

Exh. SEM-6T
Dockets UE-191024 *et. al.*
Witness: Shelley E. McCoy

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Dockets UE-191024, UE-190750,
UE-190929, UE-190981, UE-180778
(*Consolidated*)

PACIFICORP

SUPPLEMENTAL TESTIMONY OF SHELLEY E. MCCOY

April 2020

ATTACHED EXHIBITS

Exhibit No. SEM-7—Summary of Washington Results of Operations for the Test Period

Confidential Exhibit No. SEM-8C—Updated Results of Operations for 12 Months Ended June 30, 2019

Exhibit No. SEM-9—Updated TCJA Deferrals Amortization Schedules

1 **Q. Are you the same Shelley E. McCoy who previously submitted direct testimony**
2 **in this proceeding on behalf of PacifiCorp dba Pacific Power & Light Company**
3 **(PacifiCorp or the Company)?**

4 A. Yes.

5 **PURPOSE OF SUPPLEMENTAL TESTIMONY**

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

7 A. The purpose of my supplemental testimony is to update the Company's revenue
8 requirement in its pending general rate case, docket UE-191024, for the following.

- 9 • Updated net power costs (NPC) incorporating the \$5.7 million increase in
10 Washington-allocated NPC as described in the supplemental testimony of
11 Mr. Michael G. Wilding.
- 12 • Updated depreciation rates incorporating recent decommissioning studies
13 for the Jim Bridger and Colstrip generation plants as described in the
14 supplemental testimony of Mr. John J. Spanos.
- 15 • Other plant closure costs identified in the decommissioning studies for the
16 Jim Bridger and Colstrip plants, plus accelerated depreciation and
17 reclamation costs for the Bridger Coal Mine not included in NPC as
18 described in Mr. Steven R. McDougal's supplemental testimony.

19 Additionally, I provide an update to the Company's proposed amortization
20 period of the remaining benefits associated with the Tax Cuts and Jobs Act (TCJA)
21 from ten years to three years.

22 **UPDATED REVENUE REQUIREMENT**

23 **Q. What is the Company's updated revenue requirement incorporating these**
24 **changes?**

25 A. The Company's updated revenue requirement for the Test Period is \$396.4 million, or
26 an increase of \$29.8 million over current rates. A summary of the updated
27 Washington results of operations for the Test Period is provided in Exhibit SEM-7

1 and a complete update to Exhibit SEM-3C is included in this supplemental filing as
2 Exhibit SEM-8C.

3 **Q. Please describe the changes made to Adjustment 5.2, Net Power Costs-Pro**
4 **Forma.**

5 A. Pro Forma NPC has been updated for: changes for the removal of Cholla Unit 4,
6 updated transmission links, the inclusion of hydroelectric facilities on the Klamath
7 River, fuel prices, the Official Forward Price Curve, Western Energy Imbalance
8 Market benefits, wheeling cost, and other contract updates as described in the
9 supplemental testimony of Mr. Wilding.

10 **Q. Please describe the changes made to Adjustment 6.4, Accelerated Depreciation**
11 **on Jim Bridger Units 1-4 (Jim Bridger) & Colstrip Unit 4.**

12 A. Depreciation rates for Jim Bridger and Colstrip Unit 4 have been updated to
13 incorporate the new decommissioning studies for these generation plants, increasing
14 the Washington allocated depreciation expense in this case for these two plants by
15 \$7.6 million. Additional information on the decommissioning studies and the updated
16 depreciation rates can be found in the supplemental testimony of Mr. Chad A. Teply
17 and Mr. Spanos, respectively.

18 **Q. Please describe the new Other Plant Closure Costs Adjustment.**

19 A. The Other Plant Closure Costs Adjustment (Adjustment 8.14) reflects the recovery of
20 Other Plant Closure Costs included in the updated decommissioning studies for Jim
21 Bridger and Colstrip Unit 4 as discussed in Mr. McDougal's supplemental testimony.
22 The Company proposes collecting the identified costs over the remaining depreciable
23 life of each respective generation plant.

1 Additionally, this adjustment includes accelerated depreciation and
2 reclamation costs for the Bridger Coal Mine incremental to the amounts included in
3 the cost of coal delivered to Jim Bridger. These costs will be recovered over the
4 remaining depreciable life for Washington customers of Jim Bridger.

5 The above amounts to be collected from Washington customers will be
6 deferred to a regulatory liability, which will be debited with Washington's share of
7 Other Plant Closure costs when actual plant retirement occurs and Washington's share
8 of reclamation costs when the Bridger Coal Mine closes. This treatment will allow
9 the Company to recover closure costs of coal-fired resources and the Bridger Coal
10 Mine within the proposed 2023 depreciable life for the plants.

11 **Q. Are there any other updates included in the revised revenue requirement**
12 **included in this supplemental filing?**

13 A. Yes. As a result of the above changes, the following adjustments in Tab 7 – Tax
14 Adjustments have also been revised.

- 15 • **Interest True-up, Adjustment 7.1** – Updated interest expense reflecting revised
16 rate base.
- 17 • **Production Tax Credit (PTC), Adjustment 7.3** – Adjustment 5.2, Pro Forma
18 NPC, includes updates to pro forma production from wind generation plants,
19 resulting in a corresponding increase in pro forma PTC benefits.
- 20 • **Remove Deferred State Tax Expense and Balance, Adjustment 7.6** – Removed
21 updated state income tax balances based on the above revisions.
- 22 • **Wyoming Wind Generation Wind Tax, Adjustment 7.10** – Similar to the
23 update to Adjustment 7.3, the change in production from wind generation plants
24 included in the revised NPC also has a corresponding increase in the Wyoming
25 Wind Tax.

1 **AMORTIZATION PERIOD FOR THE TCJA TAX BENEFITS**

2 **Q. What is the Company’s proposal to mitigate the rate increase in this case, as set**
3 **forth in the Company’s supplemental testimony?**

4 A. To mitigate the rate impact to customers of the revisions described in the Company’s
5 supplemental testimony and as discussed in Ms. Etta Lockey’s supplemental
6 testimony, the Company is proposing to amortize the remaining TCJA benefits over
7 three years, rather than the originally proposed ten years. As shown in Exhibit
8 SEM-9, the annual credit to customers is \$18.8 million over three years. This three-
9 year amortization matches the time period over which the decommissioning and
10 reclamation costs will be collected.

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

12 A. Yes.