

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP d/b/a PACIFIC POWER &
LIGHT COMPANY,

Respondent.

In the Matter of

ALLIANCE OF WESTERN ENERGY
CONSUMERS'

Petition for Order Approving Deferral of
Increased Fly Ash Revenues

Docket No. UE-230172
(*Consolidated*)

Docket No. UE-210852
(*Consolidated*)

PACIFICORP, STAFF, AWEC, TEP, NVEC, & WALMART

JOINT TESTIMONY

December 15, 2023

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I. INTRODUCTION

1 **Q. What is the purpose of this Joint Testimony?**

2 A. This joint testimony (Joint Testimony) recommends that the Washington Utilities
3 and Transportation Commission (Commission) approve the Partial Multiparty
4 Settlement Stipulation (Stipulation) in this case among PacifiCorp d/b/a Pacific
5 Power & Light Company (PacifiCorp or the Company), the Staff of the
6 Commission (Staff), the Alliance of Western Energy Consumers (AWEC), The
7 Energy Project (TEP), the NW Energy Coalition (NVEC), and Walmart
8 (individually, “Party,” and collectively, “Parties”). The Sierra Club and the Public
9 Counsel Unit of the Attorney General’s Office (Public Counsel) do not join the
10 Stipulation. The Sierra Club does not oppose the Stipulation and Public Counsel
11 has not yet stated its position. The Stipulation resolves all issues in the
12 proceeding, with the exception of Net Power Costs (NPC) and the Power Cost
13 Adjustment Mechanism (PCAM). The settled issues are described below and are
14 supported by PacifiCorp, Staff, AWEC, TEP, NVEC, and Walmart. Accordingly,
15 the Stipulation is a partial multi-party settlement under WAC 480-07-730(3)(b).

16 **Q. Please state your names, titles, and each party you represent in this matter.**

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

- 18 • Matthew D. McVee, Vice President, Regulatory Policy and Operations,
19 PacifiCorp. My qualifications are provided in my direct testimony.¹
20 • Chris R. McGuire, Regulatory Analyst, Staff. My qualifications are
21 provided in my response testimony.²
22 • Bradley G. Mullins, Consultant, AWEC. My qualifications are provided in
23 my response testimony.³

¹ McVee, Exh. MDM-1T at 1:2-19.

² McGuire, Exh. CRM-1T at 1:3-2:14.

³ Mullins, Exh. BGM-1T at 1:2-1:19.

- 1 • Shaylee N. Stokes, Director, TEP. My qualifications are provided in my
2 response testimony.⁴
- 3 • Lauren McCloy, Policy Director, NWECC. My qualifications are provided
4 in my response testimony.⁵
- 5 • Alex J. Kronauer, Senior Manager, Utility Partnerships, Walmart. My
6 qualifications are provided in my response testimony.⁶

7 **Q. Would you briefly summarize the Stipulation?**

8 A. Yes. The Stipulation resolves all issues among the Parties in this docket except for
9 the disputed issues regarding NPC and the PCAM. The Stipulation establishes the
10 Company's revenue requirement increase for both rate years in the multi-year rate
11 plan (MYRP). The Stipulation includes an overall rate of return for the Company,
12 but does not specify the elements of the rate of return. The Stipulation resolves
13 issues related to capital additions for Colstrip Unit 4, resolves issues related to
14 operations and maintenance (O&M) and capital additions for Jim Bridger Units 1
15 and 2, and establishes a tracker for non-NPC costs associated with coal-fired
16 facilities. The Stipulation resolves AWEC's fly ash deferral petition. Further, the
17 Stipulation resolves issues related to decoupling and the MYRP and the annual
18 review of provisional pro-forma capital. The Parties further agree to accept the
19 Company's request for recovery of wildfire mitigation costs identified in the
20 Rebuttal Testimony of Allen L. Berreth, Exh. No. ALB-3T. In addition, the
21 Stipulation includes several provisions regarding equity, low-income programs, a
22 language access plan, disconnection policies, and the Company's performance
23 metrics. The Stipulation also includes annual reporting requirements relating to
24 the Inflation Reduction Act and the Infrastructure Investment and Jobs Act.

⁴ Stokes, Exh. SNS-1T at 1:2-2:2.

⁵ McCloy, Exh. LM-1T at 1:2-2:7 and Exh. LM-2.

⁶ Kronauer, Exh. AJK-1T at 3:2-4:11.

1 Finally, the Stipulation includes several terms related to cost of service, rate
2 spread, and rate design as well as additional adjustments.

3 **Q. Do you recommend approval of the Stipulation?**

4 A. Yes.

II. BACKGROUND

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

6 A. On April 19, 2023, PacifiCorp filed this general rate case in Docket UE-230172.⁷
7 PacifiCorp proposed a two-year rate plan, in accordance with Washington
8 Engrossed Substitute Senate Bill 5295, codified at RCW 80.28.425. The
9 Company's filing is based on a historical test period of the 12 months ending
10 June 30, 2022, adjusted for known and measurable changes. In its initial filing,
11 PacifiCorp requested an increase in revenues of approximately \$26.8 million from
12 Washington operations for Rate Year 1 (RY1). For Rate Year 2 (RY2), the
13 requested increase in the initial filing was approximately \$27.9 million. The
14 Company further requested to include incremental additions to the Company's
15 rate base for a total Washington-allocated rate base of approximately \$1,100.4
16 million for RY1 and \$1,357.5 million for RY2.⁸ The Company proposed an
17 overall cost of capital of 7.6 percent, with a capital structure consisting of
18 51.27 percent equity, 48.72 percent long-term debt, and 0.01 percent preferred

⁷ The Company initially filed the general rate case on March 17, 2023, but refiled the case on April 19, 2023 in accordance with communications received from the Administrative Law and Policy Director of the Commission.

⁸ McVee, Exh. MDM-1T at 3:1-5.

1 stock.⁹ The Company proposed several additional measures related to treatment
2 of NPC,¹⁰ coal-fired facilities,¹¹ PCAM,¹² and rate design.¹³

3 **Q. Did the parties conduct discovery in this proceeding?**

4 A. Yes. To date in this proceeding, PacifiCorp responded to 671 discovery requests,
5 many of which included questions with various sub-parts. The Company also
6 provided supplemental responses to discovery requests as new information
7 became available. The parties also conducted discovery on the non-Company
8 parties' positions, involving an additional 61 discovery requests.

9 **Q. Did the parties in this proceeding file testimony regarding the Company's**
10 **proposals in its initial filing?**

11 A. Yes. On September 14, 2023, Staff, Public Counsel, AWEC, TEP, NVEC,
12 Walmart, and the Sierra Club filed response testimony. On October 27, 2023,
13 several non-Company parties filed cross-answering testimony, and PacifiCorp
14 filed rebuttal testimony.

15 **Q. Please describe the Company's revised revenue requirement proposal in its**
16 **rebuttal filing in this proceeding.**

17 A. In the Company's rebuttal filing, the Company revised its request to \$18.7 million
18 in RY1 and approximately \$22.0 million in RY2 for the proposed MYRP, which
19 is a decrease of approximately \$8.0 million in RY1 and approximately \$6.0 in
20 RY2 from the amounts requested in the Company's initial filing.¹⁴

⁹ McVee, Exh. MDM-1T at 3:6-10.

¹⁰ See Mitchell, Exh. RJM-1CTr at 4-40; Cheung, Exh. SLC-1T at 36:8-37:6.

¹¹ See McVee, Exh. MDM-1T 3:14-19; Richards, Exh. BDR-1T at 2-5, 6; Cheung, Exh. SLC-1T at 11:1-19:3.

¹² See McVee, Exh. MDM-1T at 3:20-22, 34:1-35:12; Painter, Exh. JP-1T at 2-18.

¹³ See Meredith, Exh. RMM-1T at 11-45.

¹⁴ See McVee, Exh. MDM-2T at 6:11-17.

1 **Q. Is a summary of the parties' positions available?**

2 A. Yes. On December 4, 2023, PacifiCorp filed a Joint Issues Matrix with the
3 Commission detailing the parties' positions on the issues raised in this case before
4 Parties reached an agreement in principle on the terms of the settlement.

5 **Q. Please describe AWEC's Petition for an accounting order in Docket**
6 **UE-210852.**

7 A. On November 8, 2021, AWEC filed a petition for accounting order (Petition) in
8 Docket UE-210852. In its Petition, AWEC requested the Commission enter an
9 order requiring PacifiCorp to defer from the date of the Petition the revenue
10 generated by the Company's increased Jim Bridger fly ash sales. On April 28,
11 2023, AWEC filed a Motion to Consolidate its accounting petition in Docket
12 UE-210852 with PacifiCorp's general rate case in Docket UE-230172.

13 **Q. What occurred in the proceeding after AWEC filed its Motion to**
14 **Consolidate?**

15 A. On May 2, 2023, the Commission issued an order suspending PacifiCorp's tariffs
16 and allowing parties to conduct discovery consistent with the Commission's
17 procedural rules. On May 17, 2023, the Commission convened a prehearing
18 conference. No party objected to AWEC's Motion to Consolidate, and the Motion
19 was granted.

20 **Q. How did the Stipulation develop?**

21 A. The Parties have held multiple settlement conferences in this proceeding. The
22 Parties held an initial settlement conference on August 9, 2023, held subsequent
23 meetings on October 23, 2023 and November 29, 2023, and thereafter continued

1 to communicate electronically and by phone. Over the course of these meetings
2 and follow up communications, the Parties presented proposals and
3 counterproposals that culminated in the Stipulation. The Company notified the
4 administrative law judge on December 6, 2023 that an agreement in principle had
5 been reached.

III. THE TERMS OF THE STIPULATION

6 **Q. Please explain the overall revenue requirement agreement agreed to in the**
7 **Stipulation.**

8 A. The revenue requirement increases identified in Paragraph 8 of the Stipulation
9 include the project exclusions and inclusions identified below, as well as the other
10 adjustments identified in the Stipulation. All other revenue requirement
11 adjustments raised by any party in this proceeding, other than adjustments related
12 to NPC, are resolved by the Stipulation without any Party taking a position on
13 such adjustments.¹⁵ Consistent with the Company's rebuttal revenue requirement
14 as presented in the rebuttal testimony of Sherona L. Cheung:

- 15 • The Company agrees to remove projects that are no longer
16 expected to be in service in 2025.
- 17 • The Company will additionally reflect all projects actually placed
18 in service before December of 2022 as traditional pro-form capital
19 additions.¹⁶

20 **Q. Please describe the revenue requirement increases for RY1 and RY2**
21 **included in the Stipulation.**

¹⁵ Settlement Stipulation at ¶ 8.

¹⁶ Settlement Stipulation at ¶ 8; Cheung, Exh. SLC-8T 2:9-5:13.

1 A. The revenue requirement increase will be \$13,786,955 for RY1¹⁷ and
2 \$21,065,564 for RY2 which is based on the Company's rebuttal testimony unless
3 agreed on otherwise in the Stipulation. These numbers are subject to change based
4 on a final Commission determination on litigated NPC issues, and a final NPC
5 update.¹⁸

6 **Q. What is the expected bill impact of the revenue requirement agreed to in the**
7 **Stipulation in comparison with the Company's original proposal?**

8 A. Under the Company's original proposal, the average residential customer using
9 1,200 kilowatt-hours per month would see a \$12.11 increase in the first year,
10 followed by a \$9.34 increase in the second year.¹⁹ Under the revised amounts
11 included in the Stipulation (and before making any adjustment for litigated NPC
12 issues), the average residential customer using 1,200 kilowatt-hours per month
13 would see a \$4.46 increase in the first year, followed by a \$6.76 increase in the
14 second year.

15 **Q. Please describe the Stipulation term regarding the Company's cost of**
16 **capital?**

17 A. The Parties agree to an overall rate of return of 7.29 percent. The Parties also
18 agree that the specific return on equity, cost of debt, and capital structure shall
19 remain unspecified.²⁰

20 **Q. Did the Parties resolve power costs or PCAM issues in this proceeding?**

¹⁷ The overall revenue requirement for rate year one is based on the Company's position on net power costs in rebuttal testimony, namely a forecast of \$190.2 million. The overall revenue requirement also includes the Jim Bridger and Colstrip costs in base rates that would be recovered through the coal-fired facilities tracker.

¹⁸ Settlement Stipulation at ¶ 9.

¹⁹ PacifiCorp's Cover Letter to the Replacement Tariff Pages at 4 (Apr. 19, 2023).

²⁰ Settlement Stipulation at ¶ 10.

1 A. No. The Parties agree that power costs (including items to be updated in any
2 power cost updates during the MYRP) and changes to the structure of the PCAM
3 will remain litigated issues in this proceeding.²¹

4 **Q. Please explain the agreement related to the Capital Additions for Colstrip
5 Unit 4.**

6 A. The Parties agree that all pro-forma capital additions for Colstrip Unit 4 are
7 excluded from the revenue requirement in Paragraph 8 of the Stipulation.²² The
8 excluded pro-forma additions are the Colstrip Unit 4 Superheat Section
9 Replacement, the Colstrip Condenser Tube Replacement, and several additional
10 projects.²³

11 **Q. Please explain the coal-fired facilities tracker.**

12 A. The Parties agree that PacifiCorp will establish a tracker for non-NPC costs
13 associated with coal-fired facilities for ease of review during provisional capital
14 review filings.²⁴ Parties retain the right to challenge the prudence of coal-fired
15 generation expenses through this tracker or any other Company filing related to
16 coal-fired generation.

17 **Q. Please explain the agreed-upon O&M and Capital Additions terms for Jim
18 Bridger Units 1 and 2.**

19 A. Following the gas conversion of Jim Bridger Units 1 and 2, Washington will
20 continue to pay for its allocated share of O&M and capital additions subject to the

²¹ Settlement Stipulation at ¶ 11.

²² Settlement Stipulation at ¶ 12.

²³ Cheung, Exh. SLC-8T at 17.

²⁴ Settlement Stipulation at ¶ 13.

1 Commission's normal process for prudence and cost recovery.²⁵

2 The Company will reduce O&M associated with these facilities by
3 \$3.1 million in RY1 with an increase from the revised RY1 amount by
4 approximately \$760 thousand in RY2 (net total reduction in both years) as
5 reflected in the rebuttal testimony of Company witness Sherona Cheung.²⁶

6 **Q. Please describe the Parties' agreement regarding AWEC's Petition for Order**
7 **Approving Deferral of Increased Fly Ash Revenues.**

8 A. The Parties agree to recommend that the Commission approve the deferral, and
9 further agree that fifty percent of the excess actual revenues from Jim Bridger fly
10 ash sales deferred beginning in October of 2020 will be amortized to customers
11 over a two-year period. The balance will be subject to the Federal Energy
12 Regulatory Commission (FERC) interest rate for deferrals. This is equivalent to
13 rate reduction of approximately \$3.4 million that will occur through a separate
14 tracking mechanism over two years.²⁷

15 **Q. Please explain the Parties' agreement regarding decoupling.**

16 A. The Parties agree to continue the current decoupling mechanism, but remove the
17 earnings test component of the decoupling mechanism. Instead, the RCW
18 80.28.425(6) earnings test will be applied annually, as described in section 14(b)
19 of the Stipulation.²⁸ We discuss this issue further below in connection with the
20 MYRP Annual Review of Provisional Pro-Forma Capital and Earnings Test.

²⁵ Settlement Stipulation at ¶ 14.

²⁶ Settlement Stipulation at ¶ 15; Cheung, Exh. SLC-8T at 15:13-16:3.

²⁷ Settlement Stipulation at ¶ 16.

²⁸ Settlement Stipulation at ¶ 17.

1 **Q. Please explain the Parties' agreement related to equity.**

2 A. The Company agrees to collaborate with the Parties on a methodology to develop
3 an equity framework to evaluate in the Company's next general rate case based on
4 the tenets of equity established by the Lawrence Berkeley National Laboratory.²⁹
5 The Parties recognize that, as a multi-state utility, extending the Commission's
6 guidance concerning assessment of equity on all of PacifiCorp's operations
7 outside of Washington would present difficulties, and thus this agreement is
8 confined to equity considerations regarding Washington customers and capital
9 that is situs-assigned to Washington only.³⁰

10 **Q. Please explain how, given these constraints, the Stipulation further addresses**
11 **equity?**

12 A. The Company agrees to develop a distributional equity analysis (DEA) to be used
13 alongside the traditional benefit-cost analysis in the capital planning process for
14 capital projects that are situs-assigned to Washington. The Company will submit a
15 compliance filing at the end of the MYRP demonstrating that this DEA has been
16 incorporated into the capital planning process for capital projects situs-assigned to
17 Washington. This DEA may be modified in response to Commission guidance on
18 DEA. PacifiCorp shall participate in the DEA workshops within the
19 Commission's equity docket.³¹

²⁹ See Tim Woolf, Alice Napoleon, Natalie Mims Frick, Lisa C Schwartz & Julie Michals, *Distributional Equity Analysis: Advisory Committee* (Dec. 2022), <https://emp.lbl.gov/publications/distributional-equity-analysis>.

³⁰ Settlement Stipulation at ¶ 18.

³¹ Settlement Stipulation at ¶ 19.

1 PacifiCorp will develop benefits and costs (with associated weights where
2 applicable) related to equity for use in its planning framework for distribution
3 capital projects situs-assigned to Washington. The Company must, at minimum,
4 collaborate with its Equity Advisory Group (EAG), Integrated Resource Plan
5 Advisory Group, and its customers, particularly in Named Communities.
6 Engagement with these groups will occur at least at the “Collaboration” level on
7 the International Association for Public Participation Spectrum.³² New benefits
8 and costs should reflect the tenets of energy justice described in the Cascade
9 general rate case order.³³ At minimum these benefits and costs should include, but
10 are not limited to, societal impacts, non-energy benefits and burdens, and the
11 social cost of greenhouse gases, as well as any other benefits and costs deemed
12 appropriate after engagement with PacifiCorp’s advisory groups and customers.³⁴

13 **Q. Please describe the Stipulation’s terms regarding the Company’s Low-**
14 **Income Bill Assistance (LIBA) Program?**

15 A. PacifiCorp will work with the Low-Income Advisory Group (LIAG) and EAG to
16 develop enhancements to the LIBA Program and create an arrearage management
17 plan. PacifiCorp will discuss and seek consensus regarding the following
18 elements of the programs:

- 19 a. Number of discount tiers.
- 20 b. Use of self-declaration of income with eligibility verification for a
21 randomly selected group.
- 22 c. Low-income arrearage management plan.

³² Under the IAP2 Spectrum, “collaboration” is described as “partner[ing] with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.” Available at: https://iap2.org.au/wp-content/uploads/2020/01/2018_IAP2_Spectrum.pdf

³³ *WUTC v. Cascade Nat. Gas Corp.*, Docket No. UG-210755 Order 09 ¶¶ 52-60 (Aug. 23, 2022).

³⁴ Settlement Stipulation at ¶ 20.

- 1 d. Community-based organization outreach program.
2 e. Changing the billing logic so that federal assistance is applied before bill
3 discounts.

4 **Q. Will the Company propose a package addressing these items?**

5 A. Yes. Based on those discussions, PacifiCorp will propose a package addressing
6 the items described above for LIBA program changes by April 30, 2025,
7 requesting Commission approval before October 1, 2025. The package of LIBA
8 program changes will be provided to the Parties two weeks in advance of any
9 filing made at the Commission.³⁵

10 **Q. Under the Stipulation, will the LIBA program change before October 1,**
11 **2025?**

12 A. Yes. The modest increases to the LIBA discount percentages proposed by Witness
13 Meredith will occur at the start of rate year 1 and rate year 2.³⁶

14 **Q. Did the Parties reach an agreement regarding TEP's proposal for a**
15 **Language Access Plan?**³⁷

16 A. Yes. The Parties agreed to the following terms:

17 a. PacifiCorp will develop a draft language access plan within six months of
18 the Commission's final order in this proceeding and share the draft
19 Language Access Plan with the LIAG, Demand Side Management (DSM)
20 Advisory Group, and EAG.

21 b. PacifiCorp will work with the LIAG, DSM Advisory Group, and EAG to
22 further develop the Language Access Plan and seek consensus on a final
23 Language Access Plan.

24 c. PacifiCorp will make best efforts to implement the Language Access Plan
25 prior to the filing of PacifiCorp's next general rate case and will provide
26 this timeline to the LIAG, DSM Advisory Group, and EAG after the

³⁵ Settlement Stipulation at ¶ 22. These programs will continue to be recovered through a separate surcharge, Schedule 91.

³⁶ Meredith, Exh. RMM-1T at 28-29.

³⁷ See Stokes, Exh. SNS-1T at 21-24.

1 Language Access Plan is finalized.
2 d. In each LIBA annual report, PacifiCorp will report on the accomplishment
3 of any objectives in the Language Access Plan and assess the need to
4 upgrade the Language Access Plan.³⁸

5 **Q. Please describe the Stipulation term regarding the Company’s disconnection**
6 **policies.**

7 A. Until the credit and collections rulemaking in Docket UE-210800 is completed,
8 PacifiCorp will make the following temporary changes to its disconnection
9 policies:

10 a. Raise the dollar threshold for disconnecting residential customers for
11 nonpayment from \$50 to \$150.

12 Additionally, the Company will conduct a robust equity review of policies and
13 procedures for disconnecting customers for nonpayment, in consultation with the
14 LIAG and EAG.³⁹

15 **Q. Please describe the Stipulation term regarding the Company’s low-income**
16 **weatherization programs.**

17 A. As described in the testimony of Witness Stokes,⁴⁰ PacifiCorp agrees to work
18 with its DSM Advisory group to develop the following enhancements to its low-
19 income weatherization programs:

20 a. Pilot program to overcome inability to weatherize homes because of
21 deferred maintenance or large repairs.

22 b. Progress payments to weatherization agencies.

23 **Q. Please describe the Parties’ agreement related to the Inflation Reduction Act**
24 **(IRA) and Infrastructure Investment and Jobs Act (IIJA).**

³⁸ Settlement Stipulation at ¶ 23.

³⁹ Settlement Stipulation at ¶ 24.

⁴⁰ Stokes, Exh. SNS-1T at 28-29.

1 A. As part of the Company's annual capital review filing, PacifiCorp will report,
2 during the MYRP, on all IRA/IIJA benefits for which it has applied. PacifiCorp
3 will participate in a collaborative with other investor-owned utilities regarding the
4 potential benefits of the IRA and IIJA.⁴¹

5 **Q. Please describe the Parties' agreement relating to the Company's recovery of**
6 **wildfire mitigation costs.**

7 A. The Parties agree to accept the Company's request for recovery of wildfire
8 mitigation costs identified in Table 1, page 2 of the Rebuttal Testimony of Allen
9 L. Berreth, Exh. No. ALB-3T.⁴² This proposal does not address or include any
10 costs associated with PacifiCorp's deferral in Docket UE-230495.⁴³

11 **Q. What performance metrics did the Parties agree to?**

12 A. The Parties agreed that PacifiCorp will report on the metrics outlined in the
13 rebuttal testimony of Company witness Matthew D. McVee.⁴⁴ Further, the Parties
14 agree that PacifiCorp will report on the following metrics:

- 15 a. Average annual bill for the Washington residential class by Zip code.
- 16 b. Percentage of LIBA program funding dispersed to Washington customers.
- 17 c. Washington-allocated net-plant-in-service per customer.
- 18 d. Washington-allocated O&M per customer.
- 19 e. Change in average annual price per megawatt-hour for the residential class
20 as compared to inflation.⁴⁵

21 **Q. Did the Parties agree to any additional terms regarding performance**
22 **metrics?**

⁴¹ Settlement Stipulation at ¶ 25.

⁴² See Berreth, Exh. ALB-1T at 16.

⁴³ Settlement Stipulation at ¶ 26.

⁴⁴ McVee, Exh. MDM-2T at 47, Table 7.

⁴⁵ Settlement Stipulation at ¶ 27.

1 A. Yes. In addition to these metrics, PacifiCorp will investigate the costs associated
2 with providing affordability data at census tract level and provide that information
3 in its next general rate case proceeding.⁴⁶ The customer benefit indicator
4 conditions will be addressed in PacifiCorp’s Clean Energy Implementation Plan
5 proceedings. Additional metrics may be adopted in PacifiCorp’s next MYRP or
6 based on Commission guidance in the ongoing performance-based policy
7 proceeding, Docket U-210590.

8 **Q. What did the Parties agree to regarding the MYRP annual review of**
9 **provisional pro-forma capital and earnings test?**

10 A. The Parties agree that the annual provisional pro-forma capital reviews will be
11 performed at the portfolio level,⁴⁷ with the exception of Gateway South, Gateway
12 West and new wind resources. However, the review of the costs of these projects
13 will be included in the same provisional pro-forma filing.⁴⁸

14 **Q. Please describe the order of operations for the provisional pro forma capital**
15 **review and earnings test included in the Stipulation.**

16 A. The Parties agree to the following structure for the earnings test and provisional
17 pro-forma capital review:

18 a. PacifiCorp will make a filing to initiate the provisional pro-forma capital

⁴⁶ Settlement Stipulation at ¶ 28

⁴⁷ For the purpose of this settlement, performing the annual, provisional pro-forma capital reviews “at the portfolio level” means, when determining whether refunds are warranted, comparing the actual, overall level (\$ amount) of used and useful plant placed in service to the overall level of plant included in rates on a provisional basis. This entails that neither the individual projects nor the ultimate cost of each project needs to match precisely with what was included provisionally in rates. For example, if a \$10 million dollar project that was included in rates as provisional pro forma is cancelled, but the utility prudently spends \$10 million dollars on a different project that was not included in provisional rates, that will not result in a reduction to used and useful pro forma plant during that rate year, and therefore would not trigger the need for a refund in the annual review process. However, all plant placed in service during the “provisional pro forma period” is subject to a prudence examination, including those projects placed in service that were not identified in the general rate proceeding.

⁴⁸ Settlement Stipulation at ¶ 29.

1 review proceeding, which will determine if any refund is necessary
 2 through that process (Capital Review Refund). For the avoidance of doubt,
 3 PacifiCorp will refund all amounts of plant not placed in service by the
 4 forecasted data, regardless of the Company's earnings.

5 b. After the determination of any refund under the capital review process, the
 6 Company's revised rate of return⁴⁹ will be compared against the
 7 authorized rate of return to determine if any deferral under RCW
 8 80.28.425(6) is necessary (MYRP Earnings Test Deferral). All refunds
 9 and deferrals will accrue interest at the FERC interest rate.⁵⁰

10 **Q. Please describe the timeline for the provisional capital review process and**
 11 **earnings test.**

12 A. The timeline is outlined in the table below:⁵¹

Provisional Capital Review Year	Investment Period	Filing Date	Review Period Ends	Rate Effective Date
2023	January 1, 2023, to December 31, 2023	July 15, 2024	February 15, 2025	March 1, 2025, rate reduction to reflect the true-up and refund ordered by the Commission.
2024	January 1, 2024, to December 31, 2024	July 15, 2025	February 15, 2026	True-up and refund will occur after Commission decision.
2025	January 1, 2025, to December 31, 2025	July 15, 2026	February 15, 2027	True-up and refund will occur after Commission decision.

13 **Q. Please describe the agreed-upon Cost of Service, Rate Spread, and Rate**

⁴⁹ The revised rate of return will be calculated by taking the reported non-weather normalized rate of return from the Commission Basis Report and recalculating it based on any refunds that result from the pro-forma provisional capital review process.

⁵⁰ Settlement Stipulation at ¶ 30.

⁵¹ Settlement Stipulation at ¶ 20.

1

Design.

2

A. The Parties agree to the following terms:

3

a. Parties agree to remove the Net Metering/Net Billing proposal⁵² from this proceeding but PacifiCorp reserves the right to raise this issue in an upcoming proceeding.

4

5

6

b. The price change will be implemented as an equal percentage price change for all classes for both years of the MYRP.

7

8

c. Residential energy charges transition to non-tiered pricing over the two years of the MYRP, with the current tiers being flattened 50 percent in the first year and the remaining change taking effect in the second year.

9

10

11

d. The Residential Basic Charge increases by \$0.75 for single-family customers and decreases by \$1.00 for multi-family customers.

12

13

e. The load size chart for Schedule 48T will change by the same percentage as the price change for the overall Schedule 48T class.

14

15

f. All other unopposed rate design changes proposed by the Company are accepted with the exception of seasonal pricing for Schedule 24. This includes, but is not limited to:

16

17

18

i. Eliminate Schedule 18 – Three Phase Residential Rider and implement an \$8 higher basic charge for three phase residential customers.

19

20

21

ii. Merge the second and third energy price tiers for Schedule 24.

22

23

iii. Implement a time of use option for Schedule 24.

24

iv. Eliminate energy charge tiers for Schedule 36.

25

v. Implement transmission voltage delivery pricing for Schedule 48T.⁵³

26

27

Q. Is the Stipulation an integrated agreement?

28

A. Yes. The Parties agree that the Stipulation represents a compromise among

29

competing interests and a resolution of the contested issues in this proceeding,

30

except for NPC and PCAM. The Parties agree that the Stipulation represents the

⁵² See Meredith, Exh. RMM-1T at 40; Meredith, Exh. RMM-12T at 36.

⁵³ Settlement Stipulation at ¶ 31.

1 entire agreement of the Parties and supersedes all prior oral and written
2 agreements on the issues addressed. Any adjustment to PacifiCorp’s rebuttal
3 filing not incorporated into the Stipulation directly or by reference would be
4 resolved without an adjustment or recommendation for the purposes of this
5 proceeding. The Parties have negotiated the Stipulation as an integrated document
6 to be effective upon execution and Commission approval.

7 **IV. THE STIPULATION SATISFIES THE PARTIES’ INTERESTS AND IS**
8 **CONSISTENT WITH THE PUBLIC INTEREST**

9 **Q. What are the legal standards that must be satisfied with respect to any**
10 **settlement?**

11 A. The Commission’s charge is to regulate in the public interest. The Commission’s
12 settlement approval standards are set forth in WAC 480-07-750(2), providing that
13 “[t]he Commission will approve a settlement when doing it is lawful, supported
14 by an appropriate record, and consistent with the public interest” The
15 settlement, if approved, must result in rates that are just, fair, reasonable, and
16 sufficient.⁵⁴ As such, the Commission must not only assure fair rates to a
17 company’s customers, but also provide a company with rates that will be
18 sufficient to cover its prudently incurred costs and provide an opportunity to
19 recover a reasonable return on its investment.

20 **Q. Do the Parties believe this standard has been met?**

21 A. Yes. The Stipulation in this case represents the Parties’ best efforts to arrive at an
22 end result that satisfies these requirements, in conjunction with the Commission’s

⁵⁴ RCW 80.28.010.

1 resolution of the two unresolved items that were excluded from the Stipulation.

2 **A. Joint Statement of Parties**

3 **Q. Please explain why the Parties support the Stipulation and believe it is in the**
4 **public interest.**

5 A. Through three rounds of testimony, the Parties created an extensive record in this
6 case. The Company responded to hundreds of data requests and served discovery
7 on other parties. Parties had multiple settlement conferences and resolved their
8 differences incrementally through dialogue, negotiations, and ultimately, the
9 agreements memorialized in the Stipulation. The agreed upon revenue increase
10 and rate of return for the Company represent a reasonable compromise of
11 competing interests. Additionally, the Stipulation includes specific proposals to
12 address equity in the Company's MYRP, as well as steps to further the
13 consideration of equity in future rate case filings.

14 **Q. Please explain why the Commission should adopt the Stipulation.**

15 A. The Stipulation represents a reasonable compromise of the numerous and
16 complex issues raised in this case for many reasons, including, but not limited to
17 the fact that the Stipulation:

- 18 ○ Results in a revenue requirement increase of \$13,786,955 for RY1⁵⁵ and
19 \$21,065,564 for RY2 (subject to a final Commission determination on
20 litigated NPC issues, and a final NPC update),⁵⁶ which is less than the
21 Company's original proposal of approximately \$26.8 million for RY1 and

⁵⁵ The overall revenue requirement for rate year one is based on the Company's position on net power costs in rebuttal testimony, namely a forecast of \$190.2 million.

⁵⁶ Settlement Stipulation at ¶ 9.

- 1 \$27.9 million for RY2.
- 2 ○ Allows for approval and amortization of several pending deferrals
- 3 (covering both costs and revenues);
- 4 ○ Resolves pricing and cost of service issues in a manner that is fair to all
- 5 customer classes;
- 6 ○ Outlines a collaborative process to consider the evaluation of equity in
- 7 future rate case filings; and
- 8 ○ Establishes a reasonably efficient process for annual updates and review
- 9 during the course of the MYRP.

10 While the above list is not an exhaustive description of every term in the

11 Stipulation, the compromises on the remaining issues are reasonable.

12 **Q. Have the Parties evaluated the overall fairness of the Stipulation?**

13 A. Yes. Each Party has reviewed the record in this case and the Stipulation. The

14 Parties agree that the rates resulting from the Stipulation, and the Commission’s

15 resolution of the issues not included in the Stipulation, are just, fair, reasonable

16 and sufficient, consistent with the standard set forth in RCW 80.28.010, and

17 represent a reasonable compromise of the issues presented in this case.

18 **Q. What do the Parties recommend regarding the Stipulation?**

19 A. The Parties recommend that the Commission adopt the Stipulation as the basis for

20 resolving many of the issues in this case, and request that the Commission include

21 the terms and conditions of the Stipulation in its final order in this case.

1 **B. Statement of PacifiCorp (Matthew D. McVee)**

2 **Q. Please explain why PacifiCorp supports the Stipulation and believes it is in**
3 **the public interest.**

4 A. The Stipulation provides the Company with the ability to recover its prudently
5 incurred costs and the opportunity to earn a reasonable rate of return. The
6 treatment of capital additions and O&M costs, as well as the establishment of the
7 coal-fired facilities tracker, meet the Company's requirement to retire these
8 facilities while ensuring reasonable recovery of costs. The elimination of the
9 decoupling earnings test and establishment of the MYRP annual review process
10 and earnings test creates a structure for review of provisional pro-forma capital
11 within the MYRP that will promote efficiency and is consistent with the public
12 interest. The treatment of the IRA/IIJA benefits and wildfire mitigation costs will
13 allow PacifiCorp to continue to seek out opportunities for cost savings for
14 customers while additionally making necessary investments to improve safety and
15 reliability of its system. Finally, the Parties' agreed upon cost of service, rate
16 spread, and rate design provisions establish reasonable rate changes for
17 customers.

18 **Q. Why does the Company support the Stipulation terms regarding AWEC's fly**
19 **ash deferral petition?**

20 A. The resolution of AWEC's fly ash deferral petition reflects a compromise
21 between parties supporting and opposing this deferral, and includes an acceptable
22 balance of the benefits of these excess revenues for the Company and for
23 customers.

1 **Q. Please explain why the Company supports the Stipulation’s terms concerning**
2 **equity.**

3 A. As discussed in my rebuttal testimony, the Commission has provided general
4 principles related to consideration of equity in rate cases, but is yet to establish
5 specific guidance on this analysis.⁵⁷ The equity provisions agreed upon in the
6 Stipulation give the Company clear guidance to inform the evaluation of equity in
7 preparation for its next rate case while ensuring flexibility should the Commission
8 establish more specific guidance in the meantime. Additionally, the Stipulation
9 addresses the Company’s concerns regarding the implications for a multi-state
10 utility of extending the Commission’s guidance concerning assessment of equity
11 on all of PacifiCorp’s operations outside of Washington, and appropriately narrow
12 the Company’s focus to its Washington customers and capital that is situs-
13 assigned to Washington. At the same time, these terms will require a
14 distributional equity analysis, which will meet the Commission’s guidance
15 concerning “distributional justice.”⁵⁸

16 The Company looks forward to engaging in the Commission's rulemaking
17 and policy dockets regarding equity, and expects to continue to learn more about
18 this important topic.

19 **Q. Is the Company’s commitment to engagement with its EAG and LIAG on the**
20 **LIBA program and language access plan in the public interest?**

21 A. Yes. The Stipulation’s commitment to engagement with these groups meets the

⁵⁷ McVee, Exh. MDM-2T at 27.

⁵⁸ See *WUTC v. Puget Sound Energy*, Docket No. UE-220066 et al., Order 24/10 ¶ 226 (Dec. 22, 2022).

1 Commission’s guidance relating to “procedural justice.”⁵⁹ PacifiCorp’s
2 engagement with these groups on the development of important aspects of its
3 LIBA programs and arrearage management will ensure that these programs meet
4 the needs of low-income customers. Furthermore, the language access plan will
5 redouble PacifiCorp’s actions to guarantee that all customers can understand
6 PacifiCorp’s rates and assistance programs and can engage with the Company as
7 desired.

8 **Q. Please explain the Company’s support for the Stipulation’s performance**
9 **metrics?**

10 A. In my rebuttal testimony, I had expressed concern about proposals to adopt a
11 significant number of performance metrics, without any assurance that they will
12 aid the Commission in evaluating the Company’s performance under the
13 MYRP.⁶⁰ Beyond those measures that I discussed in my rebuttal testimony, the
14 five additional metrics in the Stipulation are narrowly tailored, include data that
15 the Company is reasonably able to track, and will provide additional detail to
16 allow the Commission and other stakeholders to evaluate the Company’s actions
17 going forward. The Company looks forward to engaging in the Commission’s
18 performance-based rulemaking docket, and expects that the performance metrics
19 may continue to evolve in the future.

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

21 A. Yes.

⁵⁹ See *WUTC v. Puget Sound Energy*, Docket No. UE-220066 et al., Order 24/10 ¶ 226 (Dec. 22, 2022).

⁶⁰ McVee, MDM-2T at 52.

1 **C. Statement of Commission Staff (Chris R. McGuire)**

2 **Q. Please explain why Staff supports the Stipulation and believes it is in the**
3 **public interest?**

4 A. Staff supports the Stipulation because (1) the overall agreed upon revenue
5 requirement is materially below the revenue requirement Staff recommended in
6 response testimony, even in the event that the Commission agrees with the
7 Company's position on the litigated power cost issues, and (2) it adopted Staff's
8 litigation positions on several important policy issues.

9 **Q. What is the agreed-upon revenue requirement and how does that compare to**
10 **Staff's litigation position?**

11 A. For Rate Year 1, The settlement includes a \$13.8 million increase which is \$2.8
12 million lower than Staff's recommend increase of \$16.6 million. For Rate Year 2,
13 the settlement includes a \$21.1 million increase which is \$5.0 million lower than
14 Staff's recommended increase of \$26.1 million. Over the two-year rate plan, the
15 settlement would provide PacifiCorp with \$48.9 million in additional revenues,
16 which is \$10.4 million lower than the \$59.3 million in additional revenues
17 recommended by Staff.

18 While the settlement is results-only with respect to the revenue
19 requirement other than what is explicitly described in the stipulation, the record in
20 this docket amply supports the rate increases included in the stipulation.

21 **Q. In addition to the revenue requirement itself, which terms of the settlement**
22 **impacting revenue requirement do Staff feel are noteworthy and in the**
23 **public interest?**

24 A. The settlement incorporates a reasonable authorized rate of return of 7.29 percent,

1 adopts Staff’s recommendation the PacifiCorp establish a tracker for non-NPC
2 costs associated with coal-fired facilities, and removes all pro forma capital
3 additions at Colstrip from rates. Additionally, in sharing excess fly ash revenues
4 50/50 between ratepayers and the company, the settlement strikes a reasonable
5 compromise on the deferred accounting petition filed by AWEC in Docket
6 UE-210852.

7 **Q. Why are the terms regarding coal-fired facilities important to Staff?**

8 A. First, as Staff described in its responsive testimony, establishing a tracking and
9 true-up mechanism for decommissioning and remediation (D&R) costs for coal-
10 fired facilities is necessary for the Commission to ensure compliance with the
11 Clean Energy Transformation Act.⁶¹ Without a tracking and true-up mechanism it
12 is not clear to Staff how the Commission would ensure that all D&R costs – and
13 ultimately no more than the amount it deems prudent and no less than the amount
14 the utility prudently incurs – are recovered through rates.

15 Second, removing all pro form capital additions for Colstrip Unit 4
16 ensures that Washington ratepayers will not pay for new investments made for the
17 purpose of extending the life of that facility. Additionally, given that in previous
18 rate cases both PSE and Avista agreed to remove from rates certain major life
19 extending investments in Colstrip, this settlement term in this case promotes
20 consistent treatment among electric utilities in Washington with respect to their
21 investments in Colstrip.

⁶¹ RCW 19.405.030(1)(b). “The commission shall allow in electric rates all decommissioning and remediation costs prudently incurred by an investor-owned utility for a coal-fired resource.”

1 **Q. What about the terms of the Settlement that don't directly impact the**
2 **revenue requirement?**

3 A. The Settlement accepts many of Staff's litigation positions on non-revenue
4 requirement issues. The Settlement accepts Staff's position related to the statutory
5 standard for refunds for plant provisionally included in rates, requires annual
6 reporting related to IJJA and IRA benefits the Company pursued, does not include
7 implementing seasonal rates, continues revenue decoupling, and, with minor
8 modifications, adopts two of Staff's three recommendations related to equity.

9 The other cost of service, rate spread and rate design terms in the
10 settlement are a reasonable compromise given the litigated positions taken by the
11 settling parties in previous testimony. The Company also agreed to adopt
12 additional performance measures recommended by the noncompany parties.

13 **Q. Why is it important to Staff that the Settlement accepts Staff's position**
14 **related to the statutory standard for refunds for plant provisionally included**
15 **in rates?**

16 A. As Staff described in its response testimony,⁶² to determine ratepayer refunds
17 related to plant provisionally included in rates, the annual retrospective reviews
18 should compare the actual used and useful plant with the level of plant included in
19 provisional rates, thus applying a refund threshold that is consistent with the
20 property valuation statute, RCW 80.04.250. Staff was concerned that the
21 0.5 percent threshold under RCW 80.28.425(6) is not an indicator of whether (or
22 the degree to which) the level of plant provisionally included in rates was used

⁶² McGuire, Exh. CRM-1T at 62:1-65:13.

1 and useful for service during the rate effective period, and so applying the
2 0.5 percent threshold under RCW 80.28.425(6) when determining whether to
3 issue refunds related to plant included in rates provisionally could lead to rates
4 that do not conform to the requirements of RCW 80.04.250.

5 **Q. Why was it important to Staff to ensure the continuation of PacifiCorp’s**
6 **decoupling mechanism, at least in the near-term?**

7 A. As also described in Staff’s response testimony,⁶³ given that revenue decoupling
8 is a form of performance-based regulation and a common element of
9 performance-based regulation (PBR) frameworks,⁶⁴ the question of whether to
10 continue or discontinue revenue decoupling is more appropriately considered
11 within the context of the Commission’s open policy proceeding on PBR,
12 Docket U-210590.

13 **Q. How does the settlement make progress toward equitable outcomes?**

14 A. Staff believes the Settlement terms make significant progress towards equitable
15 outcomes for customers by requiring the Company to take specific, concrete steps
16 toward achieving equity. The Settlement requires the Company to develop and
17 incorporate a Distributional Equity Analysis (DEA) into the Company’s capital
18 planning processes for investments situs-assigned to Washington. It also requires
19 the Company to work with the EAG and the IRP Advisory Group to develop
20 equity related costs and benefits for distributional capital projects situs assigned to
21 Washington. These terms will be a substantial improvement from current

⁶³ McGuire, Exh. CRM-1T at 17:16–18:2.

⁶⁴ See, e.g., Elaine Prause and Jessica Shipley, *Performance-Based Regulation: Considerations for the Washington Utilities and Transportation Commission*, Docket U-210590, at 3-4 and 11-12 (filed Mar. 2, 2022) (Regulatory Assistance Project).

1 practices and avoids the difficult questions that arise when attempting to apply
2 Washington's equity standards to potential projects that would serve the
3 Company's entire system.⁶⁵ These difficult questions can and should be addressed
4 in the future, but for now Staff believes that the equity-related terms of the
5 Settlement will set the Company up for success in its efforts to improve equity.

6 Finally, while Staff would like to make clear that equity and low-income
7 issues are separate matters with distinct legal requirements that should be
8 considered and analyzed separately, Staff does believe that the terms reached in
9 this settlement related to the LIBA Program, disconnections, arrearages, and a
10 Language Access Program are likely to have a positive impact on equity.

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

12 A. Yes.

13 **D. Statement of AWEC (Bradley G. Mullins)**

14 **Q. Please explain why AWEC supports the Stipulation and believes it is in the**
15 **public interest?**

16 A. The settlement stipulation resolves many of the issues that AWEC had contested
17 related to revenue requirement, including issues surrounding cost of capital,
18 revenue requirement issues other than net power costs, and rate spread and rate
19 design issues. The settlement also contains terms related to equity, low-income
20 funding, and performance ratemaking that AWEC was willing to accept.

21 Overall, the Settlement results in a first-year revenue requirement
22 increase, exclusive of NPC issues, of \$13.8 million, compared to \$26.8 million in

⁶⁵ See Brewer, Exh. MAB-1T at 17:16-19:17.

1 PacifiCorp's initial filing. Thus, the Settlement results in eliminating about half of
2 the first-year rate increase that PacifiCorp had proposed in its initial filing. In
3 addition to this reduction, the issues AWEC raised related to NPC remain
4 unresolved. Accordingly, AWEC still has the opportunity to present NPC related
5 issues for Commission resolution, and depending on the Commission's decision
6 on such issues, the outstanding NPC issues may further reduce the \$13.8 million
7 increase agreed in the Stipulation. Considering the Stipulation as a whole, AWEC
8 found the Stipulation to be a reasonable compromise for non-NPC revenue
9 requirement issues.

10 The Stipulation also provides for a reduction to the second-year revenue
11 requirement from \$27.9 million in PacifiCorp's initially filed case to \$21.1
12 million. The second-year revenue requirement is being driven by several large
13 capital projects, including Gateway South, Gateway West, and new wind
14 resources.

15 To address the significant capital investments included in this case, the
16 Stipulation also adopts a capital review process that carves out the discrete large
17 capital additions for individual review. Thus, to the extent that these major capital
18 projects are not placed in service as forecast in the revenue requirement in this
19 docket, a refund will be provided to customers, inclusive of interest at the FERC
20 interest rate. In addition, depending on how the Commission resolves outstanding
21 NPC issues, it will be possible to further review the offsetting NPC benefits
22 associated with these new capital additions in a future NPC update filing,
23 including the benefits of increased production tax credits, an increased production

1 tax credit rate in 2025, and the value of new wind production. Considering these
2 impacts, and the Stipulation as a whole, AWEC was willing to accept the second-
3 year revenue requirement included in the Stipulation.

4 **Q. Does this complete your testimony on behalf of AWEC?**

5 A. Yes.

6 **E. Statement of TEP (Shaylee N. Stokes)**

7 **Q. Please explain why TEP supports the Stipulation and believes it is in the**
8 **public interest.**

9 A. The Stipulation reasonably resolves many of the issues I raised in my testimony,
10 including enhancements to LIBA, creating a new arrearage management program,
11 creating a language access plan, improving disconnection policies, and changes to
12 weatherization programs.

13 **Q. Why do you support the Stipulation's terms concerning PacifiCorp's energy**
14 **assistance program?**

15 A. The settlement establishes a process for the LIAG to develop enhancements to the
16 existing LIBA program and implement a new arrearage management program.⁶⁶ I
17 look forward to working with PacifiCorp's LIAG to incorporate into the LIBA
18 many of the best practices identified and recently implemented by the other
19 Washington investor-owned utilities.⁶⁷

⁶⁶ Settlement Stipulation, ¶ 19.

⁶⁷ Stokes, Exh. SNS-1T at 10-12; see, e.g., Dkts. 230539-40 and 230560-61, Comments of The Energy Project on Enhancements to Avista and Puget Sound Energy's Low-Income Assistance Programs (Aug. 18, 2023).

1 **Q. Do you support the Stipulation’s filing date of no later than April 1, 2025 and**
2 **effective date of October 1, 2025 for the enhanced energy assistance**
3 **programs?**

4 A. Yes. While the filing date is a few months earlier than I originally proposed, if the
5 LIAG meets at least twice monthly starting in the first quarter of 2024, I expect it
6 to have enough time to complete this work in time for an April 1, 2025 filing date.

7 **Q. Your response testimony proposed an interim arrearage forgiveness**
8 **program beginning on October 1, 2024.⁶⁸ Does the Settlement address this**
9 **proposal?**

10 A. No, the Stipulation does not require or prohibit an interim arrearage forgiveness
11 program. I plan to bring up the possibility of such an interim program early in the
12 LIAG discussions. I am hopeful that PacifiCorp and the LIAG can reach
13 consensus on a way to provide arrearage forgiveness to low-income customers
14 starting on October 1, 2024. A similar situation occurred with Puget Sound
15 Energy, which was required in a rate case settlement to implement a full arrearage
16 management plan on October 1, 2024; PSE worked with its advisory group to
17 implement a temporary arrearage forgiveness program a year earlier.⁶⁹

18 **Q. Why do you support the Stipulation’s terms concerning a Language Access**
19 **Plan?**

20 A. Under the settlement, PacifiCorp will develop a comprehensive plan describing
21 when and how to conduct outreach for programs, including energy assistance,

⁶⁸ Stokes, Exh. SNS-1T at 13.

⁶⁹ Dkts. 230560-61, Comments of The Energy Project on Enhancements to Avista and Puget Sound Energy’s Low-Income Assistance Programs, at 13 (Aug. 18, 2023).

1 conservation, and weatherization in languages other than English.⁷⁰ After working
2 with its advisory groups to improve it, PacifiCorp will implement the Language
3 Access Plan and regularly report on its progress and any necessary updates.

4 **Q. Why do you support the Stipulation’s terms concerning disconnections?**

5 A. First, the Stipulation provides immediate relief for customers with small past-due
6 amounts by raising the dollar threshold for residential disconnections from \$50 to
7 \$150. Second, the Stipulation requires a robust equity review of disconnection
8 policies.⁷¹ My response testimony identified why TEP believes that PacifiCorp’s
9 disconnection practices are inequitable,⁷² and TEP expects that this robust review
10 process will result in “corrective intervention[s]”⁷³ that change the identified
11 inequitable practices.

12 **Q. Finally, why do you support the Stipulation’s terms concerning**
13 **weatherization?**

14 A. The Stipulation adopts my proposals to develop a pilot program to overcome the
15 inability to weatherize homes because of deferred maintenance or large repairs, as
16 well as to provide progress payments.⁷⁴ These changes will allow the
17 weatherization program to serve more low-income customers.

18 **Q. Please summarize TEP’s position concerning the Stipulation.**

19 A. This settlement involved give and take between the parties. No party got
20 everything they wanted, but the result is an agreement that is in the public interest.

⁷⁰ Settlement Stipulation ¶ 21.

⁷¹ Settlement Stipulation ¶ 22.

⁷² Stokes, Exh. SNS-1T at 13-17.

⁷³ Dkt. UG-210755, *Washington Utilities & Transportation Commission v. Cascade Natural Gas Corporation*, Order 09, ¶ 58 (Aug. 23, 2022).

⁷⁴ Settlement Stipulation ¶ 23.

1 TEP asks the Commission to approve the settlement.

2 **Q. Does this complete your testimony on behalf of TEP?**

3 A. Yes.

4 **F. Statement of NWEAC (Lauren McCloy)**

5 **Q. Please explain why NWEAC supports the Stipulation and believes it is in the**
6 **public interest?**

7 A. NWEAC believes the Stipulation is a reasonable compromise of the issues and
8 presents a package that: a) ensures the utility is not faced with disincentives to
9 acquiring energy efficiency; b) ensures price signals to customers encourage
10 distributed energy resources, including energy efficiency, conservation, and
11 customer generation; c) takes concrete steps to ensuring equity is considered in
12 utility system planning and ratemaking; and d) readies the utility for the
13 statutorily required removal of coal generation costs post-2025. Energy efficiency
14 acquisition is in the public interest because it is the lowest cost resource, and
15 provides many non-energy benefits, which support the achievement of
16 Washington's climate and equity goals. Historic practices have disproportionately
17 burdened already impacted segments of utility customers; it is therefore in the
18 public interest to ensure an equitable distribution of benefits and reduction of
19 burdens to those who have been disproportionately impacted. Removal of coal
20 generation costs from rates are in the public interest because Washington law
21 requires electric utilities to remove coal power from rates by the end of 2025, and
22 customers should not pay for investments that will not benefit them in the future.

23

1 **Q. Please explain why NWECC supports the Stipulation's terms regarding**
2 **decoupling?**

3 A. NWECC continues to support revenue decoupling as a means of removing the
4 throughput incentive, and its inherent disincentive for utilities to acquire energy
5 efficiency. Revenue decoupling also provides a foundation for moving away from
6 the old model of rewarding utilities for commodity sales and towards new
7 methods of ensuring cost recovery plus a reasonable return through performance-
8 based regulation, as supported by Washington state policy. NWECC supports the
9 continuation of PacifiCorp's decoupling mechanism, and the replacement of the
10 earnings test component as described in this joint testimony. At this point, NWECC
11 is not convinced that the MYRP inherently warrants elimination of the decoupling
12 mechanism, but remains open to continuing to evaluate changes to the
13 mechanism. By continuing the decoupling mechanism in this MYRP, the
14 Company and the Commission can later evaluate any interplay between
15 decoupling and the MYRP metrics with actual data.

16 **Q. Please explain why NWECC supports the rate design aspects of the**
17 **Stipulation.**

18 A. While decoupling helps ensure that the utility does not shy away from energy
19 efficiency, sound rate design provides a key signal for customers to invest in the
20 cheapest, cleanest and most reliable resource. A key part of sound rate design
21 includes low fixed charges, allowing customers to have control over their energy
22 bill through reduced energy use. The Stipulation provides for a modest
23 \$0.75/month increase in the basic charge to single-family homes while also

1 recognizing that multi-family homes are cheaper to serve and reducing the charge
2 to those customers by \$1.00/month. Both customer segments retain their ability to
3 save money by reducing their energy use through energy efficiency and
4 conservation. Over the long-term, this benefits all customers as utility service
5 requirements are lessened as demand is lowered.

6 NWEC notes that the Stipulation moves rate design away from historically
7 beneficial tiered block rates for the residential class, whereby residential
8 customers pay more for using more energy. NWEC recognizes that the tiered rate
9 design structure may not facilitate beneficial electrification and is open to further
10 modifications in the future to better promote beneficial electrification. The
11 Stipulation eliminates the tiered block rate structure for residential customers over
12 the two-year rate plan and reverts to a flat rate system. NWEC looks forward to
13 working with the Company, the Commission and other interested parties in
14 developing rate design that recognizes the need for beneficial electrification,
15 sends appropriate price signals to conserve, and shifts usage to times when the
16 system is not burdened. The Stipulation appropriately resolves this case without
17 predetermining this issue and allows more time for PacifiCorp and interested
18 stakeholders to reach a consensus on the best path forward.

19 Lastly, the Stipulation recognizes that no changes are currently needed to
20 Pacific Power's Net Energy Metering (NEM) program. It is in the public interest
21 to allow statewide efforts to develop the next iteration of distributed energy policy
22 to come to fruition rather than piece-meal approaches as initially proposed by the
23 Company. NWEC looks forward to continued collaboration on these important

1 issues.

2 **Q. Please explain why NWECC supports the equity components of the**
3 **Stipulation.**

4 A. Affordability and equity are pillars of NWECC's advocacy and are fundamental to
5 our mission of a clean, affordable, and equitable energy future. NWECC believes
6 that these provisions will facilitate that vision and provide benefits to Pacific
7 Power's customers. We believe that an equity framework, DEA, and Language
8 Access Plan developed with the Parties, LIAG, and EAG as well as an equity
9 review of policies conducted by the LIAG and EAG will move the Company
10 towards more equitable processes and outcomes. These provisions also enable the
11 Company to take advantage of interested party and community expertise.
12 Furthermore, we believe that the recommendations to improve the LIBA program
13 align with the processes and designs that Avista, Puget Sound Energy, and
14 Cascade Natural Gas have achieved for their respective bill discount rate and
15 arrearage management programs, which the Commission has already approved.
16 Finally, temporarily raising the disconnection dollar threshold from \$50 to \$150 is
17 appropriate given that several of Pacific Power's peer utilities have a threshold
18 higher than \$50.

19 **Q. Please explain why NWECC supports the Stipulation's terms regarding coal**
20 **generation costs.**

21 A. The principle of generational equity should be at the forefront of the
22 Commission's mind with regard to all of Washington's investor-owned utilities'
23 ownership of coal generation assets. With the Clean Energy Transformation Act

1 requiring elimination of coal costs from Washington rates by the end of 2025, it is
2 logical to question requiring customers to pay for large capital investments that
3 will provide “value” to the generation facility after 2025. The Stipulation’s
4 removal of Colstrip related capital costs from the revenue requirement, and the
5 establishment of a Coal-fired facilities tracker is an acknowledgement of this
6 generational equity concern, and is consistent with similar actions approved by
7 the Commission for other Washington utilities.

8 **Q. Does this complete your testimony on behalf of NVEC?**

9 A. Yes.

10 **G. Statement of Walmart (Alex J. Kronauer)**

11 **Q. Please explain why Walmart supports the Stipulation and believes it is in the**
12 **public interest.**

13 A. Walmart supports the Stipulation as it results in a reasonable compromise of the
14 issues Walmart contested in this case.

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

16 A. Yes.

17 **V. CONCLUSION**

18 **Q. Do you recommend that the Commission approve the Stipulation?**

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

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

3 **A. Yes.**