Exh. JT-1
Dockets UE-191024, UE-190750,
UE-190929, UE-190981,
UE-180778 (*Consolidated*)
Witness: Michael G. Wilding
Jason L. Ball
Corey Dahl
Robert Earle
Lance D. Kaufman
Shawn M. Collins
Alex Kronauer

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PACIFIC POWER & LIGHT COMPANY,** **Respondent.**	**DOCKETS UE-191024, UE-190750, UE-190929, UE-190981, UE-180778 (*Consolidated*)**

TESTIMONY OF

Michael G. Wilding
Jason L. Ball
Corey Dahl
Robert Earle
Lance D. Kaufman
Shawn M. Collins
Alex Kronauer

Joint Testimony in Support of Settlement Stipulation

July 17, 2020

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I. INTRODUCTION

Q. What is the purpose of this Prefiled Joint Testimony?

A. This prefiled joint testimony (Joint Testimony) recommends that the Washington Utilities and Transportation Commission (Commission) approve the Partial Settlement Stipulation (Stipulation) in this case among PacifiCorp d/b/a Pacific Light & Power (PacifiCorp or the Company), the Staff of the Washington Utilities and Transportation Commission (Staff), the Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel), Packaging Corporation of America (PCA), The Energy Project (TEP), and Walmart Stores Inc. (Walmart) (individually, Party, and collectively, Parties). The Stipulation resolves all of the issues in the proceeding except for those in Docket UE-180778, and is supported by the parties to all of the consolidated dockets except Docket UE-180778.[1] Accordingly, the Stipulation is an all-party settlement pursuant to WAC 480-07-730(2).

Q. Please state your names, titles, and the party you represent in this matter.

A. Our names, titles, and representation are as follows:

- Michael G. Wilding, Director, Net Power Costs and Regulatory Policy, PacifiCorp
- Jason Ball, Deputy Assistant Director, Energy Regulation Section, Staff
- Corey Dahl, Regulatory Analyst, Public Counsel
- Dr. Robert Earle, Principle for Alea IE, consulting for Public Counsel
- Lance D. Kaufman, Principle Economist for Aegis Insight, consulting for PCA
- Shawn M. Collins, Director, TEP
- Alex Kronauer, Senior Manager, Energy Services, Walmart

[1] Sierra Club is a party to Docket UE-180778 but not to the general rate case or to the other consolidated dockets.

Q. Mr. Wilding, please provide information pertaining to your educational background and professional experience.

A. My name is Michael G. Wilding. My business address is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232. I am employed by PacifiCorp as Director, Net Power Costs and Regulatory Policy. Please see Exhibit MGW-1CT filed on December 13, 2019, for testimony describing my qualifications.

Q. Mr. Ball, please provide information pertaining to your educational background and professional experience.

A. My name is Jason L. Ball. I am the Deputy Assistant Director in the Energy Regulation Section of the Regulatory Services Division at the Commission, and I served as the case lead for Staff in this proceeding. My business address is 621 Woodland Square Loop SE, Lacey, Washington, 98503. My email address is jason.ball@utc.wa.gov.

I earned a degree from New Mexico State University in 2010 with a dual major in Economics and Government. In 2013, I graduated with honors from New Mexico State University with a Master of Economics degree specializing in Public Utility Policy and Regulation. I joined the Commission in 2013 as a Regulatory Analyst in the Energy Regulation section of the Regulatory Services division.

I have testified in a number of Commission proceedings including the following: PacifiCorp general rate cases (GRCs) in Dockets UE-152253 and UE-140762; the PacifiCorp Power Cost Adjustment Mechanism (PCAM) review proceeding in Docket UE-170717; Puget Sound Energy (PSE) GRCs in Dockets UE-190529/UG-190530 and UE-170033/UG-170034; PSE's power cost only rate case in

Docket UE-141141; Avista Corporation d/b/a Avista Utilities GRCs in Dockets UE-190334/UG-190335, UE-160228/UG-160229, and UE-150204/UG-150205.

Q. Mr. Dahl, please provide information pertaining to your educational background and professional experience.

A. I earned a B.A. in Economics and a B.A. in English from the University of St. Thomas in St. Paul, Minnesota in 2011. In 2016, I earned a Master of Public Administration degree from the Daniel J. Evans School of Public Policy and Governance at the University of Washington in Seattle. While completing my graduate studies, I worked on low-income and housing policy for a non-profit advocacy organization and worked as a legislative assistant for the Seattle City Council.

My current employment with Public Counsel began in October 2016. Since joining the Attorney General's Office, I have worked on a variety of energy, transportation, and telecommunications matters, including Avista's 2019 General Rate Case (UE-190335 and UG-190335), Lugg's 2020 Complaint (TV-200029), Waste Xpress's 2020 Complaint (TG-200131), Dolly's Petitions for Household Goods Mover Permits (TV-190593 and TV-190594), CenturyLink's 2017 911 Outage Complaint (UT-190209), Cascade's 2017 General Rate Case (UG-170929), Puget Sound Energy's 2017 General Rate Case (Dockets UE-170033 and UG-170034), Avista's 2017 General Rate Case (Dockets UE-170485 and UG-170486), the Puget Sound Energy Greenwood Explosion Complaint (PG-160924), Pacific Power's Schedule 300 Tariff Revision case (UE-161204), the CenturyLink-Level3 Merger (UT-170042), Cascade Natural Gas Company's 2017 General Rate Case (UG-

170929), the Avista-Hydro One Merger (U-190970), Avista's 2018 Depreciation Petition (UE-180167 and UG-180168), CenturyLink's 2017 911 Outage Complaint (UT-190209), and the 2019 Avista Remand (UE-150204, UG-150205, and UE-190222). I testified on behalf of Public Counsel in Support of the 2019 Avista General Rate Case Partial Settlement (UE-190334 and UG-190335), in support of the settlement regarding the merger of CenturyLink and Level3 Communications (Docket UT-170042) in May 2017, on low-income issues in Cascade's General Rate Case (UG-170929), and in the Avista-Hydro One Merger Settlement (U-170970).

Beyond adjudications, I have worked on rulemakings, low-income rate assistance, energy conservation, and integrated resource plan issues for multiple Washington utilities. I have been involved in several rulemakings, including the CETA IRP Rulemaking (UE-190698), CETA EIA Rulemaking (UE-190652), CETA CEIP Rulemaking (UE-191023), CETA Purchases of Electricity Rulemaking (UE-190837), generic Cost of Service Collaborative (UE-170002 and UG-170003), and IRP Rulemaking (U-161024). In particular, I participate in conservation advisory groups for Puget Sound Energy and Cascade Natural Gas, as well as the Northwest Natural Gas IRP Technical Working Group, Cascade IRP Technical Advisory Committee, and the Avista Electric IRP Technical Advisory Committee. I also participate in low-income advisory groups for Cascade Natural Gas, Puget Sound Energy, and Avista. Additionally, I completed Michigan State University and the National Association of Regulatory Utility Commissioners' Utility Rate School in May 2017.

Q. Dr. Earle, please provide information pertaining to your educational background and professional experience.

A. My name is Robert Earle. My business address is 1388 Haight St. #49, San Francisco, California, 94117. I have worked as an economist in the electric power and other regulated industries for over 20 years. I was employed as the Manager of Economic Analysis at the California Power Exchange, and in senior positions at the Brattle Group, Charles River Associates, and Analysis Group. I am currently employed by and am the owner of Alea IE, LLC. I earned an undergraduate degree in mathematics from the College of William and Mary in Virginia, and an M.S. and Ph.D. in operations research from Stanford University in California.

I have provided expert testimony on power costs and other electric power industry issues before the California Public Utilities Commission, the Superior Court of California in Los Angeles County, the Oklahoma Corporation Commission, the Ohio Public Utilities Commission, the District Court in Dallas Texas, the Public Utilities Commission of Texas, the Federal Energy Regulatory Commission, and the New Brunswick Public Utilities Board (Canada).

Q. Dr. Kaufman, please provide information pertaining to your educational background and professional experience.

A. My name is Lance D. Kaufman, and I am the Principal Economist of Aegis Insight. I am appearing in this matter on behalf of PCA. I have a Ph.D. in Economics from the University of Oregon. I have provided expert analysis and testimony in numerous public utility regulatory proceedings, previously as a Senior Economist for the Oregon Public Utility Commission and now as a consultant. My experience includes testimony before this Commission on behalf of the Alliance of Western Energy Consumers in Avista Corp.'s most recent general rate case, UE-190334/UG-190335.

Q. Mr. Collins, please provide information pertaining to your educational background and professional experience.

A. My name is Shawn Collins, and I am the Director of The Energy Project. I have served as Director since 2015. Prior to joining the Energy Project, I held several positions with the Opportunity Council including Associate Director of the Home Improvement Department, Community Energy Challenge Manager, and Community Services Outreach and Development Coordinator. I am a member of the Bonneville Power Administration Low-income Energy Efficiency Workgroup Steering Committee, the Washington State Low Income Home Energy Assistance Program Advisory Committee, and the Washington State Low-income Weatherization Advisory Committee. I earned a Bachelor of Arts degree from Eastern Illinois University in 2002 with a major in English and a minor in Philosophy. I have provided testimony on behalf of The Energy Project in numerous Commission proceedings, including recently Dockets UE-190529/UG-190530 (PSE 2019 GRC) and UE-190334/UG-190335 (Avista 2019 GRC).

Q. Mr. Kronauer, please provide information pertaining to your educational background and professional experience.

A. My name is Alex Kronauer, and I am a Senior Manager on the Energy Team for Walmart. In 2011, I earned a Master of Business Administration at the McCombs School of Business at The University of Texas at Austin with a concentration in Finance and Investment Management. From 2011 to 2012, I was a Senior Financial

Analyst at TXU Energy, a Texas-based power supplier. My duties included load forecasting and analysis. From 2012 to 2019, I was a Financial Analyst and later a Senior Financial Analyst at CyrusOne, a data center provider in Dallas. I was involved in several power-related areas, including demand response, power procurement, and power expense forecasting. I joined the Walmart Energy Department in July 2019 as a Senior Manager.

Q. Would you briefly summarize the Stipulation?

A. Yes. The Stipulation is a comprehensive settlement of all the issues in this docket among all the parties. The end result of the Stipulation is a rate decrease of $4.15 million for customers, which is a 1.18 percent overall rate decrease which will occur on January 1, 2021. This Stipulation also provides for a 3-year rate plan and PacifiCorp will not file a general rate case that would be effective before January 1, 2024. The review of certain pro forma major capital additions has been reserved for another case, however, the costs have been included in this case subject to refund. PacifiCorp has also agreed to file a Power Cost Only Rate Case (PCORC) to reset baseline net power costs (NPC) in 2021.

This Stipulation also provides for the approval of the Washington Inter-Jurisdictional Allocation Methodology Memorandum of Understanding (WIJAM MOU) and the 2020 Protocol, which will allow the incorporation of significant new renewable energy from PacifiCorp's system into Washington rates. This Stipulation implements numerous rate design changes including flattening of residential tiered energy charges, new time varying rate pilots, modernization of time of use periods for large customers, and a re-design of the Company's street lighting tariffs. The

Stipulation also provides for the creation of an Advisory Group for low-income programs, and new reporting on low-income and disconnection practices.

Q. What issue is not addressed by the Stipulation?

A. Parties to Docket UE-180778, the "depreciation docket," have entered into a separate multi-party settlement agreement (Depreciation Stipulation) to resolve the issues in the depreciation docket. The Depreciation Stipulation has been entered into as a separate agreement because the parties to the depreciation docket are not identical to the parties to the remaining dockets consolidated with the general rate case. Together, the two agreements memorialize the settlement of all issues in the consolidated proceedings.

Q. Do you recommend approval of the Stipulation?

A. Yes.

II. BACKGROUND

Q. Please describe the Company's initial filing in this proceeding.

A. On December 13, 2019, PacifiCorp filed a general rate case with the Commission requesting an increase in revenues of approximately $3.1 million from Washington operations, offset by the approximately $7.1 million proposed amortization of certain tax reform benefits, resulting in an overall price reduction of approximately 1.1 percent, or $4.0 million.

The filing was based on an historical twelve-month period ended June 30, 2019, adjusted for known and measurable changes. In particular, net power costs reflected the normalized pro forma costs for the 12-month period ending

December 31, 2021, the rate effective period in this case, scaled back to the historical test period using the production factor.[2]

Q. Please describe the Company's updated supplemental filing in this proceeding.

A. On February 3, 2020, the Commission issued a Pre-Hearing Conference Order that set a procedural schedule, which allowed for the filing of Supplemental Testimony updating PacifiCorp's revenue requirement on April 1, 2020, based on decommissioning studies that were ongoing at the time.[3] On March 13, 2020, the Commission issued an order that, among other rulings, directed PacifiCorp to file supplemental testimony on the new Colstrip coal supply agreement, also on April 1, 2020.[4]

PacifiCorp filed supplemental testimony on April 1, 2020. This supplemental testimony identified an increase in revenues of approximately $29.8 million from Washington operations, offset by the approximately $18.8 million proposed amortization of certain tax reform benefits, resulting in an overall price increase of approximately 3.2 percent, or $11.0 million.

Q. Did the Parties conduct discovery on the Company's filing?

A. Yes. The Parties in this proceeding have conducted extensive discovery on the Company's direct testimony. The Company responded to 67 sets of discovery, amounting to 600 discovery requests.

[2] The production factor is the ratio of the loads in the historical test period to the loads in the forecast period.
[3] Order 03 at Appendix B (Feb. 3, 2020).
[4] Order 05 at ¶11 (Mar. 13, 2020).

Q. How did this Stipulation develop?

A. The Parties held an initial settlement conference on April 30, 2020, and subsequent meetings were held on May 18, 2020, and May 28, 2020. The Parties presented proposals and counter-proposals which culminated in this settlement. Staff notified the administrative law judge on May 29, 2020, that a settlement had been reached.

III. THE TERMS OF THE STIPULATION

A. Rate Decrease and Rate Effective Date

Q. Please explain the Rate Decrease, 3-year Rate Plan, and the Rate Effective Date.

A. Under the Stipulation, PacifiCorp is authorized to implement rate changes designed to decrease its annual revenues from Washington customers by $0.21 million (or -0.06 percent). This amount also includes an approximate $1.48 million revenue requirement reduction resulting from modifications to PacifiCorp's depreciation rates, as agreed to in the separate stipulation filed in Docket UE-180778. Under Schedule 197, the Stipulation provides for a five-year amortization of the remaining tax credit balances related to the deferred Tax Cuts and Jobs Act (TCJA) benefits,[5] resulting in an $11.94 million tax credit annually.[6] Accounting for the expiration on January 1, 2021, of the approximate $8 million currently being passed back to customers through Schedule 197, the amortization of the remaining tax credit balance results in a total decrease of $4.15 million for customers (1.18 percent rate decrease)

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[5] The "deferred Tax Cuts and Jobs Act (TCJA) benefits" refers to federal income taxes collected from ratepayers at the 35 percent corporate tax rate, but during the period time in which the 21 percent corporate rate was in effect. The 35 percent corporate tax was embedded in PacifiCorp's Washington rates prior to this case, though PacifiCorp has deferred all over-collected amounts for return to ratepayers.

[6] Schedule 197 currently credits approximately $8 million to customers. This credit expires on January 1, 2021.

in 2021 and no rate change in 2022 and 2023, subject to the results of the updates and additional proceedings agreed to in this Stipulation. These rate changes will be effective with service on and after January 1, 2021. The suspension period in this case ends on December 31, 2020.

PacifiCorp has accepted a 3-year rate plan from 2021 to 2023. The Company has agreed to not file a general rate case that would be effective before January 1, 2024, with certain specific exceptions identified in the Stipulation. The intent of this settlement and the rate plan is to provide rate stability, avoid a rate change in 2021, and mitigate the rate impact in years 2022 and 2023. Proposed base rates, effective January 1, 2021, include production related plant that will be in service during the latter half of 2020. In this proposal there are no other base rate changes through 2023. However, the power cost baseline will be updated to rely on the Nodal Pricing Mechanism through a PCORC that will be filed in 2021.

Q. Please explain how the tax benefits are being returned to customers.

A. The Company is returning all remaining available deferred tax benefits to Washington customers including the 2020 deferred current tax benefits, non-protected excess deferred income taxes (EDIT), and deferred amortization of protected EDIT through the end of 2020. The tax benefits included in Table 1 below are being returned to customers through Schedule 197 over the next 5 years beginning January 1, 2021. Additionally, an annual amount of protected EDIT amortization is included in the revenue requirement in this rate case and included in base rates beginning January 1, 2021.[7]

Table 1 – Tax Benefits included in Schedule 197

TCJA Balances	Amount
Current Taxes	$9.5 million
Non-protected EDIT	$25.9 million
Deferred protected EDIT amortization	$15.1 million
Total	$50.5 million

B. Rate of Return

Q. Is there a change to PacifiCorp's authorized capital structure and cost of equity?

A. No. The Parties have agreed to maintain the current authorized capital structure and cost of equity that were previously approved for PacifiCorp in Docket UE-152253, which supports a rate of return at 7.17 percent.

C. Pro Forma Major Capital Additions & Net Power Costs

Q. Please explain the Parties' agreement on pro forma capital additions.

A. Certain major capital additions that will be placed in service after May 1, 2020 will be placed into rates subject to refund and will be reviewed for prudency in a later proceeding. The parties have agreed to support an expedited schedule for this proceeding so that it may be concluded within seven months of filing.

There will be no further incorporation of capital additions into rates through 2023. PacifiCorp may include in the 2020 capital additions review any unanticipated capital additions placed into service prior to the Company's filing, which if found

[7] The Company is using the Reverse South George Method to amortize protected EDIT. A full detail of these amounts is provided in Fuller, Exh. RF-4.

prudent by the Commission, will be recovered in rates as a part of the Company's next general rate case. Any such unanticipated capital additions will be excluded from the calculation of the Company's baseline NPC in the PCORC specified below, unless the Company is allowed to defer the revenue requirement associated with unanticipated capital additions until its next rate case, in which case the associated benefits will be included in baseline NPC.

Q. Please explain how baseline NPC will be set until PacifiCorp files a PCORC.

A. The NPC baseline will be updated on October 15, 2020 (October Update). The October Update will be calculated in the same manner as the baseline that was used to derive the revenue requirement in this settlement, incorporating a $10.5 million NPC baseline reduction. The October Update must be based on the most recent Official Forward Price Curve (OFPC) available (September 2020 OFPC). This update will also include: a black box adjustment reducing NPC by $1,357,952, line loss savings of 11.5 aMW, and reliability cost savings of 36.5 aMW for the EV 2020 additions, if beneficial to Washington customers. Deviations in the positive direction (increase in rates) from the amount estimated in this settlement (approximately $102 million) as a result of the October Update will be offset by balances returned from the deferral account for the PCAM over the next three years.

Q. Please explain how Energy Imbalance Market (EIM) benefits will be treated.

A. EIM costs (normally included in NPC) and benefits will be included in base NPC and actual EIM costs and benefits will flow through the PCAM mechanism. Non-NPC

EIM costs will be moved to base rates as per the Commission's final order in Docket UE-152253.[8]

Q. Please explain how Production Tax Credits will be treated.

A. Production tax credits will be returned to customers as a mirror to the PCAM without running through the mechanism; differences between the actual and projected PTCs will not flow through the PCAM deferral account. Instead, these amounts will receive separate accounting treatment and be trued up on an annual basis. In accordance with the parties' intent to align costs and benefits, PTCs associated with the assets identified above are subject to refund.

Q. Please explain the Parties' agreement on a PCORC in 2021.

A. The parties have agreed that PacifiCorp will file a PCORC in 2021 with a NPC baseline based on a nodal dispatch. The only effect from this PCORC on rates will be a change in the power cost baseline which could be higher or lower. The prudence of any costs associated with nodal dispatch and modeling nodal dispatch will also be subject to review in the PCORC. Additionally, PacifiCorp may file for deferred accounting treatment for major maintenance expenses at the Colstrip plant through 2020 and early 2021, and this deferral may be reviewed for prudency in the PCORC and recovered in rates through the Company's next General Rate Case.

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[8] *WUTC v. Pacific Power & Light Co., a division of PacifiCorp*, Docket No. UE-152253, Order 12 at ¶14 (Sept. 1, 2016).

WIJAM MOU & 2020 Protocol

Q. Do Parties support the adoption and implementation of the WIJAM[9] and the 2020 Protocol?[10]

A. Yes. The Parties support and recommend the Commission adopt the WIJAM and the 2020 Protocol, which are discussed in the direct testimony of Ms. Etta Lockey[11] and Mr. Wilding.[12]

Q. Please describe the 2020 Protocol.

A. The 2020 Protocol represents a fundamental shift in how the Company proposes to address inter-jurisdictional cost allocation, with the ultimate goal of moving away from dynamic allocation factors and a common generation resource portfolio to a cost-allocation protocol with fixed allocation factors for generation resources and state-specific resource portfolios. To achieve this goal, the 2020 Protocol uses a gradual transition approach that, for Washington, relies on the WIJAM. The 2020 Protocol describes certain cost-allocation issues that will be implemented during an "interim period," from January 1, 2020, until the earlier of resolution of all remaining cost-allocation issues or December 31, 2023 (the Interim Period). Further, the 2020 Protocol establishes: (1) cost allocation procedures that will be implemented during the Interim Period (Implemented Issues); (2) cost allocation procedures that are

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[9] Wilding, Exh. MGW-2.
[10] Lockey, Exh. EL-3.
[11] Lockey, Exh. EL-1T.
[12] Wilding, Exh. MGW-1CT.[13] Exit Order means an order entered by a state Commission approving the discontinuation of the use of an existing resource and exclusion of costs and benefits of that resource from customer rates by that state on a date certain. See Appendix A to the 2020 Protocol for the defined term as used in the 2020 Protocol.

agreed to but that will not take effect until after the Interim Period (Resolved Issues); and (3) cost allocation procedures that parties to the 2020 Protocol will continue to work to resolve during the Interim Period (Framework Issues).

Q. Please describe the interaction between the 2020 Protocol and the WIJAM.

A. The specific cost-allocation protocols that will be used by PacifiCorp in Washington are detailed in the WIJAM, which is included as Appendix F to the 2020 Protocol. Many provisions of the 2020 Protocol are not directly applicable to Washington; there are, however, two primary components of the 2020 Protocol that are applicable:

- Section 4.1 of the 2020 Protocol outlines a process by which state commissions may issue Exit Orders[13] which provide for specific Exit Dates,[14] on which the state issuing the Exit Order will no longer receive any benefits or be subject to any new costs related to that resource. Exit Orders may be established through the approval of the 2020 Protocol, in depreciation dockets, general rate cases, or other appropriate regulatory proceedings. Approval of the 2020 Protocol by the Commission will be considered issuance of an Exit Order for Jim Bridger and Colstrip with the following Exit Dates: December 31, 2023 for Jim Bridger Unit 1 and no later than December 31, 2025 for Jim Bridger Units 2-4 and Colstrip Unit 4.

- The 2020 Protocol sets forth an agreed-upon set of unresolved cost allocation issues, called Framework Issue that all states have agreed to continue to work to resolve. These Framework Issues . . . include resource planning and new resource assignment, implementation of a Nodal Pricing Model for allocation of NPC as described in the testimony of Mr. Wilding, potential limited realignment of certain resources, treatment of special contracts, and post-Interim Period capital additions on coal-fired resources.

[13] Exit Order means an order entered by a state Commission approving the discontinuation of the use of an existing resource and exclusion of costs and benefits of that resource from customer rates by that state on a date certain. See Appendix A to the 2020 Protocol for the defined term as used in the 2020 Protocol.

[14] Exit Date means the date on which PacifiCorp will discontinue the allocation and assignment of costs and benefits of a coal-fueled Interim Period Resource to the State issuing the Exit Order. See Appendix A to the 2020 Protocol for the defined term as used in the 2020 Protocol.

Pending resolution of the Framework Issues and approval of a post-Interim Period cost allocation methodology (*i.e.*, a cost allocation methodology taking effect no later than January 1, 2024, also referred to as the Post-Interim Period Method), the Company may propose a new Post-Interim Period Method for use in all six states.

Q. Please describe the WIJAM.

A. The WIJAM has four primary components:

- Costs and benefits associated with PacifiCorp's entire transmission system will use a system allocation.
- Costs and benefits associated with PacifiCorp's existing and new non-emitting, non-qualifying facility (QF) resources will use a system allocation. Non-emitting, non-QF resources include all wind, solar, hydro, and geothermal generating resources.
- NPC will be allocated using a spreadsheet method that reflects assets included in Washington rates, including the allocation of EIM benefits.
- Jim Bridger and Colstrip Unit 4 (Colstrip) will be depreciated by December 31, 2023, in Washington rates.

Q. How will the transition to a system allocation of the transmission costs and benefits occur?

A. The WIJAM MOU originally outlined a three-year phase-in approach to including these costs in Washington's rates through a combination of an update to the revenue requirement in this case and a separate tariff rider, the System Transmission Adjustment. However, this settlement eliminates the three-year phase-in and provides for an allocation of PacifiCorp's System Transmission costs on January 1, 2021. This results in an approximately $5.4 million increase to revenue requirement that is reflected in this settlement.

Q. The WIJAM includes system transmission costs for Washington; has that been incorporated into the 3-year rate plan?

A. Yes, it has been incorporated in the 3-year rate plan. Consistent with the MOU, the Company will present a method for excluding the costs and benefits of all transmission-voltage, radial lines connecting resources not otherwise included in Washington rates to PacifiCorp's interconnected, network transmission system.

Q. Do all Parties agree on the acceleration of depreciation for Colstrip and Jim Bridger to 2023?

A. Yes. Additionally, once Colstrip or Jim Bridger facilities are removed from the Company's revenue requirement, PacifiCorp will not seek to recover additional investments in those facilities in Washington rates.

Q. How are Parties proposing to treat Decommissioning and Remediation?

A. The proposed revenue requirement includes the recovery of additional Decommissioning & Remediation Costs (D&R)[15] over 10 years (2021 through 2030), which is allowed under RCW 19.405.030(1)(a). These costs include D&R costs in the amount of $10,867,247 (total company) and other plant related closure costs in the amount of $6,283,189 (total company) per year for Colstrip Unit 4 and the Jim Bridger Plant. These will be recorded in a decommissioning balancing account as proposed in Exhibit MGW-1CT. The D&R cost estimates provided in PacifiCorp's April 1, 2020 update filing will be used for purposes of setting rates in this proceeding only, but the Parties take no position on the accuracy of this estimate overall or of the individual D&R components. The balance will act as a reduction to Company rate base.

[15] The additional decommissioning and remediation is based on the Decommissioning Studies issued in January and March 2020 as compared to the level of decommissioning and remediation originally included in the Company's 2018 Depreciation Study.

Q. How will Bridger Coal Company Reclamation costs be treated?

A. The Company's current baseline NPC include $18,753,699 (total company) of contributions to the Bridger Coal Company (BCC) Reclamation Trust Fund through fuels costs for the Jim Bridger power plant. The proposed revenue requirement also includes recovery of additional, incremental reclamation and depreciation over 10 years (2021 through 2030) in the amount of $11,815,290 per year on a total company basis, for Bridger Mine reclamation and depreciation costs beyond 2023. As with the D&R costs above, Washington's share of these costs will be recorded in a balancing account that will be part of rate base.

Q. Will PacifiCorp hold a workshop for parties on BCC costs?

A. Yes. PacifiCorp will hold a workshop during the fall of 2020 on Bridger Coal Company costs, which will include, but not be limited to: (1) customers' historical contribution to BCC costs; (2) how BCC costs are reflected in Washington rates and in what amount; and (3) the estimated remaining contribution of Washington customers to these costs. Customers' contribution to BCC costs will be tracked over the period of the rate plan in a manner that allows parties to review these contributions in PacifiCorp's next general rate case.

D. Rate Spread and Rate Design

Q. Have the Parties agreed to a rate spread?

A. Yes. The Parties have agreed that the increase will be spread to all rate schedules, other than street lighting, on an equal percentage of revenue basis. Street lighting schedules will be set at their cost of service as specified in the initial application.

Q. Have the Parties agreed to a residential rate design?

A. Yes. The Company's residential basic charge will be set at its current level of $7.75 and the inclining block tiered energy charge rate structure will be flattened by 25 percent.

Q. How will non-residential rate design be treated under the Stipulation?

A. All of the Company's changes for non-residential rate design proposed in the Company's initial filing are implemented, except that the relationship between the first and second block energy charges on Schedule 36 are maintained and the billing determinants used to set rates for Schedule 48T – dedicated facilities are re-calculated to be based upon calendar year 2019 information.

Q. How does the Stipulation treat the Company's proposed Pilot Programs?

A. The parties support the Company's proposed pilot programs identified in its December 13, 2019 filing. Staff and interested intervenors will work with the Company over the next few months to develop a Monitoring and Reporting plan for these pilot programs. At a minimum, this reporting will include the reporting of impacts on low-income and other vulnerable customers. The Company will host a regional meeting by June 30, 2021, on emerging technologies that may help it meet its future resource adequacy needs.

E. Low Income Programs and Disconnection Practices

Q. Please explain the Advisory Group for the Low Income Bill Assistance (LIBA) Program.

A. The Advisory Group for the LIBA program will examine the funding levels and other mechanisms to expand access to bill assistance and review certain specific rate design changes articulated in the Stipulation. The Stipulation further sets out the goals of the Advisory Group and additional annual reporting requirements for the Company around low income programs.

Q. Please explain the Stipulation's provisions on Disconnections.

A. The Stipulation provides for increased reporting on Disconnections and the formulation of a plan to reduce disconnections. In addition, PacifiCorp agrees to continue premise visits for disconnecting service for residential customers.

F. Additional Provisions

Q. How does the Stipulation treat Renewable Energy Credits?

A. The Stipulation supports the Company's proposed treatment for Renewable Energy Credits (RECs).[16] However, the $300,000 REC one-time purchase should be amortized and tracked for true-up in the existing mechanism over three years.

Q. Please explain the Company's proposal on Decoupling.

A. At this time, the Company recommended three minor modifications.[17] First, the Company proposes updating the Total Revenue, Net Power Cost Revenue, and Fixed Basic Charge Revenue to reflect the final revenue for this case. Second, the Company recommends a slight modification to the calculation of the Monthly Decoupling

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[16] Lockey, Exh. EL-1T at 34-36.
[17] Meredith, Exh. RMM-1T at 61-64.

Deferral so that the Actual Decoupled Revenue used is based on actual revenue instead of multiplying actual kilowatt hour usage by an average monthly revenue value from the last rate case. Finally, for the decoupling mechanism the Company proposes including Schedule 19 in the residential class and including Schedule 29 in the Schedule 36 class.

Q. Do Parties support these changes through the Stipulation?

A. Yes.

Q. Please explain the Idaho Power Asset Exchange.

A. The Idaho Power Asset Exchange included the purchase of transmission line and substation assets by PacifiCorp from Idaho Power and the sale of like-kind assets by PacifiCorp to Idaho Power. As a result of the Idaho Power Asset Exchange, PacifiCorp traded like-kind transmission facilities of nearly equal net book value with Idaho Power. The legacy agreements provided PacifiCorp 1,600 megawatts (MW) of total transmission capacity, including 200 MW of dynamic transfer capability.

Q. Do Parties agree that the exchanged assets should be included in rates?

A. Yes, consistent with the testimony of Mr. Rick A. Vail and the system allocation of transmission identified in the WIJAM, the Parties agree that it is appropriate to include these exchanged assets in rates going forward.[18] The proposed power cost baseline includes these assets and therefore their benefits flow to ratepayers.

[18] Vail, Exh. RAV-1T at 11-15.

Accordingly, and consistent with requirements outlined in the 2015 GRC, it is appropriate to include the costs of these assets in base rates.[19]

Q. How will the workpapers for Investor Supplied Working Capital (ISWC) be provided in future General Rate Cases?

A. Work papers related to ISWC in future rate cases will use the format provided in the Company's 2nd Supplemental Response to UTC Data Request No. 81. Specifically, ISWC will reflect AMA account balances, by subaccount, in one of the following categories: current assets, current liabilities, average invested capital, and investments. The ISWC presentation will then categorize the investment AMA amounts as Washington, Other States, or Non-Operating/Other. Then, it will multiply ISWC by the percentage of the total investment representing Washington, to calculate ISWC for Washington.

IV. THE STIPULATION SATISFIES THE PARTIES' INTERESTS AND IS CONSISTENT WITH THE PUBLIC INTEREST

A. Statement of PacifiCorp (Michael G. Wilding)

Q. Please explain why PacifiCorp supports this Stipulation and believes it is in the Public Interest.

A. This settlement supports significant benefits to customers, and while the revenue requirement for the Company is updated to reflect the significant changes that have occurred in the Company's operations and the significant new capital investments in

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[19] *WUTC v. Pacific Power & Light Co., a division of PacifiCorp*, Docket No. UE-152253, Order 12 at ¶¶216-217 (Sept. 1, 2016).

renewable energy, customers will be receiving a slight rate decrease. This rate decrease and the associated rate plan supports PacifiCorp's continued commitment to provide low-cost, high quality service to our customers.

This settlement also sets the Company and our customers up for future success in a number of ways. It supports the Company's continued investment in renewable energy and new technology by maintaining the Company's previously authorized capital structure and return on equity. Additionally, it supports Washington's policy goals with regards to renewable energy by fully depreciating the Washington-allocated plant investments for the Jim Bridger and Colstrip facilities by 2023. Finally, it supports a number of innovative customer-centric pricing and pilot programs that were proposed by the Company in this proceeding. Therefore, PacifiCorp recommends that the Commission approve this settlement.

Q. What standard has been articulated by the Commission to approve changes to the WCA?

A. It is my understanding that any changes to the WCA will be "considered in the context of an overall review of that methodology"[20] and that any party advocating for these changes must demonstrate that "any changes proposed more closely aligns with the allocation of costs based on causation[.]"[21] Finally, "the party advocating for the change must make a detailed and persuasive showing demonstrating that the proposed change is appropriate."[22]

[20] *WUTC v. Pac. Power & Light Co.*, Docket No. UE-130043, Order 05 ¶92-94 (Dec. 4, 2013).
[21] *Id.*
[22] *Id.*

Q. Is it appropriate for the Commission to adopt the WIJAM at this time?

A. Yes. My direct testimony in this proceeding describes quantifiable direct or indirect benefits to Washington customers from the WIJAM, including NPC benefits, greater benefits for RPS compliance, greater flexibility for compliance with the Clean Energy Transformation Act (CETA), increased PTCs, increased wheeling revenues, and increased system diversity.[23] These benefits are commensurate with the costs resulting from the new allocation methodology.

Q. Please explain the importance of Washington approving the 2020 Protocol.

A. Within the 2020 Protocol, approval of Exit Orders triggers a set of actions by PacifiCorp that allows states without Exit Orders to determine whether to accept additional and incremental costs and benefits from coal-fired resources. This process of potential reassignment of coal-fired resources is expected to be a multi-year process and the 2020 Protocol identifies the need for Exit Orders to be issued with enough time to allow the reassignment process to occur, ideally at least four years. In addition, Washington's continued participation to resolve the Framework Issues is critical to achieving a durable, long-term solution to inter-jurisdictional cost allocation across all of PacifiCorp's six state service territory post-2023.

Q. Do you have any additional comments on the WIJAM and 2020 Protocol?

A. Yes. PacifiCorp is appreciative of the continuous and ongoing efforts of Staff, Public Counsel, and PCA in PacifiCorp's Multi-State Process which resulted in the WIJAM and 2020 Protocol. This process is critical to the Company's future, and the

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[23] Wilding, Exh. MGW-1CT at 2-33.

engagement by Staff, Public Counsel, and PCA has been instrumental in its success. The WIJAM specifically allows Washington customers to enjoy the significant benefits of new higher capacity renewable resources that are available in the eastern states of PacifiCorp's system (high capacity wind in Wyoming and high capacity solar in Utah). PacifiCorp looks forward to continuing these productive relationships as the Company moves to a new interjurisdictional cost allocation methodology through the process outlined in the 2020 Protocol.

Q. Do you agree that the Stipulation's treatment of pro forma capital investments is required?

A. No. This Stipulation sets forth one of various ways of incorporating into rates pro forma capital investments placed into service later in the case. Although PacifiCorp does not view this treatment as required for such pro forma capital investments, PacifiCorp has agreed to this treatment on a non-precedential basis in the context of a Stipulation that, overall, provides significant benefits to customers and the Company.

Q. Does this complete your testimony on behalf of PacifiCorp?

A. Yes.

B. Statement of Commission Staff (Jason L. Ball)

Q. Please explain why Commission Staff (Staff) supports the Stipulation.

A. The Stipulation yields a reasonable outcome for revenue requirement over the course of the next three years, as well as cost of capital, pro forma major capital additions, low income programs, rate spread and rate design, rate design pilots, and a handful of other elements. Further, the Stipulation creates a process to update the calculation of NPC, and supports the WIJAM and 2020 Multi-State Process (MSP) Protocol.

Notably, all parties support accelerating the depreciation of Colstrip Unit 4 and Jim Bridger units to 2023, furthering the goal of CETA to remove coal from customer rates. As a total package, the Stipulation will lead to reasonable rates and effective policy.

Q. Please explain how the agreed-upon revenue requirement is reasonable.

A. Parties to this Stipulation agreed to a revenue requirement decrease of $0.21 million. From Staff's perspective, the Stipulation revenue requirement compensates PacifiCorp for ongoing expenses and capital investments while limiting the impact of rate increases to customers. This is especially critical given the COVID-19 global pandemic, and the Stipulation incorporates various offsets in order to ensure customers do not experience a rate increase during the three-year rate plan.

Q. Are there additional provisions of the Stipulation which may affect the actual revenue requirement amount that is included base rates?

A. Yes. The NPC calculation is subject to an October update for estimated market and natural gas prices. This update may also include line loss and reliability cost savings if beneficial to Washington customers. In the event that the October update produces a higher NPC baseline, the Parties agree to use the PCAM deferral balance as an offset. This provision helps to insulate customers from potential swings in power cost and supports the spirit of the Stipulation, which is a decrease to customer bills overall.

Q. How is the three-year rate plan in the public interest?

A. This rate plan presents certainty around base rates, incents PacifiCorp to remain disciplined in day-to-day spending, and reduces regulatory burden. This rate plan is structured so that an average customer is insulated from changes in their base bill through 2023. This level of stability is important given the uncertainty of current and future economic conditions brought on by the COVID-19 pandemic.

Q. Does Staff support the WIJAM and 2020 Protocol?

A. Yes. The WIJAM updates the allocation of total costs at PacifiCorp to Washington customers. The WIJAM was negotiated prior to the rate case and, as discussed below, the WIJAM includes specific requirements for demonstrating the "modifications provide quantifiable direct or indirect benefits to Washington customers, and that these benefits are commensurate with their costs."[24] It also set up a "stop-gap" solution in the case the ongoing negotiations included in the 2020 Protocol were not successful. The combination of the WIJAM and the 2020 Protocol represents a significant improvement to the accuracy of cost allocations.

Further, the WIJAM sets the foundation for how the Company will begin to comply with CETA and remove coal from Washington rates by 2025. The WIJAM also lays out how decommissioning and remediation costs and life extending investments for the coal facilities will be handled. In total, these two agreements provide clarity about cost allocations over the next three years as well as the process that is needed to establish a more lasting set of cost allocation protocols.

Q. Has PacifiCorp met its burden to demonstrate the benefits of the WIJAM as outlined in the MOU?

A. Yes. PacifiCorp presented significant evidence in support of the WIJAM at the outset

[24] Wilding, Exh. MGW-2 at 2.

of this proceeding. Further, the Parties conducted extensive discovery to investigate the factual basis that supports the WIJAM. Staff reviewed the initial filing, supporting and discovery data, analysis, and narrative explanations, and determined that the WIJAM will result in a cost allocation framework that is aligned with the Commission's principles.

Q. Does Staff support the process for reviewing interim capital additions?

A. Yes. Under the terms of the Stipulation, the Company will file a limited-issue proceeding to address prudency of nine major capital additions that are expected to be in service after May 1, 2020.[25] The costs of these nine projects are included in the revenue requirement increase today, subject to refund. This process is consistent with the Commission's recent policy guidance on used and useful property.[26] In keeping with the Commission's standard procedures for reviewing investments for prudency, Staff will be able to examine all contemporaneous documentation for these projects in the proposed proceeding and provide recommendations to the Commission. This preserves Staff's, and the other Parties,' rights to challenge the prudency of investments after they have been completed and placed into service. Importantly, ratepayers are protected under this procedure, since the revenue attached to these projects is subject to refund. This provision coupled with the ability to formally review projects *after* they have been completed creates an agreement that is acceptable to Staff.

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[25] The Company can include more capital additions in the limited-issue rate filing; however, those costs, if found prudent, will not be incorporated into rates until the Company's next general rate case.

[26] In re the Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful after Rate Effective Date, Docket U-190531, Policy Statement on Property that Becomes Used and Useful after Rate Effective Date (Jan. 31, 2020).

Q. Does this Stipulation resolve disagreements about the calculation of Net Power Costs?

A. Yes. For the coming rate-year, the Stipulation provides that the NPC baseline will be based on the traditional method PacifiCorp uses to model NPC, subject to an October update. The October update will further include a $10.5 million reduction, a black box adjustment to reduce the baseline by another $1.4 million, and line loss and reliability cost savings if beneficial to Washington customers.

To further resolve the ongoing disagreements about the modeling and calculation of power costs, the parties agree to a PCORC in 2021. This PCORC will rely on the Nodal Power Cost Dispatch Model (NPM) to calculate an appropriate power cost baseline. Staff believes that the NPM will represent a significant improvement in modeling accuracy and looks forward to working with PacifiCorp and the Parties during the PCORC to update its NPC calculation.

Q. Why does Staff support the proposed rate spread and rate design terms?

A. The agreed-to rate design and rate spread yields fair and practical changes that reflect cost of service. In addition, the proposed rate design mirrors the Company's initial filing, with only a few changes. The residential basic charge will remain at $7.75, and the residential rate structure will be flattened by 25 percent instead of the initially proposed 50 percent. Maintaining the basic charge allows customers to have more control of their overall bill, and flattening the rate structure by only 25 percent continues to promote conservation behaviors with an inclining block rate design. The changes to the proposed rate design for Schedule 36 and 48-T customers were proposed by their advocates and are supported by the rest of the parties. In total, the rate spread and rate design components achieve acceptable terms for the affected customers while not disadvantaging other ratepayer groups. Therefore, these terms represent a "win-win" for all the ratepayers involved.

Q. Does Staff support the pricing pilot projects proposed by PacifiCorp?

A. Yes. The Company proposed several pilot projects in its initial filing. Staff supports all of the proposed pilots. However, Staff is concerned about the reporting proposals for these programs and, as outlined in the Stipulation, has offered to work with the Company and other intervenors to develop a Monitoring and Reporting plan. Regardless, these pilots are a crucial step for meeting the requirements of CETA and providing clear price signals to customers.

Q. Does this complete your testimony on behalf of Staff?

A. Yes.

C. Statement of Public Counsel (Corey Dahl)

Q. What is the purpose of your testimony?

A. I am testifying in support of the all-party Settlement Agreement (Settlement), as described in the Settlement Stipulation (Stipulation). Public Counsel reached full resolution of the General Rate Case through many hours of negotiation. This Settlement, taken together as a package, results in fair, just, and reasonable rates for PacifiCorp's Washington customers. The Settlement also provides rate stability for three years for residential and small business customers in a time of great uncertainty.

Q. Please provide a brief outline of your testimony.

A. In general, my testimony describes why Public Counsel believes the Settlement terms are in the public interest. My testimony will specifically address the following:

- Definition of the public interest standard for settlements;
- Three-year rate freeze;
- Revenue requirement;
- Cost of capital;
- Rate spread and rate design;
- Customer bill impact;
- Coal-plant depreciation, decommissioning, and remediation;
- Low-income issues;
- Disconnection reductions;
- And miscellaneous issues.

Q. Is Public Counsel addressing any other issues in testimony?

A. Yes, Dr. Robert Earle is also testifying on behalf of Public Counsel. His testimony will be covering power cost issues, WIJAM, and the 2020 Protocol.

Q. What is the standard by which the Commission approves settlements?

A. In accordance with WAC 480-07-740, "The Commission will review all settlement agreements to determine whether they comply with applicable legal requirements and whether approval of the agreements is consistent with the public interest."[27] The Parties in this proceeding are bound to this requirement in negotiating a settlement, and that is the standard that guided development of the terms in the Stipulation. My testimony will explain why the terms of the Settlement are in the public interest from Public Counsel's perspective in greater detail. Individual Parties may have differing reasoning or rationale for agreeing to the terms of the settlement agreement, but overall support for the Settlement package was received from all parties.

Q. Why does Public Counsel support the three-year rate plan?

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[27] WAC 480-07-740.[28] Direct Testimony of Robert M. Meredith, Exh. RMM-1T at 18:19–20.[29] RCW 19.405.030(1)(a).[30] *See generally*, *WUTC v. Cascade Nat. Gas Corp.*, Docket UG-152286, Order 04 ¶ 12 (Jul. 7, 2016); *WUTC v. Avista Corp.*, Docket UE 140177 and UG-140189 (*Consolidated*), Order 05 ¶ 43 (Aug. 18, 2014).

A. For the purposes of this Settlement, Public Counsel believes that a rate plan is in the public interest because it locks in base rates for PacifiCorp customers for three years. Not only will base rates remain stable, but the Settlement will result in a rate reduction over this period. As the COVID-19 pandemic and economic crisis continues to unfold, a three-year freeze at reduced base rates provides stability at a time when many customers face significant financial uncertainty.

Q. Please describe the revenue requirement decrease included in the Settlement.

A. The Settlement results in an overall net decrease in rates of $4.15 million, which will be held constant for three years. This overall decrease includes the refund of tax benefits resulting from the TCJA. The Company's initial filing reflected a $3.9 million revenue requirement increase, which was to be offset by the accrued benefits of the TCJA and result in a $4 million base rate decrease. The Company updated its initial filing in April 2020 to include the cost of decommissioning and remediation for the Jim Bridger and Colstrip coal-generating plants, which would have resulted in an overall base rate increase of $29.8 million.

The Settlement provides a significant base rate decrease from the Company's April 2020 updated case. As a result, overall rates will decrease by $4.15 million, 1.18 percent, if the Commission approves the all-party Settlement Agreement.

The Company's original and updated filings represented a single-year rate increase, which meant they could have sought additional rate increases in subsequent years. Under the Settlement, the Company cannot seek a change to base rates effective before January 1, 2024.

Q. Does Public Counsel believe the revenue requirement reduction and three-year stay out are in the public interest? Explain.

A. Yes, the settled revenue requirement and three-year rate plan are in the public interest. Not only is the base rate reduction fair and sufficient to meet the Company's revenue requirement, but the three-year stay out provides much-needed rate stability to PacifiCorp's customers. The parallel crises of the COVID-19 pandemic and related economic downturn are still developing and, as a result, customers face significant uncertainty. This Settlement helps ensure that customers will be provided with relative rate stability over the next three years.

Q. Does Public Counsel believe the cost of capital terms are in the public interest? Explain.

A. Yes. The Settlement maintains the Company's current capital position, as follows:

- Cost of equity authorized at 9.5 percent;
- The debt and equity layers held constant at the levels of 50.88 percent long-term debt, 0.02 percent preferred stock, and 49.1 percent common stock equity; and
- Overall rate of return set at 7.17 percent.

Maintaining the Company's authorized return on equity (ROE) at 9.5 percent is critical to Public Counsel's support of the Settlement, given the Company's initial request of 10.2 percent ROE. Within the Washington jurisdiction, authorized ROEs are not trending upward. Increasing the Company's authorized ROE and ROR, particularly at this time, would not be in the public interest. For the purposes of Settlement as a complete package, and considering the overall impact on customer rates, Public Counsel believes the rate of return terms are reasonable and in the public interest.

Q. Please describe the Settlement's rate spread terms and why Public Counsel supports these terms.

A. The settlement evenly spreads the change in rates across all customer classes on an equal percent of revenues basis. The street lighting class is the only exception to this rate spread and rates will be set at cost of service. Residential customers were set to receive a larger share of the Company's proposed rate increase in their original and updated filings, but all Parties agreed to spread the rate changes equally across all customer classes. Given the growing economic crisis, residential and small business customers would have been harmed had the rate spread moved more of the rate burden onto their respective classes. For this reason, the rate spread terms are in the public interest.

Q. Please describe the rate spread terms of the Settlement and why they are in the public interest.

A. The Company's original filing proposed raising the monthly residential basic charge from $7.75 to $9.50. However, the Settlement will keep the basic charge at $7.75 for the next three years. Residential customers pay the basic charge every month, regardless of fluctuations in their actual monthly electricity usage. It was important to Public Counsel to prevent increases to the basic charge during the course of negotiations. Customers facing constraints due to the unfolding economic crisis may be making the decision to conserve their electricity consumption, so facing this increased monthly charge would create an additional burden. For these reasons, Public Counsel believes keeping the monthly basic charge steady is in the public interest.

The settlement also addresses the differential in per kilowatt hour (kWh) rates between residential customer usage blocks. PacifiCorp, like most electric utilities, has inclining block rates. This means that higher-usage customers pay higher per kWh rate on consumption over a certain kWh threshold. The Company's original proposal flattened this rate block structure by 50 percent,[28] which would have increased the per kWh rate for the lower usage block and lowered the high-usage block rates. Public Counsel advocated to reduce the magnitude of the change, and Parties agreed to flatten the customer blocks by 25 percent, rather than 50 percent. This shifts the burden away from high-usage customers, which are often high-occupancy households or low-income households that do not have energy efficient appliances and construction. Reducing the magnitude of the change also prevents low-usage customers, which can include low-income customers who are concerned with keeping bills low, from shouldering undue rate increases. The rate design terms related to usage blocks represent a fair compromise and are in the public interest.

Q. What is the Settlement's impact on average residential customer bills?

A. The average residential customer using 1200 kWh will see a monthly bill of approximately $103.81, including the impacts of the concurrent depreciation settlement (Docket UE-180778). This is a $0.55 decrease from the current average residential customer bill. This estimated bill impact is based on average customer usage, which obviously varies from customer to customer based on usage.

Q. Are there other ratemaking issues included in the Settlement?

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[28] Direct Testimony of Robert M. Meredith, Exh. RMM-1T at 18:19–20.[29] RCW 19.405.030(1)(a).[30] *See generally*, *WUTC v. Cascade Nat. Gas Corp.*, Docket UG-152286, Order 04 ¶ 12 (Jul. 7, 2016); *WUTC v. Avista Corp.*, Docket UE 140177 and UG-140189 (*Consolidated*), Order 05 ¶ 43 (Aug. 18, 2014).

A. Yes. The Settlement includes major ratemaking issues related to pro forma capital additions, coal plant depreciation, power cost issues, WIJAM, and the 2020 protocol. I will address pro forma capital additions and coal plant depreciation in my testimony. Dr. Robert Earle will address the remaining issues in his testimony on behalf of Public Counsel.

Q. Please describe the Settlement term related to pro forma capital additions and why it is in the public interest.

A. The Company's filing included many major capital additions set to be placed in service after the modified historic test year. Parties agreed to a limited issue proceeding to address the prudency of major capital expenditures placed into service between May 2020 and the limited issue proceeding, set to be filed in 2021. Public Counsel acknowledges the challenges associated with the agreed-upon accelerated procedural schedule, which will occur over the span of six to seven months, but the Settlement includes very clear criteria for what capital additions can be included in the prudency review:

- Assessments will be based on actual costs;
- Inclusion of prudent investments in customer rates will be based on the costs and benefits of the capital addition;
- The Company's filing can only include the capital projects enumerated in the Stipulation; and
- Capital additions not enumerated in or contemplated by the Settlement will not be included in rates until the Company's next GRC with rates effective in 2024.

The parameters established by the Settlement will allow any interveners to sufficiently prepare for the limited-issue filing and prepare a case to assist in determining prudence. For settlement purposes, Public Counsel believes this term is in the public interest because it allows parties to weigh in on the prudency of the Company's large capital investments occurring after the test year.

Q. Please describe the terms related to the accelerated depreciation, decommissioning, and remediation costs related to the coal-fired Colstrip and Jim Bridger generating plants. Explain why they are in the public interest.

A. The Settlement accelerates the depreciation of the Colstrip and Jim Bridger generating units to 2023. Washington law requires that the depreciation costs of all coal-fired generating plants to be removed from rates by the end of 2025,[29] and the Settlement provides compliance with this provision of the Clean Energy Transformation Act two years ahead of schedule. In most cases, extending the depreciation schedule to December 31, 2025, would be in the best interest of ratepayers, but this Settlement provides that the Company's Washington ratepayers will not be paying the depreciation costs of these high-emission resources beyond 2023 while still decreasing base rates to decrease over the next three years. Taken

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[29] RCW 19.405.030(1)(a).[30] *See generally*, *WUTC v. Cascade Nat. Gas Corp.*, Docket UG-152286, Order 04 ¶ 12 (Jul. 7, 2016); *WUTC v. Avista Corp.*, Docket UE 140177 and UG-140189 (*Consolidated*), Order 05 ¶ 43 (Aug. 18, 2014).

together with the overall impact of the Settlement, this term is in the public interest and Public Counsel does not oppose.

In addition to accelerated depreciation of PacifiCorp's coal-fired resources, the Settlement also includes collection of additional decommissioning and remediation costs for Colstrip Unit 4 and Jim Bridger to be collected through customer rates over 10 years, between 2021 and 2030. The amount set for decommissioning and remediation are based on the Company's 2020 Decommissioning Study and are only considered estimates. This allows the prudency of the costs to be assessed and challenged by Parties in future proceedings. The potential for future review of these costs, in addition to inclusion in rates without an increase to customer rates, ensure that this term is in the public interest. As a result, Public Counsel does not oppose this term as it was included as part of the agreement between all Parties.

Q. What considerations are made for low-income customers in the Settlement?

A. The Settlement includes a host of measures to enhance the Company's programs aimed at providing assistance to customers facing financial hardship. The Settlement establishes a Low-Income Bill Assistance (LIBA) Advisory Group, consisting of Staff, Public Counsel, the Energy Project, Northwest Energy Coalition, community action agency representatives, and other interested parties. This will bring the Company in line with other Washington IOUs, all of which have active low-income assistance advisory committees. Like similar advisory groups, the newly established LIBA Advisory Group will advise on the effectiveness and sufficiency of existing bill assistance programs and program funding via customer rates. This will help accomplish the goals of keeping customers connected, increasing subscription to low-income bill assistance programs, lowering the energy burden for financially constrained customers, reviewing reports and data, and providing guidance to the Company on program design and administration.

One of the first tasks to be handled by the LIBA Advisory Group is to assess the feasibility of a bill discount program with the aim of maintaining equity across varying levels of customer usage. The Company proposed such changes in their original filing, and the Settlement provides the opportunity for stakeholders to work in a collaborative fashion to assess the current state of the LIBA program and whether changes to the program will help accomplish the aforementioned goals of the program and Advisory Group. This allows for conversations and decisions to be made in a non-litigated manner, which is consistent with the process established for making changes to low-income bill assistance programs across Washington utilities.[30]

The creation of the LIBA Advisory Group and slated evaluation of a bill discount program will aid in providing more customers with assistance and lowering individual energy burdens. This is another term included in the Settlement that has gained additional importance in light of increased financial uncertainty for many Washingtonians. This concern is heightened by the general income demographics in the counties that PacifiCorp serves. Statistics from the Washington Office of Financial Management place three of the counties where the Company operates in the

[30] *See generally*, *WUTC v. Cascade Nat. Gas Corp.*, Docket UG-152286, Order 04 ¶ 12 (Jul. 7, 2016); *WUTC v. Avista Corp.*, Docket UE 140177 and UG-140189 (*Consolidated*), Order 05 ¶ 43 (Aug. 18, 2014).

bottom half of median household incomes, based on 2019 projections.[31] Of Washington's 39 counties, Walla Walla County ranks 24th in median income, Columbia County ranks 36th, and Yakima County ranks 37th.[32] With all of these factors considered, taking steps to lower energy burden through these measures is in the public interest.

Q. How does the Settlement address the Company's customer disconnection practices?

A. The Settlement addresses the problem of customer disconnections through enhanced data reporting and the creation of a disconnection reduction plan. The Company already collects and reports basic data on the number of customer disconnections in its monthly Low-income Data Tracking report, but the Settlement requires the Company to collect and report a wider variety of disconnection-related data on an annual basis. This data will help better understand the types of customers being disconnected and efforts made by customers to remain connected.

Collection of additional data for the annual LIBA report will assist the LIBA Advisory Group to create the Disconnection Reduction Plan. This will be a collaborative effort among the stakeholders involved in the advisory group, to be filed

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[31] Please see 2019 projections in the Excel sheet: *Median Income Household Estimates*, OFFICE OF FINANCIAL MANAGEMENT, https://www.ofm.wa.gov/washington-data-research/economy-and-labor-force/median-household-income-estimates (last updated Apr. 29, 2020). [32] *Id.*[33] Meredith, Exh. RMM-1T at 61:19–64:5. [34] Docket No. UE-130043, Order 05 ¶¶ 244, 250 (Dec. 4, 2013).

[32] *Id.*[33] Meredith, Exh. RMM-1T at 61:19–64:5. [34] Docket No. UE-130043, Order 05 ¶¶ 244, 250 (Dec. 4, 2013).

within one year of the GRC's final order. Reducing disconnections benefits all PacifiCorp customers. Costs due to disconnections, reconnections, and uncollected debt can be reduced by ensuring that customers stay connected to a vital service. This is in addition to the benefit to individual households spared from the pain, suffering, inconvenience, and financial cost of service disconnections. The Company also agrees to keep premise visits in place when customers face disconnections and allowing customers to pay onsite to prevent the disconnection. For the reasons provided, this term is in the public interest.

Q. Are there any additional components of the Settlement that Public Counsel would like to address?

A. Yes. The first is elimination of fees based on payment method. The Company piloted a program to remove fees for payments made at pay stations and the Settlement makes this practice permanent. Customers should not be penalized based on their chosen payment method. Customers who do not have access to traditional banking, credit, or Internet service may rely on the option to pay in-person with cash at a pay station. Often, customers in this situation are economically vulnerable, so eliminating fee for payment is in the public interest.

Second, the Settlement also addresses the Company's five-year decoupling pilot, which is in its third year. The Settlement accepts the Company's proposal[33] to

[33] Meredith, Exh. RMM-1T at 61:19–64:5. [34] Docket No. UE-130043, Order 05 ¶¶ 244, 250 (Dec. 4, 2013).

make minor modifications to the existing decoupling mechanism. Among the changes are steps to improve the accuracy of the Company's revenue measures. For settlement purposes, Public Counsel does not oppose this term.

Q. Please summarize your conclusions about the Settlement Agreement.

A. This all-party Settlement represents a full resolution of all contested issues in this proceeding, and is the result of many hours of good faith negotiations. Public Counsel represented the interests of residential and small business consumers through the course of settlement discussions, and we believe that the terms of the Settlement represent a fair, just, and reasonable outcome. The Settlement meets the public interest for the reasons provided in my above testimony and the testimony of Dr. Robert Earle.

As PacifiCorp's customers, the country, and the world face significant uncertainty in light of multiple crises, this Settlement provides a rate reduction and stability for the next three years. This principle has guided the Commission's decisions in the outcomes of recent GRCs and is no different in this proceeding. Public Counsel believes the Commission should approve the Settlement in full.

Q. Does this complete your testimony on behalf of Public Counsel?

A. Yes.

D. Statement of Public Counsel (Robert Earle)

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address the sections of the Settlement concerning Net Power Costs and the WIJAM MOU and 2020 Protocol.

Q. What is your recommendation regarding these sections of the Settlement?

A. The Net Power Costs (NPC) and the WIJAM MOU and 2020 Protocol sections of the Settlement are in the public interest, and the Commission should adopt them.

Q. Please describe how the Net Power Costs portion of the Settlement is in the public interest.

A. The NPC portion of the Settlement is a significant improvement over the Company's initial position under both its short-run and long-run provisions.

Q. Please describe how the NPC portion of the Settlement is in the public interest in the short-run.

A. Until the PCORC is held in 2021, the Settlement provides several adjustments and provisions for NPC that are in the public interest. First, the EIM provision provides that parties would not oppose a Staff or generic Commission investigation into the modeling of EIM benefits. Further, the Settlement does not bind any party to a specific approach, calculation, or method for determining or modeling EIM benefits. This is important because the inclusion of EIM benefits in the PCAM mechanism's tiered sharing mechanism means that the accurate modeling of EIM benefits affects what ratepayers ultimately pay. Second, the Settlement establishes that Production Tax Credits (PTCs) will not flow through the PCAM mechanism but will be accounted for separately and trued up annually. This will ensure that the benefits of the tax credits flow on a timely basis to customers rather than be subject to the PCAM triggering mechanism. Third, the Settlement incorporates a $10.5 million reduction to the NPC baseline. This baseline will be updated in October using the most recent OFPC available, along with some other adjustments that benefit the public.

Q. Please describe the short-run adjustments to the NPC baseline and how they are

in the public interest.

A. The short-run adjustments to the NPC baseline start with a $10.5 million reduction in the baseline that is beneficial to customers. Using that as a starting point, the baseline will be recalculated in October 2020 using the most recent OFPC available (September 2020 OFPC). Using a more recent OFPC rather than the December 2019 OFPC that was used in the Company's April Update will likely result in a more accurate estimate of NPC and is, therefore, in the public interest. The reason for this is that as forwards get closer to the delivery date, they reflect new information available about the future. One will know more about likely outcomes for the year 2021 in September 2020 than one did in December 2019. Thus, the forward prices in September 2020 will most likely be closer to the actual prices in 2021 than the forward prices in December 2019.

There are two other provisions to the NPC baseline to be included in the October update. First, there will be a black box adjustment reducing NPC by $1,357,952. This reduction in NPC is clearly in the public interest. The second provision is to make sure that the inclusion of line loss savings and reliability cost savings from the EV 2020 transmission lines are captured in the October Update if they are beneficial to Washington customers.

Q. Please describe how the NPC portion of the Settlement is in the public interest in the longer-run.

A. The NPC baseline will be updated based on a nodal dispatch filed through a PCORC in 2021. A nodal dispatch model will likely improve the accuracy of the NPC baseline over the current GRID model because the nodal model will likely provide greater granularity and more accurate market modeling.

Q. Please describe why the WIJAM MOU & 2020 Protocol section of the Settlement is in the public interest?

A. There are four parts to the WIJAM MOU & 2020 Protocol section of the Settlement Agreement. The first part, the transmission adjustment, reaffirms that the Company will present a method for excluding the costs and benefits of radial lines connecting resources not otherwise included in Washington rates. This is appropriate because radial lines serving resources not included in Washington rates do not benefit Washington customers. The second part, accelerated depreciation, accepts the accelerated depreciation for Colstrip and Jim Bridger to 2023. However, the Settlement beneficially states that once these two plants are removed from the Company's Washington revenue requirement, the Company will not seek to recover additional investments in those facilities in Washington rates. This relieves Washington ratepayers of any potential future liability for investments in these facilities. The third part, depreciation and remediation, agrees to use the D&R cost estimates provided in Company's April Update to set rates in this proceeding along with the decommissioning balancing account proposed by the Company. However, beneficial to the public interest, the Parties take no position on the accuracy of the Company's estimate in whole or for the constituent parts. Moreover, future decommissioning cost estimates can be challenged, providing the opportunity to further test and examine these costs, and preserving arguments on these costs for later rate cases. The fourth part, Bridger Coal Company (BCC), similarly provides for a balancing account for these additional BCC costs. However, it requires additional information from the Company and a workshop on these costs, and mandates tracking of these costs to enable parties to review contributions to these costs in the next general rate case.

Q. Does this complete your testimony on behalf of Public Counsel?

A. Yes.

E. Statement of PCA (Lance D. Kaufman)

Q. Why does PCA support the Settlement Stipulation?

A. PCA supports the Settlement Stipulation for several reasons. First, as noted by other parties, it results in an overall rate decrease for customers and rate stability for at least the next three years. Second, it provides PacifiCorp with a fair and reasonable cost of capital, including return on equity and capital structure. Third, it equalizes the rate impact across the rate schedules, other than lighting. Fourth, it modifies the billing determinants for the 48T – Dedicated Facilities rate schedule to reflect PCA's 2019 usage. Fifth, it will provide additional clarity on the costs Washington customers pay toward Bridger Coal Company.

Q. Why is it appropriate to equalize the rate impact across rate schedules other than lighting?

A. As shown in Table 1 of Exhibit RMM-1T of PacifiCorp's initial filing, all rate schedules other than lighting are within 10 percent of their cost of service. This indicates that these rate classes are within the range of parity. Under these circumstances, an equal spread in the rate impact, while bringing lighting to its cost of service, is consistent with the treatment of previous settlements this commission has approved.[34] Furthermore, the Commission continues to consider substantial changes to cost-of-service methodologies in Dockets UE-170002 and UG-170003. Equally spreading the rate increase to most rate classes is appropriate until it is known how this rulemaking will change cost of service studies going forward.

Q. Why is it appropriate to modify the billing determinants for Schedule 48T – Dedicated Facilities to reflect calendar year 2019 usage?

A. PCA is the only customer on the Schedule 48T – Dedicated Facilities rate schedule. PCA has related to me that in 2018 it undertook a process change that required its Wallula Mill to be offline for substantial periods during that year. This resulted in lower loads for the Wallula Mill in 2018 than historical averages and what is expected going forward. These lower loads are evident from PacifiCorp's own load data. Because the test year PacifiCorp used for this case includes the last six months of 2018, these lower loads were partially reflected in the Company's proposed rates. Using the full 2019 calendar year usage for the Wallula Mill more accurately reflects expected loads on the Dedicated Facilities rate schedule and, therefore, results in more accurate, just, and reasonable rates.

Q. Why does PCA support the workshop on Bridger Coal Company costs?

A. As reflected in the Settlement Stipulation, these costs are substantial. Additionally, they are being recovered in more than one component of PacifiCorp's revenue requirement, making them difficult to track and audit. The workshop will provide additional clarity over the amount Washington customers have already contributed

[34] Docket No. UE-130043, Order 05 ¶¶ 244, 250 (Dec. 4, 2013).

toward BCC costs and closure, and how incremental amounts will be recovered.

Q. Are there any other provisions of the Settlement Stipulation you wish to address?

A. The Settlement Stipulation includes a tracking and true-up mechanism for PTCs outside of the PCAM. The Settlement Stipulation specifies that "this settlement does not foreclose any Party from taking any position on expiring PTCs." PCA requested this language because it does not believe it will be appropriate for PacifiCorp to flow through the costs associated with expiring PTCs through the tracking and true-up mechanism. PTCs expire after the first ten years of a qualifying project. Given the number of PTCs acquired both through repowering and the EV 2020 projects, these costs are likely to be substantial. PCA, therefore, believes that these costs should be recovered in the context of a general rate case. Because these costs will not exist for several years, however, it was acceptable to PCA to defer a resolution of this issue.

Q. Does this complete your testimony on behalf of PCA?

A. Yes.

Q. Does this complete your testimony on behalf of PCA?

A. Yes.

F. Statement of The Energy Project (Shawn M. Collins)

Q. Mr. Collins, could you please summarize the purpose of your testimony?

A. The purpose of my testimony is to provide support for approval of the Settlement Stipulation (Stipulation) in the General Rate Case and consolidated proceedings filed in this docket. My testimony focuses on the elements of the Stipulation that impact low-income customers within PacifiCorp's Washington service territory and explains why The Energy Project believes the Stipulation is in the public interest.

Q. Please explain how the Stipulation addresses low-income issues.

A. The Stipulation is beneficial for low-income customers in several important respects. The Parties have agreed to the formation of an Advisory Group for PacifiCorp's Low-Income Bill Assistance Program (LIBA). This is an important step. With the establishment of the PacifiCorp group, all of Washington's investor-owned utilities will now have Advisory Groups in place for their low-income programs. These Advisory Groups have proven to be productive forums to address program operations and policy issues in a collaborative setting. PacifiCorp's new LIBA Advisory Group will specifically review the sufficiency of funding levels,[35] the possibility of creating a larger first energy tier as a lifeline block, development of a Disconnection Reduction Plan, and proposals for a bill discount program design.

PacifiCorp has also agreed to institute annual reporting to the Commission regarding the LIBA program, comparable to the annual reporting for bill assistance provided by Puget Sound Energy and Avista. These reports will provide a publicly available and up-to-date picture of the program that will be helpful to the Commission and stakeholders in evaluating LIBA and planning for the future.

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[35] The current five-year LIBA funding plan extends to 2022. [36] As a general policy, The Energy Project does not support the use of rate plans, in particular those based upon attrition or other unreliable projection mechanisms which approve automatic future rate increases without full review of company costs and revenues. This plan is not based upon an attrition formula. TEP's agreement represents a compromise for settlement purposes and the parties agree that the Stipulation terms are not appropriate for resolving issues in any other proceeding.

In order to address concerns about the impact on low-income customers of disconnection for non-payment, the Stipulation provides that PacifiCorp will report disconnection-related data and develop a Disconnection Reduction Plan in consultation with its LIBA Advisory Group. The plan would be filed with the Commission within one year of the final order. PacifiCorp also agrees to continue premise visits to residential service addresses to disconnect service for non-payment and to accept cash payment. Premise visits have proven very effective because of the high percentage of customers who pay during the visit in order to prevent disconnection, thus generating revenue for the company, reducing collection costs, and maintaining essential utility service.

Q. Are there other reasons for your support for the settlement?

A. Yes. Maintaining the Company's currently authorized return on equity and cost of capital is appropriate. In the current economic climate, customers should not be asked to pay increased returns to shareholders. Overall, the results of the Stipulation in terms of rate impact are beneficial to low-income customers, with an initial decrease in 2021, and no rate change in 2022 and 2023. PacifiCorp also agrees not to file a new general rate case for rates that would be effective before January 1, 2024.[36]

Regarding rate design, PacifiCorp has agreed to withdraw the proposal to increase the basic monthly charge, a direct benefit to residential customers. The Stipulation also moderates the flattening of the inclining block tiered energy charge

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rate structure from that initially proposed by the Company which in TEP's view unduly impacted low-volume users and reduced incentives for conservation.

Finally, with respect to pilot programs, The Energy Project supports the inclusion of low-income impact reporting, in particular for the Time of Use rate pilot. The Energy Project appreciates PacifiCorp's proposal to eliminate fees for pay stations, which are particularly relied upon by low-income customers, as another beneficial aspect of the agreement.

Q. Does this complete your testimony on behalf of The Energy Project?

A. Yes.

G. Statement of Walmart (Alex Kronauer)

Q. What is Walmart's Recommendation to the Commission?

A. Walmart was an active participant in settlement discussions and my recommendation is that the Commission should approve the Settlement as filed. The Settlement is the just and reasonable outcome of extensive arms-length negotiations conducted in good faith between the parties in this docket. Additionally, the settlement process greatly aids in administrative efficiency, which can reduce costs to all parties and ratepayers.

Q. Does this complete your testimony on behalf of Walmart?

A. Yes.

V. CONCLUSION

Q. Do you recommend that the Commission approve this Stipulation?

A. The resolution of issues complies with Commission rules and, as explained above, satisfies the Parties' interests and is consistent with the public interest. The Parties request that the Commission approve the Stipulation in its entirety.

Q. Does this conclude the Parties' Joint Testimony in support of the Stipulation?

A. Yes.