rate case.[[2]](#footnote-2) Moreover, acceptance of these two elements of wage costs in tandem eliminates the mismatch otherwise created by the parties’ proposals to update the level of full-time-equivalent (FTE) employees.

On the other hand, the Commission should reject Public Counsel’s and Boise’s updates to pension and PBOP. These items should not be updated in a limited filing such as this one, and the parties should not be allowed to cherry-pick labor items that have decreased while ignoring those that have increased. In fact, if the Commission were to consider increases to other labor cost components, such as medical and 401(k) benefits, the pension and PBOP adjustments would be largely offset.

# EMPLOYEE COUNT

Q. How did the Company calculate its employee count for purposes of determining its wage and salary expense?

A. The Company’s proposed labor expenses are based on the average number of FTE employees during the test year.

Q. Please describe Public Counsel’s adjustment related to the Company’s current employee levels.

A. Public Counsel proposes a post-test-year reduction in the number of FTE employees and then calculates a lower wage and benefit expense commensurate with the lower employee count, reducing operating and maintenance (O&M) expense by $655,673.

Q. Does the Company agree with Public Counsel’s proposed FTE adjustment?

A. Not by itself. Although the Company recognizes that its employee count has declined since the end of the historical test year, Public Counsel’s post-test-year adjustment creates a fundamental mismatch between components of the Company’s labor costs and fails to account for offsetting wage increases.

**Q. Is Public Counsel’s adjustment consistent with the Commission’s treatment of FTE employees and wages in the Company’s 2014 general rate case?**

A. Again, not as proposed. In the 2014 case, the Commission accepted Public Counsel’s recommendation and adjusted the employee count to a level after the end of the test year.[[3]](#footnote-3) Importantly, however, Public Counsel also supported, and the Commission also approved, post-test-year wage increases occurring within 12 months of the end of the test year.[[4]](#footnote-4) Thus, in the 2014 general rate case, the post-test-year FTE adjustment was appropriately matched with an offsetting adjustment to wages. To be consistent with the Commission’s treatment in the 2014 general rate case, the Commission would need to update both employee count *and* wages.

**Q. What is the Company’s position on Public Counsel’s post-test-year FTE employee adjustment?**

A. The Company believes that its initial position—relying on test-year FTE employees and wages—was appropriate for this limited and expedited filing. However, the Company also acknowledges that its FTE employee count has declined since the end of the test year, and that an update is appropriate so long as it is balanced by an update to post-test-year wages. Accordingly, the Company recommends that the Commission accept Public Counsel’s FTE employee adjustment updated to the most recent period available, as of March 31, 2016, with a corresponding update to wages, by including salary increases up through June 2016.[[5]](#footnote-5) The Company’s updated FTE employee count through March 2016 increases Public Counsel’s adjustment by $179,082 (further decreasing the revenue requirement). The impact of the pro forma wage increase adjustment reduces Public Counsel’s adjustment by $512,492.[[6]](#footnote-6) Please refer to the testimony and exhibits of Ms. McCoy for the details of the calculation of the impact of the wage increase and updated FTE employee levels.

# PENSION AND PBOP EXPENSE

Q. How did the Company calculate its pension and PBOP expense in this case?

A. Consistent with its other labor expense, the Company calculated the pension and PBOP expense based on the test-year level, with no post-test-year adjustments. Thus, the Company relied on the 2014 and 2015 actuarial reports to support the proposed expense.

Q. Please describe Public Counsel’s and Boise’s proposed adjustments related to pension and PBOP expense.

A. Public Counsel and Boise both propose a conceptually identical adjustment that reflects a post-test-year adjustment to pension and PBOP expenses based on updated actuarial reports that show a reduction in 2016 expense.[[7]](#footnote-7) The reduced expense is primarily due to a change in the discount rate assumed in the pension calculations. As with the FTE employee adjustment, Public Counsel and Boise contend that these adjustments are also based on the Commission’s order in the Company’s 2014 general rate case.

**Q. Is the value of the adjustment the same for both Public Counsel and Boise?**

A. No. Although they both purport to make the same adjustment, based on the revised testimony filed on March 29, 2016, Public Counsel proposes a $78,556 downward adjustment related the Company’s pension expense and a $178,462 downward adjustment related to the Company’s PBOP expense.[[8]](#footnote-8) Boise’s total adjustment is $401,737.[[9]](#footnote-9) Boise, however, performed a high-level allocation of the reduction using Washington’s system overhead allocation percentage instead of allocating the total-company reduction using the same allocation factors as the underlying data. Boise also failed to consider the percentage of these costs that are capitalized.

Q. Does the Company accept Public Counsel’s and Boise’s pension and PBOP adjustments?

A. No. This case was intended as a limited and expedited filing and, for that reason, the Company did not propose to update labor costs. As discussed above, the Company has agreed to update employee count and wages. However, additional updates to non-wage labor costs should not be made; the parties certainly should not be allowed to cherry pick only those costs that have ~~increased~~decreased. In fact, if the Commission were to consider the non-wage labor costs that have increased as well as decreased since the end of the test year—such as medical and 401(k) costs—the parties’ pension and PBOP adjustments would be largely offset.

# SALARY OVERHEAD COSTS

Q. How did the Company calculate its salary overhead costs for this case?

A. The Company calculated its salary overhead costs based on the amounts incurred during the test year.

Q. Please describe Public Counsel’s proposed adjustment for salary overhead costs.

A. Public Counsel recommends an $18,281 downward adjustment to Pacific Power’s proposed amount for salary overhead costs.[[10]](#footnote-10) Public Counsel calculates its adjustment by averaging the salary overhead costs from 2014 and 2015. Public Counsel claims that the test-year amounts do not reflect a normal annual cost level and therefore a two-year average is necessary to establish a normalized amount for rates.

**Q. Does the Company agree with Public Counsel’s adjustment?**

A. No. The higher costs during the test year were due to preparation and mailing of benefit summary plan descriptions to employees and retirees. This is a recurring requirement for the Company’s benefit plans and these costs will be incurred in the future. In addition, the Company expects higher salary overhead costs in 2016 and 2017 as additional requirements of the federal Affordable Care Act take effect.

Public Counsel’s reliance on historical averages for this component of labor expense is also inconsistent with its adjustment related to FTE employees, which explicitly rejected the use of historical averages in favor of point estimates.

# CONCLUSION

Q. What is your recommendation to the Commission?

A. I recommend that the Commission accept Public Counsel’s FTE employee adjustment as updated by the Company to March 2016 FTE levels and the corresponding update to wages through June 2016. Further, I recommend the Commission reject the Pension and PBOP adjustments proposed by Public Counsel and Boise in their entirety. The parties have selectively recommended post-test-year adjustments to only those labor expenses that are declining. When offsetting amounts are considered, the proposed adjustments are largely offset. I also recommend the Commission reject Public Counsel’s salary overhead adjustment.

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

A. Yes.

1. Public Counsel and Boise both refer to these amounts as Other Post-Employment Benefits (OPEB), however, the Company believes that they are actually referring to Post-Retirement Benefits Other Than Pensions, (PBOP). PBOP relates to benefit costs for retirees, while OPEB relates to costs associated with former employees that did not retire from the Company. In response to the Company’s Data Request 2.1, Public Counsel indicated that OPEB and PBOP were used interchangeably in testimony. [↑](#footnote-ref-1)
2. *See Wash. Utils. & Transp. Comm’n v. Pacific Power & Light Co.*, Dockets UE-140762, et. al, Order 08, ¶ 34 (Mar. 25, 2015). [↑](#footnote-ref-2)
3. *Id.,* ¶ 36 (test year was calendar year 2013, and Public Counsel recommended employee level as of June 2014). [↑](#footnote-ref-3)
4. *Id.,* ¶ 34. [↑](#footnote-ref-4)
5. The salary increases the Company proposes to include have already been implemented, with the exception of negotiated and ratified union contracts for Local 659 and Local 197 that will be implemented on April 26, 2016, and May 26, 2016, respectively. [↑](#footnote-ref-5)
6. The Company is proposing to increase Public Counsel’s post-test-year FTE employment adjustment from $655,673 to $834,755, by using the most recent FTE employee count—March 2016. This adjustment is then offset by post-test-year wage increases of $512,492, for a total reduction of $322,263 from the Company’s original filing. [↑](#footnote-ref-6)
7. Ramas, Exh. No. DMR-1T Revised (3/29/16) 37:1-40:9; Mullins, Exh. No. BGM-1CT 30:8-31:17. [↑](#footnote-ref-7)
8. Ramas, Exh. No. DMR-1T Revised (3/29/16) 38:9, 40:8. [↑](#footnote-ref-8)
9. Mullins, Exh. No. BGM-3 1:19. [↑](#footnote-ref-9)
10. Ramas, Exh. No. DMR-1T Revised (3/29/16) 40:10-41:12. [↑](#footnote-ref-10)