

Exh. EL-4T
Docket UE-191024
Witness: Etta Lockey

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-191024

**PACIFICORP
SUPPLEMENTAL TESTIMONY OF ETTA LOCKEY**

March 2020

1 **I. INTRODUCTION OF WITNESS AND PURPOSE OF TESTIMONY**

2 **Q. Are you the same Etta Lockey who previously submitted testimony in this**
3 **proceeding on behalf of PacifiCorp dba Pacific Power & Light Company**
4 **(PacifiCorp or the Company)?**

5 A. Yes.

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

7 A. The purpose of my testimony is three-fold. First, I explain why the Company is filing
8 supplemental testimony in this proceeding. Second, I discuss the impacts of the
9 updates made in the Company’s supplemental testimony on the overall decrease in
10 rates that I explained in my direct testimony. As part of this discussion, I explain that
11 the Company is amending the proposed amortization period for the remaining tax
12 benefits associated with the Tax Cuts and Jobs Act (TCJA) from ten years to three
13 years to mitigate the impact on rates of the updates made in supplemental direct.
14 Finally, I introduce the Company witnesses providing supplemental testimony in this
15 proceeding.

16 **II. PURPOSE OF SUPPLEMENTAL TESTIMONY**

17 **Q. Why is the Company filing supplemental testimony in this proceeding?**

18 A. The Company is filing supplemental testimony for three purposes.
19 First, at the prehearing conference held in this proceeding on January 31, 2020, the
20 Washington Utilities and Transportation Commission (Commission) Staff (Staff)
21 made an oral motion to consolidate with the rate case the Company’s petition for an
22 accounting order to authorize a change in depreciation rates applicable to its electric

1 plant, docket UE-180778.^{1, 2} The Commission granted Staff's oral and written
2 motions to consolidate and established a procedural schedule that allowed the
3 Company to file supplemental testimony regarding Jim Bridger Units 1-4 (Jim
4 Bridger) and Colstrip Unit 4 decommissioning studies.³ With respect to the updated
5 depreciation and decommissioning studies, Mr. Chad A. Teply addresses the updated
6 decommissioning study for Jim Bridger and Colstrip Unit 4; Mr. John J. Spanos
7 supports the updated depreciation study that incorporates the updated
8 decommissioning costs; and Mr. Steven R. McDougal provides the updated steam
9 depreciation impact resulting from these updates. Further, Mr. Ryan Fuller updates
10 the revenue requirement impact of normalized method of accounting for non-property
11 book-tax differences resulting from the updated decommissioning studies.

12 Second, on January 30, 2020, Staff filed a petition that would have required
13 costs associated with the Company's Colstrip coal supply agreement be investigated
14 in a separate proceeding.⁴ In denying the Staff's petition in part, the Commission
15 ordered PacifiCorp to address the Colstrip coal supply agreement in its supplemental
16 testimony filing.⁵ Mr. Dana M. Ralston provides testimony concerning the Colstrip
17 coal supply agreement and updates the Company's coal costs that are included in net
18 power costs.

¹ *In the matter of Pac. Power & Light Co.*, Docket No. UE-180778 (Sept. 13, 2018).

² On January 29, 2020, Staff filed a written motion to consolidate three other pending Company proceedings, Docket Nos. UE-190750, UE-190929, and UE-190981, with the rate case proceeding.

³ *WUTC vs. PacifiCorp d/b/a Pacific Power*, Docket No. UE-191024, Consolidation, Suspension, and Prehearing Conference Order (Feb. 3, 2020).

⁴ Docket No. UE-191024, Petition to Initiate Joint Investigation (Jan. 30, 2020).

⁵ Docket No. UE-191024, Order 05, Denying Petition, in Part, and Amending Procedural Schedule, 5 (Mar. 13, 2020).

1 Finally, the Company is updating its net power costs. Generally, in rate cases,
2 the Company updates net power costs in rebuttal testimony. However, given that the
3 Company is filing supplemental testimony, it is providing an update to net power
4 costs. This will provide Staff, Public Counsel, and other intervenors time to review
5 this update in advance of filing testimony.⁶ In his testimony, Mr. Michael G. Wilding
6 provides an update to net power costs.

7 Testimony from Ms. Shelley E. McCoy and Mr. Robert M. Meredith
8 incorporate the impacts of the decommissioning studies, updated net power costs, and
9 updated tax amortization proposal in the Company's proposed revenue requirement
10 and rates, respectively.

11 **III. IMPACTS OF UPDATES TO OVERALL RATE DECREASE**

12 **Q. How do the updates presented in the Company's supplemental testimony impact**
13 **the overall rate decrease of approximately \$4.0 million or 1.1 percent?**

14 A. The updates reflected in the Company's supplemental testimony eliminate the
15 original proposed overall decrease, and result in an overall increase of \$11.0 million
16 or 3.2 percent.

17 **Q. Is the Company proposing to mitigate the impacts of these updates on rates?**

18 A. Yes. In its initial filing, PacifiCorp proposed to amortize and return to customers the
19 remaining deferred benefits associated with the TCJA over a ten-year period as
20 discussed in the direct testimony of Ms. McCoy.⁷ This initial proposal would have

⁶ PacifiCorp consulted with Staff and intervenors, and no party objects to the Company's filing of supplemental testimony. See PacifiCorp's Motion to Allow Supplemental Testimony filed on April 1, 2020.

⁷ Docket No. UE-191024, Exhibit No. SEM-1T, Direct Testimony of Shelley E. McCoy, 22:7-11.

1 resulted in an annual return to customers of approximately \$7.1 million for ten years.⁸
2 To offset the increase associated with the updates in the Company's supplemental
3 testimony, the Company now proposes to modify its initial proposal and shorten the
4 amortization period for the return of the give-back of the deferred TCJA benefits to
5 three, rather than ten, years. The three-year amortization period lines up well with the
6 three-year period over which the decommissioning costs will be recovered under the
7 Company's proposal.

8 **Q. What is the overall rate increase based on the Company's mitigation proposal?**

9 A. With the updates and mitigation proposal provided in this supplemental testimony
10 filing, the Company is requesting an overall increase in rates of approximately \$11.0
11 million, or 3.2 percent. The total revenue requirement request is a \$29.8 million
12 increase; however, offsetting this increase is the Company's proposal to amortize the
13 remaining TCJA deferred tax benefits, which reflects a decrease of approximately
14 \$18.8 million. The net result is a smaller increase to rates of \$11.0 million in this
15 proceeding.

16 **IV. INTRODUCTION OF COMPANY WITNESSES**

17 **Q. Who is submitting supplemental testimony on behalf of PacifiCorp in this case?**

18 A. The following witnesses are submitting supplemental testimony on behalf of
19 PacifiCorp in support of its rate case filing:

- 20 • In Exhibit No. MGW-4CT, Michael G. Wilding, the Company's Director of Net
21 Power Costs and Regulatory Policy, addresses proposed changes to the Company's
22 Net Power Costs.

⁸ *Id.*

- 1 • In Exhibit No. CAT-28T, Chad A. Teply, PacifiCorp’s Senior Vice President of
2 Business Policy and Development, provides testimony regarding the confidential
3 decommissioning and site restoration studies filed by PacifiCorp in docket UE-
4 180778 on January 16, 2020, and March 17, 2020. Mr. Teply’s testimony discusses
5 the scope of the decommissioning studies, explains the differences between previous
6 plant decommissioning estimates, and summarizes the costs estimated in the studies.
- 7 • In Exhibit No. JJS-8T, John J. Spanos, Senior Vice President of Gannett Fleming
8 Valuation and Rate Consultants, LLC, provides updated information on depreciation
9 rates for PacifiCorp’s coal-fired resources in Washington rates.
- 10 • In Exhibit No. SRM-6T, Steven R. McDougal, PacifiCorp’s Director of Revenue
11 Requirements, calculates the impact on the annual depreciation expense allocated to
12 Washington for the coal-fired resources.
- 13 • In Exhibit No. DMR-1HCT, Dana M. Ralston, PacifiCorp’s Senior Vice President of
14 Thermal Generation and Mining supports the prudence of the Colstrip owner’s most
15 recent contract for the supply of coal. Mr. Ralston is also providing additional
16 testimony supporting the prudence of PacifiCorp’s coal costs.
- 17 • In Exhibit No. SEM-6T, Shelley E. McCoy, PacifiCorp’s Revenue Requirement
18 Manager, updates the overall test year revenue requirement based on the updates in
19 the Company’s supplemental testimony.
- 20 • In Exhibit No. RMM-20T, Robert M. Meredith, Director of Pricing and Cost of
21 Service, updates PacifiCorp’s proposed tariff changes to recover the updated 2021
22 revenue requirement.

1 • In Exhibit No. RF-7T, Ryan Fuller, PacifiCorp's Senior Tax Director, updates the
2 revenue requirement impact of normalized method of accounting for non-property
3 book-tax differences resulting from the additional costs in the updated
4 decommissioning studies.

5 **Q. Does this conclude your supplemental testimony?**

6 A. Yes, it does.