Exh. DJM-1T
Docket UE-25_____
Witness: Daniel J. MacNeil

BEFORE THE WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP dba PACIFIC POWER & LIGHT COMPANY Respondent.	Docket UE-25_____

PACIFICORP

DIRECT TESTIMONY OF DANIEL J. MACNEIL

September 2025

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

A. My name is Daniel J. MacNeil. My business address is 825 NE Multnomah Street, Suite 600, Portland, Oregon 97232. My present position is Commercial Analytics Adviser.

I. QUALIFICATIONS

Q. Please describe your education and professional background.

A. I received a Master of Arts degree in International Science and Technology Policy from George Washington University and a Bachelor of Science degree in Materials Science and Engineering from Johns Hopkins University. Before joining PacifiCorp, I completed internships with the U.S. Department of Energy's Office of Policy and International Affairs and the World Resources Institute's Green Power Market Development Group. I have been employed by PacifiCorp since 2008, first as a member of the net power costs group, then as manager of that group from June 2015 until September 2016. In my current role, I provide analytical expertise on a broad range of topics related to PacifiCorp's resource portfolio and obligations, including oversight of the calculation of avoided cost pricing in PacifiCorp's jurisdictions.

Q. Have you testified in previous regulatory proceedings?

A. Yes. I have provided testimony on behalf of PacifiCorp in Washington as well as California, Idaho, Oregon, Utah, Wyoming, and FERC dockets.

II. PURPOSE OF TESTIMONY AND RECOMMENDATION

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

A. My testimony supports the company's proposed Schedule 138, Net Billing Service, specifically the value of export credits applicable to the electricity generated by an eligible customer and fed back to the electric grid. I address two primary issues. First, I describe the elements, methodology, and calculation of the export credit value. Second, I address how the export credit will be updated going forward.

Q. Have you prepared a summary of the proposed export credit values?

A. Yes. My calculations support an average annual export credit of $51.67 per megawatt-hour (MWh), which is equivalent to 5.167 cents per kilowatt-hour, as summarized in Table 1.

Table 1: Export Credit Summary

	CY2026		
Export Profile		**Capacity Factor**	
Volume (kWh per kW)	832	9.47%	
Energy Elements	**(cents/kWh)**		
WEIM Energy	2.665		
Integration	(0.240)		
Clean Energy Premium	0.955		
Losses	0.256		
Energy Total	**3.635**		
Capacity Elements	**(cents/kWh)**	**Contribution**	**Contribution Type**
Generation Capacity	0.594	4.06%	Loss of Load Probability
Transmission System Capacity	0.513	7.49%	Transmission System Peaks
Transmission Capacity Deferral	0.059	7.49%	Transmission System Peaks
Distribution Capacity Deferral	0.366	14.85%	Top 10% WA Load Hours - Winter Adjusted Distribution Capacity
Capacity Total	**1.531**		
Total	**5.167**		

III. EXPORT CREDIT METHODOLOGY

Q. What elements are included in the customer generation export credit?

A. The proposed export credit includes the following elements related to the impact of exported energy on PacifiCorp's system and dispatch:

- **Avoided Energy Cost**: when customer generation is exported to the grid, PacifiCorp can reduce the output of its generation resources or reduce the volume of its market purchases. The resulting reduction in fuel expense and purchased power cost is the avoided energy cost.
- **Integration Cost**: PacifiCorp uses flexible resources to accommodate fluctuations in the load and resource balance of its system attributable to load, wind, solar, and other non-variable energy resources that are not under PacifiCorp's control. Integration costs represent the cost of holding reserves with flexible resources to reliably maintain the load and resource balance.
- **Clean Energy Premium**: This value reflects the incremental cost of the resources added for Clean Energy Transformation Act (CETA) compliance.
- **Avoided Line Losses**: line losses are the difference between the total generation injected into the grid, and the total metered volume at customer sites. As a result, a kilowatt-hour (kWh) produced by a generator is not equivalent to a kWh delivered to a customer. PacifiCorp's avoided energy costs are typically measured based on generation and market purchases at transmission voltages, while the metered volumes for residential generation exports are measured at the secondary voltage level. Each of the energy and capacity elements are adjusted for avoided line losses.
- **Avoided Generation Capacity**: PacifiCorp must maintain sufficient generating resources to ensure that it can reliably meet retail load. Customer generation can increase the reliability of PacifiCorp's portfolio and avoid the need for additional generating capacity.
- **Avoided Transmission and Distribution (T&D) Capacity**: PacifiCorp must maintain sufficient transmission and distribution capacity to deliver generation resources to customer load. Because customer generation is located close to customer load relative to most utility-scale generation resources, it can reduce the loading of transmission and distribution lines and avoid reliability upgrades.

A. Export Profile

Q. What export profile has PacifiCorp used in the development of the proposed export credit rates?

A. At present, the metering for PacifiCorp's customer generators within Washington does not collect interval data that could be used to construct an hourly export profile. However, PacifiCorp does collect interval data for customer generators in Oregon with Automated Metering Infrastructure (AMI) meters. To estimate the value of exports from Washington customers, PacifiCorp proposes to use the mean export volumes for all customer generators in counties in northeastern Oregon that border Washington, specifically PacifiCorp's customers in Gilliam, Morrow, Sherman, Umatilla, Wallowa, and Wasco counties. For this filing, PacifiCorp is using historical export data for the twelve months ending December 2024, and at the end of that period those counties had 736 customer-generators with a mean rated capacity of 11.4 kilowatts (Direct Current rating).

Q. Please describe the export profile.

A. As shown in Table 2, the mean exports total approximately 9,569 kWh per year, with a monthly range from a low of 120 kWh in January to a maximum of 1,331 kWh in June. This equates to a roughly 1.4 percent capacity factor in January, and a 16.1 percent capacity factor in June. These capacity factors are lower than utility-scale fixed-tilt solar resources assumed for qualifying facilities (QFs) as part of Schedule QF, which have a capacity factor ranging from 13 percent in December to 33 percent in July. The capacity factor of the export profile is reduced for two reasons. First, customer exports primarily come from rooftop solar panels that are aligned with the underlying rooftop, rather than tilted toward the south to optimize energy production, as is typical for larger-scale solar resources. Second, exports are reduced by customer load in any given interval.

Table 2: Monthly Generation Volume (kWh) and Capacity Factor (%)

Type	Units	Month 1	2	3	4	5	6	7	8	9	10	11	12	Total
Exports	**kWh**	120	339	878	1,145	1,329	1,331	1,206	1,162	923	721	250	164	**9,569**
Exports	**%**	1.4%	4.2%	10.3%	13.8%	15.5%	16.1%	14.1%	13.6%	11.2%	8.4%	3.0%	1.9%	**9.5%**
Fixed-Tilt QF	**%**	14.3%	18.1%	24.1%	27.8%	29.4%	32.2%	33.3%	31.7%	30.7%	25.6%	17.9%	13.0%	**24.9%**

Q. Please summarize the daily and seasonal variation of the export profile.

A. Table 3 provides a heat map that illustrates the pattern of exports across each day for each month of the year, specifically the capacity factor relative to the nameplate capacity of the generation (adjusted to reflect estimated alternating current deliveries to the grid). The pattern is similar to a solar profile, with the highest capacity factors in the middle of the day during the summer time when the sun is closest to directly overhead and with diminishing capacity factors in the winter as a result of shorter days and reduced solar insolation. While most customers have solar generation, a small portion of the total comes from wind and other technologies, resulting in occasional small export values outside of solar hours.

Table 3: Export Capacity Factor (%)

Month	Hour Beginning (PPT) 0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
1	-	-	-	-	-	-	-	-	0.7%	2%	4%	7%	8%	7%	4%	1.0%	0.1%	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	0.5%	3%	9%	15%	19%	19%	17%	12%	6%	1.0%	-	-	-	-	-	-	-
3	-	-	-	-	-	-	0.1%	1.4%	7%	18%	28%	36%	39%	38%	33%	25%	15%	6%	0.6%	-	-	-	-	-
4	-	-	-	-	-	-	0.3%	4%	13%	25%	37%	44%	47%	47%	44%	36%	23%	10%	2%	0.1%	-	-	-	-
5	-	-	-	-	-	0.1%	2%	8%	19%	32%	42%	48%	50%	49%	44%	36%	25%	14%	5%	0.6%	-	-	-	-
6	-	-	-	-	-	0.2%	2%	10%	21%	34%	43%	48%	50%	49%	44%	36%	26%	15%	6%	1.1%	0.1%	-	-	-
7	-	-	-	-	-	0.1%	1.4%	7%	18%	30%	39%	44%	46%	44%	39%	32%	21%	12%	4%	0.7%	0.2%	-	-	-
8	-	-	-	-	-	-	0.5%	5%	16%	29%	40%	45%	46%	45%	38%	30%	19%	10%	2%	0.2%	-	-	-	-
9	-	-	-	0.2%	-	0.2%	0.1%	2%	10%	22%	33%	40%	42%	39%	34%	25%	14%	5%	0.6%	-	-	-	-	-
10	-	-	-	-	-	-	-	0.7%	6%	16%	25%	32%	34%	33%	28%	19%	9%	1.2%	-	-	-	-	-	-
11	-	-	-	-	-	-	-	0.7%	4%	8%	12%	15%	14%	11%	6%	2%	0.1%	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	0.1%	2%	5%	8%	10%	10%	7%	3%	0.4%	-	-	-	-	-	-	-	-

Q. Is PacifiCorp proposing to differentiate export credit rates across the year?

A. No. PacifiCorp's standard metering within Washington does not support differentiation by time of day, and the seasonal variation in the energy value of the export profile is not significant. Washington also exhibits both winter and summer peak requirements such that exports provide capacity value in both seasons.

B. Avoided Energy

Q. How does PacifiCorp propose calculating avoided energy costs?

A. PacifiCorp proposes that compensation for exported energy be valued based on historical prices from the Western Energy Imbalance Market (WEIM) for the twelve months ending December 2024, weighted based on customers' historical export volumes. Specifically, PacifiCorp proposes using fifteen-minute market pricing for the PacifiCorp West WEIM Load Aggregation Point (ELAP), which represents the average price for the PacifiCorp West balancing authority area (BAA).

Q. Why are energy values based on historical WEIM prices appropriate?

A. Using historical WEIM prices for historical exports in the same intervals is the most accurate way to maintain the relationships between these data series. Historical export profiles are the result of two components: customer generation, which is typically dependent on solar insolation, as influenced by weather conditions, and customer load, which is impacted by a variety of factors, including weather and a customer's pattern of energy consumption. For example, if customer load increases on hot summer days, resulting in lower exports, the historical WEIM pricing from that same period may be higher if regional demand is also relatively high, or could be lower if regional demand is relatively low (or if regional resource supply is relatively high).

The relationship between weather in PacifiCorp's service territory and the impact to supply and demand across the WEIM footprint is necessarily complex but inherently captured by using price and export volume data from the same historical period. It is significantly more difficult to represent the relationship between customer generation, customer load, and market prices on a forecast basis. While PacifiCorp's 2025 Integrated Resource Plan expanded the use of historical data to better represent the range and relationships of weather-related variables, including wind, solar, and hydro generation, load, and market prices, it cannot match historical WEIM pricing in simplicity and transparency.

Q. What is the proposed exported energy value for customer generators?

A. The weighted average WEIM value of the export profile during the 12 months ending December 2024 was 2.548 cents per kWh. Because the proposed 2026 rate effective period is two years later, PacifiCorp proposes to escalate the historical costs by two years of inflation, consistent with the assumptions used in Schedule QF. After incorporating inflation, the WEIM energy value is 2.665 cents per kWh.

C. Integration

Q. How does PacifiCorp propose calculating integration costs?

A. PacifiCorp proposes that the solar integration costs included in Schedule QF be applied to all export volumes. While a small portion of customer generators use other generation types or a combination, approximately 99.8 percent of participants have solar generation.

Q. Are integration costs applicable to distributed resources?

A. Yes. Utilities must maintain a balance between load and resources at all times, and must have dispatchable capacity available to compensate for moment to moment variations and sustained changes. While offsetting variations cancel out and can reduce balancing requirements, particularly for PacifiCorp's large and geographically diverse system, significant variation remains, and all changes in loads and resources contribute to these requirements, regardless of size, based on their impact on the system as a whole.

Q. Are exports likely to exhibit relatively higher variation than solar production overall?

A. Yes. Assume a customer has a 10-kW rooftop solar array. When a passing cloud reduces solar output from 8 kW to 6 kW, it results in 25 percent less generation and would require deployment of 2 kW of reserve capacity to compensate for the change. If a customer is using 4 kW initially, and maintains that level of consumption, the same conditions would result in exports dropping from 4 kW to 2 kW, a 50 percent reduction, even though the variation in output is the same. This would still require deployment of 2 kW of reserve capacity, but because integration costs are applied on an energy basis (i.e. a $/MWh rate), the export volume provides less compensation for integration requirements than the entire output of a solar facility. The geographic distribution of customer generation facilities may offset this effect to an extent, as clouds will impact different customers at different times, but PacifiCorp's integration costs already reflect a significant degree of diversity among its large portfolio of load, wind, solar, and non-variable energy resources. Integration costs are also tied to energy prices, as the cost of holding reserves is generally higher when energy prices are high, which often coincides with periods when load is high.

In contrast, customer exports are reduced by onsite customer load, as excess amounts are higher in periods when load is low. As a result, the energy value of exports is likely to be lower than that of the overall generation from a solar resource, and the cost of integration in those hours may be lower. Given these factors, PacifiCorp proposes accounting for integration using the same percentage of energy value applicable to fixed tilt solar in Schedule QF. The current energy price for fixed tilt solar (prior to removing integration cost) is $53.23 per megawatt-hour and the current solar integration cost is $4.80 per megawatt-hour in 2026, such that integration represents approximately nine percent of the energy value. That same nine percent adjustment for integration can be applied to the energy value specific to the export profile.

Q. What is the proposed integration cost for customer exports?

A. The solar integration cost reduces the export credit rate by 0.24 cents per kWh.

D. Clean Energy Premium

Q. What is the clean energy premium?

A. To comply with CETA, PacifiCorp must procure clean resources equivalent to its retail sales, with compliance measured by the procurement of Renewable Energy Credits (RECs), or an equivalent for non-emitting resources that are not eligible for RECs. QFs also reduce the compliance obligation, regardless of their REC eligibility. The proposed Schedule 138, Net Billing Service is limited to renewable resources and reduces the need for energy and capacity supplied by the utility. As a result it is reasonable to count exported customer-generated energy toward CETA compliance and to include compensation for that compliance benefit as part of the export credit rate. PacifiCorp refers to this avoided CETA compliance cost as the clean energy premium.

Q. Has PacifiCorp developed a clean energy premium for other rate schedules?

A. Yes. The avoided cost pricing within Schedule QF includes a calculation of a clean energy premium.

Q. Please describe the calculation of the clean energy premium reflected in Schedule QF.

A. The current Schedule QF (effective January 1, 2025) reflects a clean energy premium based on small-scale wind and solar resources that were identified to meet incremental compliance requirements associated with CETA in PacifiCorp's 2023 IRP (a.k.a. 2021 IRP Progress Report). The calculation accounts for the costs of these resources over their expected operating lives, based on assumptions used in the 2023 IRP, as well as the benefits of the energy and capacity those resources provide, based on the values reflected in Schedule QF as well as the resource characteristics used in the 2023 IRP. The resource costs include capital costs, including financing and decommissioning levelized over the resource life, plus fixed operation and maintenance costs, minus production tax credit revenue. The resource benefits include capacity value based on a simple cycle combustion turbine as assumed in Schedule QF and prorated based on each resource's capacity contribution, as well as energy value, which reflects forecasted hourly Mid-Columbia market prices and the hourly generation profile of each resource. The net of the costs and benefits are calculated starting in 2030 (the year in which CETA compliance begins), and continue for each year of the resource's expected operating lives (25 years for solar and 30 years for wind). The present value of the net cost is calculated, converted to a dollar per megawatt-hour (consistent with CETA's megawatt-hour compliance requirements), and the average of the levelized values for wind and solar is used for QF pricing.

Q. Is PacifiCorp proposing any differences in the application of the clean energy premium for the purposes of Schedule 138, relative to Schedule QF?

A. Yes. First, Schedule QF includes a variety of resource types, while Schedule 138 is expected to primarily be composed of rooftop solar resources, and is most likely to reduce the need for procurement of solar resources. With that in mind, the proposed export credit rate reflects the clean energy premium for a proxy solar resource, rather than an average value based on both wind and solar. Second, Schedule QF is primarily intended for firm, long-term contracts of up to fifteen years, and includes a levelized clean energy premium over that long-term horizon, based on the value of compliance starting in 2030. The proposed Schedule 138 does not have a long-term commitment, but the aggregate program participation and presence of an existing customer relationship (i.e. load service) can make the program dependable over time in a way that individual QF resources may not be. To encourage participation and continue progress toward CETA requirements in 2030, for the purpose of Schedule 138, PacifiCorp is proposing to include the value of CETA compliance beginning immediately. Specifically, the 2030 clean energy premium for solar used in the calculation of Schedule QF pricing is adjusted for inflation back to a 2026 value for the purpose of the export credit.

Q. What is the value of the clean energy premium for customer exports?

A. The proposed clean energy premium is 0.955 cents per kWh.

E. Avoided Line Losses

Q. How does PacifiCorp propose calculating avoided line losses?

A. The line losses incorporated in PacifiCorp's current rates are from its 2018 Electric System Loss Study for Washington, published in April 2020. That study identified demand and energy loss factors for transmission, primary, and secondary voltages, as well as additional detail on losses for components within the distribution system. PacifiCorp proposes that the loss rates associated with customer exports vary based on the element under consideration. Specifically:

- **Avoided energy:** primary energy losses plus service transformer energy losses: 7.57 percent.
- **Avoided generation capacity and avoided transmission capacity:** primary demand losses plus service transformer demand losses: 7.55 percent.
- **Avoided distribution capacity:** primary demand losses divided by transmission demand losses: 3.6 percent.

Q. Why does PacifiCorp propose combining losses at the primary voltage level with service transformer losses?

A. PacifiCorp expects to apply the export credit to resources interconnected at secondary voltage levels. However, the exported energy must be transferred across the secondary distribution system to other customers. As a result, the exports will incur some line losses and will not be avoiding the entire line losses associated with serving load on the secondary distribution system. PacifiCorp's proposal balances the potential for reduced losses at the secondary level with the additional losses incurred as exports are transferred to other customers.

Q. Why does PacifiCorp propose reducing losses associated with avoided distribution capacity?

A. By the time power reaches a distribution substation, losses have already occurred on the transmission system as power is transferred from distant generation resources. Distribution equipment is sized to cover downstream load and associated losses, so losses on the transmission system do not impact distribution capacity needs and can be excluded from the avoided distribution capacity calculation.

Q. How are line losses incorporated in the export credit?

A. Avoided line losses reflect the need for more utility-scale generation than what is metered from an exporting customer generation facility, so PacifiCorp proposes that the energy-related loss factor apply to all energy components, including WEIM value, integration cost, and the clean energy premium. The aggregate value associated with avoided energy components is 0.256 cents per kWh. Avoided line losses also increase capacity value, but because these capacity-related items have smaller line loss impacts the avoided costs for those elements are presented inclusive of the incremental line loss savings.

E. Avoided Generation Capacity

Q. How does PacifiCorp propose calculating avoided generation capacity?

A. PacifiCorp proposes that avoided generation capacity costs be calculated using the annualized fixed costs of a simple cycle combustion turbine (SCCT), as assumed in Schedule QF. The annualized fixed costs of a SCCT are $113.26/kW-year, and include capital costs (with financing and decommissioning levelized over the resource life), fixed operation and maintenance costs, and pipeline costs.

Q. How do you propose calculating a generation capacity contribution for Schedule 138 exports?

A. PacifiCorp proposes using the capacity factor methodology based on loss of load probability (LOLP) data used in Schedule QF, which currently reflects estimates derived from the 2021 IRP preferred portfolio. The capacity factor methodology reports a capacity value that reflects a resource's average output during hours with a potential for loss of load events, weighted based on the probability in each hour. A description of this methodology and accompanying results are part of Appendix K: Capacity Contribution in PacifiCorp's 2021 IRP.

Q. Is PacifiCorp proposing to include a capacity deficiency period as part of the export credit methodology?

A. No. While capacity sufficiency and deficiency periods are relevant for long-term contracts, the nature of Schedule 138 does not distinguish the initial participation date of different participants, and doing so would be administratively burdensome and could cause confusion. Because customers are likely to remain on Schedule 138 for the life of their generating equipment, which can be twenty years or longer, most of the exports over the life of the equipment would occur during what was considered a deficiency period at the time the equipment was installed. PacifiCorp also includes projected increases in customer generation installations as part of its load forecast used in IRP portfolio modeling, so forecasted Schedule 138 participation is accounted for as part of the load and resource balance and helps to defer future capacity needs. With that in mind, PacifiCorp is proposing that capacity payments begin immediately.

Q. What is the capacity contribution for Schedule 138 exports under the capacity factor methodology?

A. The capacity contribution of Schedule 138 exports is approximately 4.06 percent, before accounting for the impact of line losses. After accounting for line losses, the capacity contribution increases to approximately 4.36 percent.

Q. What is the proposed generation capacity value for customer generators?

A. The generation capacity value is 0.594 cents per kWh.

F. Avoided Transmission Capacity

Q. How does PacifiCorp propose calculating avoided transmission capacity?

A. PacifiCorp has identified two components for avoided transmission capacity value, with slightly different applications and methodologies. First, PacifiCorp recovers the cost of its overall transmission system from all customers based on their peak load requirements, both retail and wholesale. Second, PacifiCorp includes the potential savings from deferral of transmission capacity upgrades needed to increase load serving capability as part of its modeling of energy efficiency options in its IRP process.

Q. Please describe PacifiCorp's proposed transmission system cost methodology.

A. PacifiCorp Transmission's Open Access Transmission Tariff includes firm transmission costs for network load and point-to-point transmission service that are updated annually based on a formula rate. PacifiCorp proposes using the most current transmission capacity cost as the basis for this component. Effective June 1, 2025, the annual transmission capacity cost is $52.92/kw-yr.

Q. What capacity contribution do you propose for transmission system costs?

A. Under the approved formula transmission rate methodology used to determine rates for service under the Open Access Transmission Tariff, transmission costs are based on the coincident monthly peak for all network load customers, plus the long-term firm point-to-point transmission reservations. The timing of historical monthly transmission system peaks are published as part of PacifiCorp's formula rate submissions each year. For 2024, the customer generation export profile had an average of approximately 0.86 kW, with values ranging from approximately 2.7 kW in August to zero kW in January. The twelve-month average corresponds to a capacity contribution of approximately 7.5 percent, or 8.1 percent after accounting for avoided line losses.

Q. What is the proposed transmission system capacity value for customer generators?

A. The transmission system capacity value is 0.513 cents per kWh.

Q. Please describe PacifiCorp's proposed transmission capacity deferral methodology.

A. PacifiCorp uses the costs and capacity increase values of transmission capacity expansion projects from its ten-year planning process to estimate the incremental cost of transmission needed to increase load-serving capability. After applying an annual carrying charge, the resulting costs reflect the potential value of deferring transmission capacity increase projects. A single transmission value of $5.83/kw-yr

(2024$) is used for the entire system as presented in PacifiCorp's 2025 IRP. Because the proposed 2026 rate effective period is two years later, PacifiCorp proposes to escalate these costs by two years of inflation, consistent with the assumptions used in Schedule QF.

Q. What capacity contribution do you propose for transmission capacity deferral?

A. Because costs related to transmission system upgrades would be treated similarly to the existing transmission system costs described above, PacifiCorp proposes to base the capacity contribution on monthly transmission system peaks, as described above.

Q. What is the proposed transmission capacity deferral value for customer generators?

A. The transmission capacity value averages 0.059 cents per kWh.

G. Avoided Distribution Capacity

Q. How does PacifiCorp propose calculating avoided distribution capacity?

A. PacifiCorp includes the potential savings from deferral of distribution capacity upgrades needed to increase load serving capability as part of its modeling of energy efficiency options in its IRP process.

Q. Please describe PacifiCorp's proposed distribution capacity deferral methodology.

A. PacifiCorp uses the costs and capacity increase values of distribution capacity expansion projects from its ten-year planning process to estimate the incremental cost of distribution projects needed to increase load-serving capability. Because distribution projects are sized for future load growth and have a limited range of sizing options, the distribution deferral value is adjusted to reflect a utilization weighting, calculated based on the sum of Washington's distribution load divided by total distribution system capacity in Washington. A high weighting indicates that there is little unused distribution system capacity and means that load growth is more likely to require distribution capacity upgrades. After applying an annual carrying charge and utilization weighting, the resulting costs reflect the potential value of deferring distribution capacity increase projects. A state-specific distribution capacity value of $18.93/kw-year (2024$) is used for Washington as presented in PacifiCorp's 2025 IRP. Because the proposed 2026 rate effective period is two years later, PacifiCorp proposes to escalate the historical costs by two years of inflation, consistent with the assumptions used in Schedule QF.

Q. What capacity contribution do you propose for distribution capacity deferral?

A. Distribution capacity deferral is related to load requirements on individual circuits in Washington, rather than system-wide resource supply (as reflected in the LOLP) or system-wide transmission demand (as reflected in the monthly transmission peaks). To estimate periods in which incremental resources could reduce distribution capacity needs, PacifiCorp began with Washington's actual hourly load for 2024. Distribution capacity is typically 20 percent higher in the winter, as cold temperatures increase the operating capability of some of the limiting distribution system components, so the actual hourly Washington load during November through March was divided by 120 percent to help account for the higher distribution system capability in those months. PacifiCorp then identified the top ten percent highest load hours based on these winter-adjusted values. These hours are primarily in the summer months, though about 20 percent still occur in the winter after the adjustment. The proposed capacity contribution for distribution capacity deferral reflects the average exports across all of the top ten percent load hours, and results in a contribution of 14.8 percent.

Q. What is the proposed distribution capacity deferral value for customer generators?

A. The distribution capacity value is 0.366 cents per kWh.

V. UPDATE METHODOLOGY FOR EXPORT CREDIT RATES

Q. How often does the company plan to update the export credit rate in the proposed Schedule 138?

A. The company proposes making an advice filing each year by November 1st to update the rate with the new rate becoming effective January 1st of the following calendar year. This coincides with scheduled updates to QF pricing in Schedule QF, which provides many of the cost inputs used to determine the export credit rate. A summary of the proposed input assumptions that would be updated prior to each calendar year is provided below:

- **Historical Data**: PacifiCorp proposes using the hourly export profile, WEIM prices, and Washington load from the prior calendar year. The effective rates will reflect changes in the historical export profile each year, even if other input values are unchanged.
- **Integration Cost/Clean Energy Premium/Inflation/Generation Capacity Cost/LOLP**: Values will be sourced from the proposed Schedule QF (and underlying calculations), which is filed by Nov. 1st each year, concurrently with the proposed Schedule 138 update. Any relevant changes in inputs that

are ultimately adopted for Schedule QF should also be reflected in the export credit rate for Schedule 138.

- **OATT Transmission Rates/Historical transmission peak:** Values from PacifiCorp's annual formula transmission rate projection, which is available by June 1 each year. Historical transmission peak hours aligned with the export profile are also included with these calculations.
- **Transmission and Distribution Deferral Costs:** The annual update will reflect the deferral costs from the most recently filed IRP or IRP Update, with an adjustment for inflation.
- **Line Losses:** The annual filing will reflect the line losses used in the most recently approved rate case.

Q. What are the advantages of updating the customer's export credit on an annual basis as proposed above?

A. Updating the export credit rate annually ensures that the export credit payments continue to be consistent with PacifiCorp's avoided cost and that they are consistent with the non-firm nature of the output.

VI. CONCLUSION

Q. Please summarize your recommendations for the Commission.

A. PacifiCorp recommends that the Commission adopt the export credit value contained in Table 1 of my testimony and adopt an annual updates process based on the methodology and inputs described in my testimony.

Q. Does this conclude your direct testimony?

A. Yes.