

May 4, 2016

*VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY*

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250

**RE: Docket UE-152253  
Revised Rebuttal Testimony of Kathryn C. Hymas**

Pacific Power & Light Company (Pacific Power or Company), a division of PacifiCorp, submits the revised rebuttal testimony of Ms. Hymas to make a correction on page 6.

Please direct any informal inquiries regarding this filing to Ariel Son at (503) 813-5410.

Sincerely,

*R. Bryce Dalley / AS*  
R. Bryce Dalley  
Vice President, Regulation

Enclosures

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served this document upon all parties of record in this proceeding by electronic mail and/or US Mail.

### **Boise White Paper, L.L.C.**

Jesse E. Cowell  
Jesse Gorsuch (e-mail)  
Davison Van Cleve, P.C.  
333 S.W. Taylor, Suite 400  
Portland, OR 97204  
[jec@dvclaw.com](mailto:jec@dvclaw.com); [jog@dvclaw.com](mailto:jog@dvclaw.com)

### **Boise White Paper, L.L.C.**

Patrick A. Loupin  
Corporate Purchasing Manager – Energy  
PO Box 990050  
Boise, ID 83799-0050  
[Patrick.loupin@packagingcorp.com](mailto:Patrick.loupin@packagingcorp.com)

### **Public Counsel**

Simon ffitch, Lisa W. Gafken, Kym Bostelle (e-mail),  
Chanda Mak (e-mail)  
Office of the Attorney General  
800 5th Avenue – Suite 2000  
Seattle WA 98104-3188  
[simonf@atg.wa.gov](mailto:simonf@atg.wa.gov); [lisaw4@atg.wa.gov](mailto:lisaw4@atg.wa.gov);  
[kymH@atg.wa.gov](mailto:kymH@atg.wa.gov); [chandam@atg.wa.gov](mailto:chandam@atg.wa.gov)

### **PacifiCorp**

R. Bryce Dalley  
Vice President, Regulation  
825 NE Multnomah, Suite 2000  
Portland, OR 97232  
[bryce.dalley@pacificorp.com](mailto:bryce.dalley@pacificorp.com)

### **PacifiCorp**

Matthew McVee  
Assistant General Counsel  
825 NE Multnomah, Suite 1800  
Portland, OR 97232  
[matthew.mcvee@pacificorp.com](mailto:matthew.mcvee@pacificorp.com)

### **Washington Utilities & Transportation Commission**

Christopher M. Casey, Julian H. Beattie, ALJ Marguerite  
E. Friedlander, Betsy DeMarco, Krista Gross, Jason Ball,  
Tom Schooley (e-mail)  
[mfriedla@utc.wa.gov](mailto:mfriedla@utc.wa.gov); [ccasey@utc.wa.gov](mailto:ccasey@utc.wa.gov);  
[jbeattie@utc.wa.gov](mailto:jbeattie@utc.wa.gov); [bdemarco@utc.wa.gov](mailto:bdemarco@utc.wa.gov);  
[kgross@utc.wa.gov](mailto:kgross@utc.wa.gov); [jball@utc.wa.gov](mailto:jball@utc.wa.gov);  
[tschoole@utc.wa.gov](mailto:tschoole@utc.wa.gov)

### **Boise White Paper, L.L.C.**

Bradley Mullins  
333 S.W. Taylor, Suite 400  
Portland, OR 97204  
[brmullins@mwanalytics.com](mailto:brmullins@mwanalytics.com)

### **Sierra Club (electronic)**

Gloria Smith, Travis Ritchie, Alexa Zimbalist  
85 Second Street  
San Francisco, CA 94105  
[gloria.smith@sierraclub.org](mailto:gloria.smith@sierraclub.org); [travis.ritchie@sierraclub.org](mailto:travis.ritchie@sierraclub.org);  
[alexa.zimbalist@sierraclub.org](mailto:alexa.zimbalist@sierraclub.org)

### **PacifiCorp**

Katherine McDowell  
McDowell Rackner & Gibson PC  
419 SW 11<sup>th</sup> Avenue, Suite 400  
Portland, OR 97245-2605  
[Katherine@mcd-law.com](mailto:Katherine@mcd-law.com)

### **PacifiCorp**

Natasha Siores, Ariel Son, Washington Dockets (e-mail)  
[Natasha.siores@pacificorp.com](mailto:Natasha.siores@pacificorp.com);  
[Ariel.son@pacificorp.com](mailto:Ariel.son@pacificorp.com);  
[washingtondockets@pacificorp.com](mailto:washingtondockets@pacificorp.com)

### **Washington Utilities & Transportation Commission**

Patrick J. Oshie  
Jennifer Cameron-Rulkowski  
Assistant Attorneys General  
PO Box 40128  
Olympia, WA 98504-0128  
[poshie@utc.wa.gov](mailto:poshie@utc.wa.gov); [jcameron@utc.wa.gov](mailto:jcameron@utc.wa.gov)

### **NW Energy Coalition**

Wendy Gerlitz  
1205 SE Flavel Street  
Portland, OR 97202  
[wendy@nwenergy.org](mailto:wendy@nwenergy.org)

**Energy Project**  
Brad M. Purdy  
2019 N. 17<sup>th</sup> Street  
Boise, ID, 83702  
[bmpurdy@hotmail.com](mailto:bmpurdy@hotmail.com)

**NW Energy Coalition**  
Joni Bosh  
811 1<sup>st</sup> Avenue, Ste 305  
Seattle, WA 98104  
[joni@nwenergy.org](mailto:joni@nwenergy.org)

**Energy Project**  
Shawn Collins  
[shawn\\_collins@oppco.org](mailto:shawn_collins@oppco.org)

DATED at Portland, OR this 4<sup>th</sup> of May, 2016

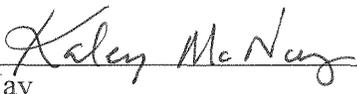
  
\_\_\_\_\_  
Kaley McNay  
Coordinator, Regulatory Operations

Exhibit No. KCH-1T Revised (5/4/16)  
Docket UE-152253  
Witness: Kathryn C. Hymas

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFIC POWER & LIGHT  
COMPANY,

Respondent.

DOCKET UE-152253

**PACIFIC POWER & LIGHT COMPANY  
REBUTTAL TESTIMONY OF KATHRYN C. HYMAS—REVISED  
(RED-LINED)**

**May 2016**

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

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

9 **QUALIFICATIONS**

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

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

18 **Q. What is your educational background?**

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

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

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

5 **PURPOSE AND SUMMARY OF TESTIMONY**

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

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

10 **Q. Please summarize your testimony.**

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

---

<sup>1</sup> 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.

1 Public Counsel's update to employee count is appropriate and accepted by the  
2 Company *only* if it is adopted in conjunction with corresponding increases in wages,  
3 consistent with the Commission's order in the Company's 2014 general rate case.<sup>2</sup>  
4 Moreover, acceptance of these two elements of wage costs in tandem eliminates the  
5 mismatch otherwise created by the parties' proposals to update the level of full-time-  
6 equivalent (FTE) employees.

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

#### 14 EMPLOYEE COUNT

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

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

19 **Q. Please describe Public Counsel's adjustment related to the Company's current**  
20 **employee levels.**

21 A. Public Counsel proposes a post-test-year reduction in the number of FTE employees  
22 and then calculates a lower wage and benefit expense commensurate with the lower

---

<sup>2</sup> See *Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Co.*, Dockets UE-140762, et. al, Order 08, ¶ 34 (Mar. 25, 2015).

1 employee count, reducing operating and maintenance (O&M) expense by \$655,673.

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

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

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

9 A. Again, not as proposed. In the 2014 case, the Commission accepted Public Counsel’s  
10 recommendation and adjusted the employee count to a level after the end of the test  
11 year.<sup>3</sup> Importantly, however, Public Counsel also supported, and the Commission  
12 also approved, post-test-year wage increases occurring within 12 months of the end of  
13 the test year.<sup>4</sup> Thus, in the 2014 general rate case, the post-test-year FTE adjustment  
14 was appropriately matched with an offsetting adjustment to wages. To be consistent  
15 with the Commission’s treatment in the 2014 general rate case, the Commission  
16 would need to update both employee count *and* wages.

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

19 A. The Company believes that its initial position—relying on test-year FTE employees  
20 and wages—was appropriate for this limited and expedited filing. However, the  
21 Company also acknowledges that its FTE employee count has declined since the end  
22 of the test year, and that an update is appropriate so long as it is balanced by an

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<sup>3</sup> *Id.*, ¶ 36 (test year was calendar year 2013, and Public Counsel recommended employee level as of June 2014).

<sup>4</sup> *Id.*, ¶ 34.

1 update to post-test-year wages. Accordingly, the Company recommends that the  
2 Commission accept Public Counsel's FTE employee adjustment updated to the most  
3 recent period available, as of March 31, 2016, with a corresponding update to wages,  
4 by including salary increases up through June 2016.<sup>5</sup> The Company's updated FTE  
5 employee count through March 2016 increases Public Counsel's adjustment by  
6 \$179,082 (further decreasing the revenue requirement). The impact of the pro forma  
7 wage increase adjustment reduces Public Counsel's adjustment by \$512,492.<sup>6</sup> Please  
8 refer to the testimony and exhibits of Ms. McCoy for the details of the calculation of  
9 the impact of the wage increase and updated FTE employee levels.

#### 10 PENSION AND PBOP EXPENSE

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

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

16 **Q. Please describe Public Counsel's and Boise's proposed adjustments related to**  
17 **pension and PBOP expense.**

18 A. Public Counsel and Boise both propose a conceptually identical adjustment that  
19 reflects a post-test-year adjustment to pension and PBOP expenses based on updated

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<sup>5</sup> 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.

<sup>6</sup> 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.

1 actuarial reports that show a reduction in 2016 expense.<sup>7</sup> The reduced expense is  
2 primarily due to a change in the discount rate assumed in the pension calculations.  
3 As with the FTE employee adjustment, Public Counsel and Boise contend that these  
4 adjustments are also based on the Commission's order in the Company's 2014  
5 general rate case.

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

7 A. No. Although they both purport to make the same adjustment, based on the revised  
8 testimony filed on March 29, 2016, Public Counsel proposes a \$78,556 downward  
9 adjustment related the Company's pension expense and a \$178,462 downward  
10 adjustment related to the Company's PBOP expense.<sup>8</sup> Boise's total adjustment is  
11 \$401,737.<sup>9</sup> Boise, however, performed a high-level allocation of the reduction using  
12 Washington's system overhead allocation percentage instead of allocating the total-  
13 company reduction using the same allocation factors as the underlying data. Boise  
14 also failed to consider the percentage of these costs that are capitalized.

15 **Q. Does the Company accept Public Counsel's and Boise's pension and PBOP**  
16 **adjustments?**

17 A. No. This case was intended as a limited and expedited filing and, for that reason, the  
18 Company did not propose to update labor costs. As discussed above, the Company  
19 has agreed to update employee count and wages. However, additional updates to  
20 non-wage labor costs should not be made; the parties certainly should not be allowed  
21 to cherry pick only those costs that have ~~increased~~decreased. In fact, if the  
22 Commission were to consider the non-wage labor costs that have increased as well as

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<sup>7</sup> Ramas, Exh. No. DMR-1T Revised (3/29/16) 37:1-40:9; Mullins, Exh. No. BGM-1CT 30:8-31:17.

<sup>8</sup> Ramas, Exh. No. DMR-1T Revised (3/29/16) 38:9, 40:8.

<sup>9</sup> Mullins, Exh. No. BGM-3 1:19.

1 decreased since the end of the test year—such as medical and 401(k) costs—the  
2 parties' pension and PBOP adjustments would be largely offset.

### 3 SALARY OVERHEAD COSTS

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

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

7 **Q. Please describe Public Counsel's proposed adjustment for salary overhead costs.**

8 A. Public Counsel recommends an \$18,281 downward adjustment to Pacific Power's  
9 proposed amount for salary overhead costs.<sup>10</sup> Public Counsel calculates its  
10 adjustment by averaging the salary overhead costs from 2014 and 2015. Public  
11 Counsel claims that the test-year amounts do not reflect a normal annual cost level  
12 and therefore a two-year average is necessary to establish a normalized amount for  
13 rates.

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

15 A. No. The higher costs during the test year were due to preparation and mailing of  
16 benefit summary plan descriptions to employees and retirees. This is a recurring  
17 requirement for the Company's benefit plans and these costs will be incurred in the  
18 future. In addition, the Company expects higher salary overhead costs in 2016 and  
19 2017 as additional requirements of the federal Affordable Care Act take effect.

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

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<sup>10</sup> Ramas, Exh. No. DMR-1T Revised (3/29/16) 40:10-41:12.

1 **CONCLUSION**

2 **Q. What is your recommendation to the Commission?**

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

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

12 A. Yes.

Exhibit No. KCH-1T Revised (5/4/16)  
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**BEFORE THE WASHINGTON  
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WASHINGTON UTILITIES AND  
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COMPANY,

Respondent.

DOCKET UE-152253

**PACIFIC POWER & LIGHT COMPANY  
REBUTTAL TESTIMONY OF KATHRYN C. HYMAS—REVISED  
(CLEAN)**

**May 2016**

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17 for Company operations.

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19 A. I received a Master of Accountancy from Brigham Young University in 1979 and a  
20 Bachelor of Science in Accounting from Brigham Young University in 1978. In  
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5 mismatch otherwise created by the parties' proposals to update the level of full-time-  
6 equivalent (FTE) employees.

7 On the other hand, the Commission should reject Public Counsel's and  
8 Boise's updates to pension and PBOP. These items should not be updated in a  
9 limited filing such as this one, and the parties should not be allowed to cherry-pick  
10 labor items that have decreased while ignoring those that have increased. In fact, if  
11 the Commission were to consider increases to other labor cost components, such as  
12 medical and 401(k) benefits, the pension and PBOP adjustments would be largely  
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3 A. Not by itself. Although the Company recognizes that its employee count has declined  
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5 creates a fundamental mismatch between components of the Company's labor costs  
6 and fails to account for offsetting wage increases.

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

9 A. Again, not as proposed. In the 2014 case, the Commission accepted Public Counsel's  
10 recommendation and adjusted the employee count to a level after the end of the test  
11 year.<sup>3</sup> Importantly, however, Public Counsel also supported, and the Commission  
12 also approved, post-test-year wage increases occurring within 12 months of the end of  
13 the test year.<sup>4</sup> Thus, in the 2014 general rate case, the post-test-year FTE adjustment  
14 was appropriately matched with an offsetting adjustment to wages. To be consistent  
15 with the Commission's treatment in the 2014 general rate case, the Commission  
16 would need to update both employee count *and* wages.

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

19 A. The Company believes that its initial position—relying on test-year FTE employees  
20 and wages—was appropriate for this limited and expedited filing. However, the  
21 Company also acknowledges that its FTE employee count has declined since the end  
22 of the test year, and that an update is appropriate so long as it is balanced by an

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1 update to post-test-year wages. Accordingly, the Company recommends that the  
2 Commission accept Public Counsel's FTE employee adjustment updated to the most  
3 recent period available, as of March 31, 2016, with a corresponding update to wages,  
4 by including salary increases up through June 2016.<sup>5</sup> The Company's updated FTE  
5 employee count through March 2016 increases Public Counsel's adjustment by  
6 \$179,082 (further decreasing the revenue requirement). The impact of the pro forma  
7 wage increase adjustment reduces Public Counsel's adjustment by \$512,492.<sup>6</sup> Please  
8 refer to the testimony and exhibits of Ms. McCoy for the details of the calculation of  
9 the impact of the wage increase and updated FTE employee levels.

#### 10 PENSION AND PBOP EXPENSE

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

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

16 **Q. Please describe Public Counsel's and Boise's proposed adjustments related to**  
17 **pension and PBOP expense.**

18 A. Public Counsel and Boise both propose a conceptually identical adjustment that  
19 reflects a post-test-year adjustment to pension and PBOP expenses based on updated

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<sup>5</sup> 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.

<sup>6</sup> 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.

1 actuarial reports that show a reduction in 2016 expense.<sup>7</sup> The reduced expense is  
2 primarily due to a change in the discount rate assumed in the pension calculations.  
3 As with the FTE employee adjustment, Public Counsel and Boise contend that these  
4 adjustments are also based on the Commission's order in the Company's 2014  
5 general rate case.

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

7 A. No. Although they both purport to make the same adjustment, based on the revised  
8 testimony filed on March 29, 2016, Public Counsel proposes a \$78,556 downward  
9 adjustment related the Company's pension expense and a \$178,462 downward  
10 adjustment related to the Company's PBOP expense.<sup>8</sup> Boise's total adjustment is  
11 \$401,737.<sup>9</sup> Boise, however, performed a high-level allocation of the reduction using  
12 Washington's system overhead allocation percentage instead of allocating the total-  
13 company reduction using the same allocation factors as the underlying data. Boise  
14 also failed to consider the percentage of these costs that are capitalized.

15 **Q. Does the Company accept Public Counsel's and Boise's pension and PBOP**  
16 **adjustments?**

17 A. No. This case was intended as a limited and expedited filing and, for that reason, the  
18 Company did not propose to update labor costs. As discussed above, the Company  
19 has agreed to update employee count and wages. However, additional updates to  
20 non-wage labor costs should not be made; the parties certainly should not be allowed  
21 to cherry pick only those costs that have decreased. In fact, if the Commission were  
22 to consider the non-wage labor costs that have increased as well as decreased since

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<sup>7</sup> Ramas, Exh. No. DMR-1T Revised (3/29/16) 37:1-40:9; Mullins, Exh. No. BGM-1CT 30:8-31:17.

<sup>8</sup> Ramas, Exh. No. DMR-1T Revised (3/29/16) 38:9, 40:8.

<sup>9</sup> Mullins, Exh. No. BGM-3 1:19.

1 the end of the test year—such as medical and 401(k) costs—the parties’ pension and  
2 PBOP adjustments would be largely offset.

3 **SALARY OVERHEAD COSTS**

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

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

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

8 A. Public Counsel recommends an \$18,281 downward adjustment to Pacific Power’s  
9 proposed amount for salary overhead costs.<sup>10</sup> Public Counsel calculates its  
10 adjustment by averaging the salary overhead costs from 2014 and 2015. Public  
11 Counsel claims that the test-year amounts do not reflect a normal annual cost level  
12 and therefore a two-year average is necessary to establish a normalized amount for  
13 rates.

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

15 A. No. The higher costs during the test year were due to preparation and mailing of  
16 benefit summary plan descriptions to employees and retirees. This is a recurring  
17 requirement for the Company’s benefit plans and these costs will be incurred in the  
18 future. In addition, the Company expects higher salary overhead costs in 2016 and  
19 2017 as additional requirements of the federal Affordable Care Act take effect.

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

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<sup>10</sup> Ramas, Exh. No. DMR-1T Revised (3/29/16) 40:10-41:12.

1 **CONCLUSION**

2 **Q. What is your recommendation to the Commission?**

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

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

12 A. Yes.