

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-230172
(Consolidated)

In the Matter of

ALLIANCE OF WESTERN ENERGY
CONSUMERS'

Docket UE-210852
(Consolidated)

Petition for Order Approving Deferral of
Increased Fly Ash Revenues

PACIFICORP

REBUTTAL TESTIMONY OF MATTHEW D. MCVEE

October 2023

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ATTACHED EXHIBITS

Exhibit No. MDM-3—IRA IJJA Correspondence

Exhibit No. MDM-4—Staff’s Response to PacifiCorp Data Request 2

Exhibit No. MDM-5—Public Counsel’s Response to PacifiCorp Data Requests 2-5

Exhibit No. MDM-6—Docket No. UE-210829, PacifiCorp Exh. KLE-1T (Testimony of
Kenneth Lee Elder)

Exhibit No. MDM-7—Public Counsel’s Response to PacifiCorp Data Requests 6-8

1 **Q. Are you the same Matthew D. McVee 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 **I. PURPOSE AND SUMMARY OF TESTIMONY**

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

7 A. In my rebuttal testimony, I provide an overview of the Company's updates to its
8 initial filing and respond to the regulatory policy issues raised in the testimonies of
9 Staff of the Washington Utilities and Transportation Commission (Staff), the Public
10 Counsel Division of the Washington State Attorney General's Office (Public
11 Counsel), the Alliance of Western Energy Consumers (AWEC), The Energy Project
12 (TEP), the Northwest Energy Coalition (NVEC), and Sierra Club.¹

13 **Q. Please provide a summary of your rebuttal testimony.**

14 A. First, I provide a summary of the updates and corrections that have been made to the
15 Company's initial filing, provide an overview of the contested issues in the
16 proceeding, and introduce the Company's witnesses that are providing rebuttal
17 testimony. Next, I respond to the regulatory policy issues raised by Staff and
18 intervenors, focusing on the following topics:

- 19 • **Multi-Year Rate Plan (MYRP).** I respond to Staff and intervenor proposals
20 concerning the MYRP, and specifically urge that the Washington Utilities and
21 Transportation Commission (Commission) adopt the MYRP timing and review
22 process outlined in my direct testimony, and respond to proposals for

¹ Unless personal pronouns are specified by a witness in their testimony, in my rebuttal testimony I use "they/them" when using a pronoun to refer to a witness.

1 modifications to the MYRP. Regarding the application of an earnings review
2 threshold, I encourage the Commission to carefully consider and balance
3 incentives for utilities to efficiently manage their spending, while allowing for
4 flexibility during a time of rapid change.

5 • **Equity.** I respond to Staff and intervenor testimony concerning the Company’s
6 consideration of equity-related issues in its MYRP, and provide context for the
7 Company’s presentation of these issues in this case. In particular, even in the
8 absence of clear guidance regarding the appropriate analysis to include
9 concerning equity, the Company has endeavored to describe how equity is
10 informing its activities, both in the MYRP and outside of the MYRP.

11 • **Performance Measures.** I respond to TEP’s and Public Counsel’s
12 recommendation that the Commission adopt additional performance metrics
13 beyond the eight performance measures included in the Company’s initial filing.
14 Specifically, I explain that the Company’s proposed performance measures
15 appropriately reflect the measures for evaluating a MYRP that the Commission
16 included in the recent Puget Sound Energy (PSE)² and Avista Corporation dba
17 Avista Utilities (Avista)³ orders, and that do not include the additional
18 performance metrics included in the PSE and Avista settlements. I also respond to
19 Staff’s proposal that the Company should track affordability and energy burden
20 by census tract in addition to tracking this information by Zip code.

21 • **Clean Energy Transformation Act (CETA) Issues for Capital Projects.** I
22 respond to Staff and intervenor testimony concerning the Jim Bridger Units 1 and

² *WUTC v. PSE*, Docket No. UE-220066, et al., Order 24/10 ¶¶ 92 (Dec. 22, 2022) (“*PSE order*”).

³ *WUTC v. Avista*, Docket No. UE-220053, et al., Order 10/04 ¶¶ 96-97 (Dec. 12, 2022) (“*Avista order*”).

1 2 gas conversion, and explain why Staff’s proposal to pro-rate the gas conversion
2 costs should be rejected. I further respond to Staff’s and TEP’s testimony that
3 certain investments in Colstrip Unit 4 and Jim Bridger Units 3 and 4 are life-
4 extending and should be excluded from the case, and explain why these proposals
5 should be rejected.

6 • **Deferrals.** I respond to Public Counsel’s and AWEC’s proposals concerning
7 amortization of the Company’s deferrals addressing costs associated with the
8 CETA, an electric vehicle (EV) pilot program, and COVID, and recommend
9 rejecting their proposals.

10 • **Incremental Wildfire Mitigation and Vegetation Management.** I respond to
11 Public Counsel’s proposed adjustment regarding incremental wildfire mitigation
12 and vegetation management, and propose that the Commission reject their
13 proposed adjustment as arbitrary and unsupported.

14 • **Insurance Premiums.** I explain why the Company is updating the cost of its
15 excess liability insurance premiums in its rebuttal filing, and why it is important
16 to include the actual costs of these insurance premiums in rates.

17 • **Washington Climate Commitment Act (CCA).** I respond to AWEC’s
18 testimony concerning the Washington CCA, noting that AWEC’s testimony—and
19 specifically, witness Mullins’ testimony—on this point has been inconsistent
20 across different jurisdictions. I also note that the allocation of the effects of the
21 Washington CCA has been a contentious issue in other jurisdictions, and the
22 Company also supports AWEC’s recommendation that the Commission and
23 stakeholders participate in the Multi-State Process (MSP) to help craft a solution

1 regarding the allocation of costs and benefits of the Chehalis plant—and in
2 particular, the CCA compliance costs.

- 3 • **Sierra Club’s Proposals Regarding Integrated Resource Plan (IRP) Analysis**
4 **and Competitive Bidding.** I respond to Sierra Club’s proposals concerning the
5 IRP analysis and competitive bidding for Public Utility Regulatory Policies Act of
6 1978 (PURPA) projects, and explain that these topics would be more
7 appropriately considered in a generic proceeding, and are outside the scope of this
8 MYRP filing.

9 **II. UPDATES AND OVERVIEW OF REBUTTAL TESTIMONY**

10 **A. Updates and Corrections**

11 **Q. As part of its rebuttal filing, is the Company including any updates or**
12 **corrections to the Company’s filed case?**

13 A. Yes, the Company has included a number of corrections and updates in its rebuttal
14 filing, which are detailed extensively in the rebuttal testimony of Company witness
15 Sherona Cheung regarding revenue requirement and in the testimony of Company
16 witness Ramon Mitchell concerning net power cost (NPC) updates. There are a few
17 particularly noteworthy items, as they address issues that parties had raised in
18 response testimony:

- 19 • **Return on Equity (ROE) and Long Term Debt.** The Company is reducing its
20 proposed ROE from 10.3 percent to 10.0 percent. The Company is also updating
21 Long Term Debt from 4.77 percent to 5.09 percent.
- 22 • **Net Billing.** In its direct filing, the Company had proposed a Net Billing tariff as
23 a successor to its Net Metering tariff in anticipation of reaching the deadline in

1 RCW 80.60.020(1)(a) during the MYRP. However, in light of stakeholder
2 feedback, the Company is withdrawing its proposal, so that a more holistic
3 successor program can be developed and more outreach can be conducted with
4 stakeholders.

- 5 • **Insurance Premiums.** The Company has experienced an increase in its excess
6 liability insurance premiums. The August 2023 actual premium paid increased
7 from \$32.2 million, total-Company, to \$125.2 million, total-Company. The
8 Company has included the August 2023 liability insurance premium in the revised
9 revenue requirement which increases the Washington-allocated revenue
10 requirement by approximately \$6.9 million.
- 11 • **NPC Update.** The Company prepared a NPC update as part of its rebuttal
12 testimony, which is described in the testimony of Company witness Mitchell, and
13 results in Washington-allocated NPC of \$190.2 million. This is a decrease to
14 Washington NPC of \$8.6 million, relative to the Company’s direct testimony.⁴
- 15 • **Removal of Cancelled or Postponed Projects.** In preparing its rebuttal filing,
16 the Company reviewed all remaining provisional pro forma projects (i.e., projects
17 included in initial filing expected to be placed in-service from 2023 through
18 2025), and identified all capital projects that are no longer expected to be placed
19 in-service by 2025. The Company has removed these projects from its rebuttal
20 revenue requirement calculations. The estimated revenue requirement impact
21 from the removal of these cancelled or otherwise posted post-2025 projects is
22 approximately \$1.1 million in Rate Year 1 (RY1), and \$6.8 million in Rate Year 2

⁴ Mitchell, Exh. RJM-3CT at 24:3-4.

1 (RY2).⁵ The projects that were removed include:

- 2 ○ **North Temple Office.** Due to unanticipated delays associated with the
3 North Temple Office, the Company is removing this project from its
4 filing.
- 5 ○ **Colstrip.** The Company has cancelled two projects associated with
6 Colstrip, the condenser replacement and superheat section replacement,
7 and accordingly these are being removed from the Company request.⁶
- 8 ○ **Provisional Pro Forma Projects.** PacifiCorp has also removed a number
9 of provisional pro forma projects that it no longer expects to be in service
10 by the end of 2025.⁷

11 **Q. After taking into account all updates and corrections, what are the revised**
12 **revenue requirement increases requested in RY1 and RY2?**

13 A. As discussed in more detail in the rebuttal testimony of Company witness Cheung,
14 the Company's revised overall revenue requirement increase of approximately \$18.7
15 million in RY1 and approximately \$22.0 million in RY2 for the proposed
16 MYRP.⁸ This is a decrease of approximately \$8.0 million in RY1 and approximately
17 \$6.0 in RY2 from the amounts requested in the Company's initial filing.⁹

⁵ Cheung, Exh. SLC-8T at 22:17-19.

⁶ Richards, Exh. BDR-2CT at 5:4-5.

⁷ Cheung, Exh. SLC-8T at 22:13-19.

⁸ *Id.*, at 1:15-17.

⁹ *Id.*, at 1:17-19.

1 **B. Overview of Contested Issues in this Proceeding**

2 **Q. Please summarize parties' positions on the Company's revenue requirement**
3 **proposed in the MYRP.**

4 A. Staff recommends a revenue requirement increase of \$16,621,098 for RY1, and a
5 revenue requirement increase of \$26,063,309 for RY2.¹⁰

6 Public Counsel recommends a revenue requirement increase of \$5,944,543 for
7 RY1, and a revenue requirement increase of \$23,482,867 for RY2.¹¹ Public Counsel
8 recommends that the Commission require the Company to provide an annual true-up
9 for capital costs.

10 AWEC recommends the Commission reject the MYRP on the basis that
11 PacifiCorp's revenue requirement for RY2 is driven by new capital additions, and
12 witness Mullins asserts that PacifiCorp has not undertaken an evaluation of offsetting
13 factors for RY2 capital.¹² AWEC recommends that the Commission reject the MYRP,
14 but if the Commission approves a MYRP, AWEC recommends a revenue
15 requirement reduction of \$20,013,603 for RY1.¹³ If the Commission approves a
16 MYRP, AWEC recommends a revenue requirement increase of \$28,874,572 for RY2,
17 relative to RY1, subject to AWEC's proposals concerning NPC updates and ex-post
18 capital projects review.¹⁴

19 As shown in Table 1, below, the parties' positions regarding the revenue
20 increases in the MYRP are as follows:

¹⁰ Huang, Exh. JH-1T at 10:10-12.

¹¹ Crane, Exh. ACC-3.

¹² Mullins, Exh. BGM-1CT at 2:17-18.

¹³ *Id.*, at 3:27-28.

¹⁴ *Id.*, at 3:28-30.

TABLE 1. OVERVIEW OF PARTIES' POSITIONS REGARDING MYRP

Party	Rate Year 1	Rate Year 2
PacifiCorp – Initial Filing	\$26,763,219	\$27,947,817
PacifiCorp – Rebuttal Filing	\$18,747,330 ¹⁵	\$21,974,219 ¹⁶
Staff	\$16,620,000	\$26,060,000
Public Counsel	\$5,944,543	\$23,483,867
AWEC	(\$20,013,603)	\$28,874,572

1 **Q. Did the Sierra Club, NWECC, TEP, and Walmart provide specific**
2 **recommendations regarding the rates proposed in the MYRP?**

3 A. No, these parties did not provide any specific recommendations regarding revenue
4 requirement adjustments or the MYRP, though Walmart provided testimony asking
5 that the Commission closely examine” the Company’s proposed revenue requirement
6 increases.¹⁷

7 **Q. What issues did these parties raise in this proceeding?**

8 A. The Sierra Club provided testimony regarding the Power Cost Adjustment
9 Mechanism (PCAM), forecast NPC, and regarding suggestions for the analysis of
10 renewable resources in the IRP, and for using competitive bidding to meet PURPA
11 obligations.¹⁸ NWECC provided testimony regarding the Company’s proposed Net
12 Billing Program and proposing a third-party value of exported energy study.¹⁹ TEP
13 provided testimony regarding performance-based ratemaking,²⁰ as well as the
14 Company’s Low-Income Bill Assistance Programs and other issues impacting low-

¹⁵ Cheung, Exh. SLC-9.

¹⁶ Cheung, Exh. SLC-10.

¹⁷ Kronauer, Exh. AJK-1T at 14:18-15:4.

¹⁸ Binz, Exh. RJB-1T at 38-39.

¹⁹ Thompson, Exh. CT-1T.

²⁰ Cebulko, Exh. BTS-1T.

1 income customers.²¹ Walmart provided testimony regarding cost and revenue
2 allocation and rate design.²²

3 **Q. What are the parties' recommendations regarding return on equity and capital**
4 **structure?**

5 A. Staff recommends a return on equity of 9.5 percent, and capital structure consisting of
6 49.1 percent common equity , 50.13 percent long-term debt, 0.76 percent short term
7 debt, and 0.01 percent preferred stock.²³ AWEC recommends a return on equity of
8 9.0 percent, and a capital structure consisting of 51 percent common equity,
9 48.99 percent long term debt, and 0.01 percent preferred stock.²⁴ Public Counsel
10 recommends a return on equity of 9.25 percent, and a capital structure consisting of
11 49.1 percent common equity ,50.89 percent long-term debt, and 0.01 percent
12 preferred stock..²⁵ Walmart discusses the Company's proposed ROE, but does not
13 provide any specific recommendations.²⁶ For ease of reference, these
14 recommendations are detailed in Table 2, below.

**TABLE 2 – OVERVIEW OF PARTIES' POSITIONS
REGARDING ROE AND CAPITAL STRUCTURE**

Party	Return on Equity	Capital Structure
PacifiCorp – Direct	10.3%	Long term debt: 48.72% Preferred stock: 0.01% Common equity: 51.27%
PacifiCorp – Rebuttal	10.0%	Long term debt: 48.72% Preferred stock: 0.01% Common equity: 51.27%
Staff	9.5%	Long term debt: 50.13% Preferred stock: 0.01% Common equity: 49.1%

²¹ Stokes, Exh. SNS-1T.

²² Teague, Exh. ADT-1T.

²³ Parcell, Exh. DCP-1T at 3:4-10.

²⁴ Kaufman, Exh. LDK-1T at 1:13-14.

²⁵ Woolridge, Exh. JRW-1T at 5, Table 2.

²⁶ Kronauer, Exh. AJK-1T at 6:7-16.

		Short term debt: 0.76%
AWEC	9.0 %	Long term debt: 48.99% Preferred stock: 0.01% Common equity: 51%
Public Counsel	9.25%	Long term debt: 50.89% Preferred stock: 0.01% Common equity: 49.1%

1 **Q. Is PacifiCorp making any other changes in its rebuttal testimony that would**
2 **impact the requested rate of return (ROR)?**

3 A. Yes. Company witness Nikki Koblaha discusses changes to PacifiCorp’s long-term
4 cost of debt, explaining that the Company has updated the cost of debt using current
5 forward treasury rates, indicative credit spreads as of July 10, 2023, and an update to
6 the variable-rate Pollution Control Revenue Bond rates using more recent forward
7 market rates.²⁷ The result is a weighted average cost of debt of 5.09 percent, which is
8 32 basis points higher than the 4.77 percent projected in the Company’s initial
9 filing.²⁸

10 **Q. Are there policy issues in dispute in this proceeding?**

11 A. Yes, as I previewed in the summary of my testimony, there are policy issues that
12 remain disputed among the parties related to MYRP, equity, performance measures,
13 CETA issues for capital projects, deferrals, incremental wildfire mitigation and
14 vegetation management, the Washington CCA, and Sierra Club’s proposals
15 concerning IRP analysis and competitive bidding for PURPA projects. I address these
16 issues below. Additionally, there remain disputed issues concerning PCAM
17 modifications and the Company’s proposal to eliminate decoupling, which are
18 discussed in the rebuttal testimony of Company witnesses Jack Painter and Robert M.

²⁷ Koblaha, Exh. NLK-7T at 2:20-3:2.

²⁸ *Id.*

1 Meredith, respectively.

2 **C. Rebuttal Witnesses**

3 **Q. Please identify the Company witnesses that will be providing rebuttal testimony**
4 **and provide an overview of the issues they will cover in their testimony.**

5 A. PacifiCorp is presenting the following rebuttal testimony in support of its rate case:

- 6 • In Exhibit No. CMM-2T, Christina M. Medina, PacifiCorp Stakeholder Policy &
7 Engagement Manager, responds to Staff’s testimony regarding equity in capital
8 planning and TEP’s proposals regarding a Language Access Plan and community-
9 based outreach.
- 10 • In Exhibit No. AEB-15T, Ann E. Bulkley, Principal at The Brattle Group,
11 responds to Staff and intervenor testimony regarding PacifiCorp’s cost of equity
12 and business and financial risk compared to peer utilities, and provides supporting
13 analyses.
- 14 • In Exhibit No. NLK-7T, Nikki L. Kobliha, PacifiCorp’s Chief Financial Officer,
15 responds to Staff and intervenor testimony regarding the Company’s cost of long-
16 term debt and capital structure.
- 17 • In Exhibit No. RJM-3CT, Ramon J. Mitchell, PacifiCorp’s Manager, Net Power
18 Costs, updates the forecasted NPC in this proceeding and responds to Staff and
19 intervenor testimony regarding NPC.
- 20 • In Exhibit No. IMRZ-1T, Isaiah M.R. Zacharia, Net Power Cost Analyst,
21 responds to AWEC’s recommendations regarding Market Capacity Limits.
- 22 • In Exhibit No. EVRR-1T, Eshwar Vyakarna Rajshekar Rao, Net Power Cost
23 Specialist, responds to AWEC’s testimony concerning the application of the

1 Ozone Transport Rule on NPC.

- 2 • In Exhibit No. JP-2T, Jack Painter, Net Power Cost Specialist, responds to Staff
3 and intervenor testimony regarding the Company's proposal to eliminate the
4 deadband and asymmetrical sharing bands in the PCAM.
- 5 • In Exhibit No. BDR-2CT, Brad D. Richards, Vice President of Thermal
6 Generation, responds to Staff and intervenor arguments regarding the ongoing
7 costs at the Jim Bridger and Colstrip facilities and provides further explanation
8 regarding why these costs are necessary to continue operating the plants and are
9 not life-extending capital additions or investments required to achieve compliance
10 with new environmental regulations.
- 11 • In Exhibit No ALB-3T, Allen L. Berreth, PacifiCorp's Vice President of
12 Transmission and Distribution Operations, supports the Company's wildfire-
13 related transmission and distribution investments and vegetation management
14 expenses included in the rate case.
- 15 • In Exhibit No. MVC-1T, Mariya V. Coleman, Vice President of Corporate
16 Insurance and Claims for Berkshire Hathaway Energy Company, supports and
17 explains the updated costs associated with renewed excess liability insurance
18 premiums in revenue requirement in this proceeding.
- 19 • In Exhibit No. RF-1T, Ryan Fuller, PacifiCorp's Senior Tax Director, responds to
20 AWEC's testimony concerning production tax credits (PTCs) and AWEC's
21 proposed PTC disallowance.
- 22 • In Exhibit No. SLC-8T, Sherona L. Cheung, PacifiCorp's Revenue Requirement
23 Manager, summarizes the overall test year revenue requirement, pro forma

1 adjustments, rate base calculation methodology, and MYRP design and
2 compliance details.

- 3 • In Exhibit No. RMM-12T, Robert M. Meredith, Director of Pricing and Tariff
4 Policy, responds to Staff and intervenor arguments regarding PacifiCorp's
5 proposed elimination of decoupling, cost of service study, rate spread, rate design,
6 and tariff changes to recover the proposed revenue requirement for RY1 and RY2
7 of the MYRP. Witness Meredith also discusses the Company's withdrawal of the
8 Net Billing Program proposal. Additionally, witness Meredith responds to Public
9 Counsel's recommendation that the Company perform an equity-focused rate
10 impact analysis.

11 III. MULTI-YEAR RATE PLAN

12 A. MYRP Policy

13 **Q. What policy concerns does Staff raise regarding MYRPs?**

14 A. Staff witness Chris McGuire asserts that because MYRPs use forecasted costs in the
15 rate effective period rather than historical costs, MYRPs eliminate regulatory lag.²⁹
16 Based on this premise, that MYRPs eliminate regulatory lag, witness McGuire claims
17 that it is therefore much more likely that a utility will earn at or above its authorized
18 ROR.³⁰ Finally, witness McGuire explains that the reduced risk associated with a
19 MYRP informed Staff's recommendations to select a proposed ROE at the lower end
20 of the range.³¹

²⁹ McGuire, Exh. CRM-1T at 8:9-12.

³⁰ *Id.*, at 8:15-16.

³¹ *Id.*, at 9:1-5.

1 **Q. Do you agree with Staff witness McGuire’s assertion that MYRPs eliminate**
2 **regulatory lag?**

3 A. No, I do not agree that regulatory lag will be eliminated by virtue of the
4 Commission’s approval of a MYRP. Certainly, I would agree that a utility may likely
5 experience less regulatory lag under a MYRP than had previously occurred prior to
6 the enactment RCW 80.28.425 when the Commission exclusively used a modified
7 historical test period. However, in a time of rapid change and increasing costs, it is
8 highly unlikely that the Company will experience *no lag* at all.

9 **Q. Under what circumstances would the Company experience no lag?**

10 A. The Company would experience no lag only if the Company perfectly forecasted
11 costs in its MYRP filing, and did not experience any inflation or unanticipated
12 operations and maintenance (O&M) cost increases over the course of the two-year
13 MYRP. The Company does not use any inflation factor on O&M, so it is likely that,
14 at a minimum, there would be upward pressure on O&M resulting from inflation.
15 Additionally, the MYRP does not provide for any true up in the event of unexpected
16 increases in O&M. In other words, it is more likely than not that circumstances will
17 change post-MYRP filing and the Company will experience regulatory lag.

18 **Q. Can the Company come in for another rate increase if there are significant**
19 **O&M increases?**

20 A. No, the MYRP statute prohibits the Company from coming in for a rate increase
21 during the pendency of the two-year MYRP, so the Company would not be able to
22 seek interim relief if it experiences unanticipated and increasing O&M costs during
23 the MYRP.

1 **Q. Do you agree with Staff’s claim that under a MYRP, the Company will likely**
2 **earn at or above its authorized return?**³²

3 A. No, and it is important to note that Staff’s testimony on this point is contradicted by
4 its other recommendations in this case. In particular, Staff proposes building into the
5 MYRP two opportunities for refund—one in connection with provisional plant, and
6 the other in connection with an earnings review for the MYRP. Additionally, Staff is
7 recommending that the plant that may be included in rates should be capped, which
8 may limit the Company’s ability to flexibly manage capital and O&M spend to
9 balance these two items to manage to earnings. I discuss the Company’s concerns
10 with these proposals in greater detail in my testimony (as does Company witness
11 Cheung³³), but would note that taken together, these recommendations *increase* the
12 Company’s likelihood of under-earning during the MYRP.

13 **Q. Please explain the Company’s and Staff’s proposals regarding the application of**
14 **the MYRP threshold of 0.5 percent above the authorized ROR for provisional**
15 **plant.**

16 A. Under the Company’s proposal, the MYRP threshold of 0.5 percent above the ROR
17 threshold would be applied to rates under the MYRP, including the provisional plant.
18 This approach is consistent with the treatment of provisional plant in a MYRP in the
19 PSE and Avista proceedings.

20 Staff, on the other hand, now characterizes the approach in the PSE and
21 Avista proceedings as experimental, and instead recommends that PacifiCorp must be

³² *Id.*, at 8:15-16.

³³ Cheung, SLC-8T at 40:1-41:20.

1 held to the actual level of plant in comparison with the amount included in
2 provisional rates.³⁴

3 **Q. What is Staff's rationale for its proposal?**

4 A. Staff asserts that 0.5 percent threshold is not ideal for provisional plant, because it is
5 not an indicator of whether the plant was used or useful. Staff states that it had
6 initially contemplated the threshold would be a performance incentive mechanism, or
7 PIM, but now claims that applying this threshold would be inconsistent with the
8 property valuation statute, RCW 80.04.250. AWEC raised a similar argument in
9 connection with its testimony concerning portfolio-based review, which I discuss
10 below in Section VI.

11 **Q. As an initial matter, how do you respond to the implication in Staff's testimony**
12 **that using the 0.5 percent threshold could allow the Company to recover for**
13 **provisional plant that is ultimately not used and useful?**

14 A. As it appears there may be confusion on this point, I would like to clarify that if
15 provisional plant is not used and useful during the review period, the Company would
16 remove that plant in its annual provisional capital review filing. The Company made
17 this commitment in its initial filing, and now reiterates it in response to Staff's
18 concerns. The purpose of flexibility in the capital review process, both in terms of the
19 portfolio-based review and the 0.5 percent threshold, is to ensure that the Company
20 can adapt its plans as needed in the future, without being rigidly held to its original
21 plant budgets.

³⁴ McGuire, Exh. CRM-1T at 42:11-43:5.

1 **Q. Does Staff's proposal allow the Company flexibility to adapt its capital projects**
2 **to changing circumstances?**

3 A. No. Despite the fact that Staff agrees that it is important for utilities to have some
4 measure of flexibility in advocating for a portfolio-based review, Staff's proposal
5 concerning the earnings threshold would significantly reduce this flexibility. Staff's
6 proposal effectively sets a cost recovery cap at the Company's budgeted amounts for
7 provisional plant, without flexibility to respond to changes.

8 **Q. Do you have any additional concerns with Staff's proposal?**

9 A. Yes, I believe it sets the wrong incentive for a utility. If adopted, Staff's proposal
10 would encourage blind adherence to early project budgets, and create an incentive for
11 utilities to continue to spend up to the budget amount included in provisional rates,
12 even if there were a way to complete the project under budget. This is fundamentally
13 contrary to the principles of performance-based ratemaking, and diminishes the
14 incentive for the Company to efficiently manage its projects. Worse still, Staff's
15 proposal would punish the Company in a situation where it is experiencing
16 unanticipated increases in O&M but at the same time may be able to complete capital
17 projects under budget.

18 The Company instead urges the Commission to consider how it can encourage
19 utilities to remain nimble in a dynamic landscape, and providing a structure for cost
20 recovery that allows for adaptive management is just one way to achieve this end.

21 Indeed, Staff has previously explained the importance of incentivizing cost controls in
22 PSE's multi-year rate plan, when discussing the merits of a portfolio-based review of

1 provisional investments.³⁵ The Company is committed to implementing the changes
2 needed to meet the State of Washington’s energy policy, but will need flexibility in
3 cost recovery to do so.

4 **B. Parties’ Proposals for Modifications to the MYRP**

5 **1. Inflation Reduction Act (IRA)/Infrastructure Investment Jobs Act (IIJA)**
6 **Reporting**

7 **Q. What proposals does Staff make regarding reporting IRA and IIJA benefits in**
8 **the Company’s annual MYRP filings?**

9 A. Staff witness McGuire recommends that IRA/IIJA benefits be reported annually
10 under the MYRP, along with justifications for decisions not to pursue benefits.³⁶ Staff
11 also recommends that the Company participate in a collaborative process with other
12 investor-owned utilities regarding the potential benefits of the IRA and IIJA, as
13 described in the PSE Order, paragraph 241, and document its consideration of and
14 application for benefits pursuant to the IRA and IIJA in future filings.³⁷

15 **Q. For context, please explain how the Company is currently pursuing IRA/IIJA**
16 **funding opportunities.**

17 A. Because the application process is resource-intensive, the Company is focused on
18 targeting opportunities that will best leverage existing programs. The expansion of

³⁵ *WUTC v. PSE*, Docket No. UE-220055, Ball, Exh. JLB-1T at 50:12-51:4 (July 28, 2022) (“Using the portfolio-based approach and threshold encourages PSE to engage in cost control across the board to maximize its opportunity to earn a profit. The alternative use of refunds tied to specific investments would undermine the incentives Staff recommends for this MYRP. Specifically, if each investment were subject to potential refund throughout the MYRP (rather than a portfolio-based approach), the effects of any cost control incentive described previously would be significantly reduced. If the Commission were to authorize a narrow refund process, such as an investment by-investment refund, PSE would have no reason to engage in cost controls related to capital planning since any savings would be near-instantly returned to ratepayers.”).

³⁶ McGuire, Exh. CRM-1T at 74:14-16.

³⁷ *Id.*, at 75:1-4.

1 existing programs is particularly important since the funding opportunities also
2 require matching funding to be provided by the utility. This approach aims to create
3 the best value for customers by further leveraging planned spending rather than
4 launching entirely new programs, which would require matching funding (and thus
5 would create incremental costs).

6 **Q. To date, has the Company been awarded IIJA funding or other benefits?**

7 A. Yes. The Company was recently awarded two Grid Resilience and Innovation
8 Partnerships grants, both of which will support the Company's wildfire mitigation
9 efforts and reduce the likelihood and consequences of wildfire, minimize the impacts
10 to the grid due to extreme weather events, and align the Company's resiliency efforts
11 with state, Tribal, and regional plans.³⁸

12 **Q. Please describe these grants and the projects they support.**

13 A. PacifiCorp was selected for awards on two major, competitive infrastructure grants
14 from the U.S. Department of Energy's Grid Deployment Office. Together, the grants
15 total \$150 million and are funded by the IIJA.

16 Approximately \$100 million will support the Company's Equity-aware
17 Enhancement of grid Resiliency (PEER) project. This project seeks to reduce the
18 impact of extreme weather events on portions of the grid serving disadvantaged
19 communities in areas at the highest risk for wildfire through upgrades to grid
20 resiliency in those regions. The remaining \$50 million will support the Company's
21 Resiliency Enhancement for Fire mitigation and Operational Risk Management

³⁸ *PacifiCorp selected for federal infrastructure funding to enhance wildfire mitigation*, PacifiCorp (Oct. 18, 2023) (available here: <https://www.pacificorp.com/about/newsroom/news-releases/selected-for-federal-infrastructure-funding.html>).

1 (REFORM) project. This project enhances control center capabilities and situational
2 awareness to improve forecasting capacity for wildfire risk management. Both grants
3 include community benefits managed in collaboration with labor unions and local
4 organizations. Notably, 100 percent of the infrastructure upgrades in the PEER
5 project and 50 percent of those in the REFORM project will benefit underserved and
6 Tribal communities across Washington and in PacifiCorp's other jurisdictions.

7 Together, these grants support PacifiCorp's efforts to incorporate equity into
8 its operations and planning, as described in further detail in the testimony of
9 Company witness Medina,³⁹ and to improve situational awareness for wildfire risk
10 mitigation, as described in further detail in the testimony of Company witness
11 Berreth.⁴⁰

12 **Q. Are these grants expected to offset any of the costs included in the MYRP?**

13 A. It is unclear. The Company only recently received notification of the grant awards,
14 and is still analyzing whether they will result in any offsetting savings that may
15 reduce the revenue requirement in RY1 and RY2. As the Company better understands
16 the impacts of these awards and how benefits will flow through to customers, the
17 Company will be open and transparent with the Commission and stakeholders and
18 will include this information in its MYRP reporting, consistent with Staff's request.

³⁹ Medina, Exh. CMM-2T.

⁴⁰ Berreth, Exh. ALB-3T at 3:8-18.

1 **Q. Does the Company plan to document offsetting benefits in its provisional capital**
2 **review filing, consistent with Staff’s proposal that the Company demonstrate all**
3 **offsetting benefits received or applied for under the IRA and IIJA for plant**
4 **placed in service during the review period?**⁴¹

5 A. Yes, the Company will report any offsetting benefits received or applied for under the
6 IRA and IIJA for plant placed in service during the MYRP review period. The
7 Company seeks to be completely transparent about benefits received and will ensure
8 the benefits received flow through to its customers in Washington. The Company
9 would note, however, that benefits applied for (and not yet received) are speculative,
10 as there may be an extended period before the Company knows whether a funding
11 award will be made.

12 **Q. Does the Company agree with Staff’s proposal to require reporting on the**
13 **Company’s decisions *not* to pursue funding opportunities?**

14 A. No. As an initial matter, the Company recognizes and appreciates the intention behind
15 Staff’s recommendation, which is that there may be funding opportunities available
16 which could, if funding is awarded, impact capital costs that are included in customer
17 rates. However, at the same time, it appears that this reporting requirement would
18 require the Company to develop a detailed written analysis explaining why or why
19 not it was pursuing *every* single funding opportunity that becomes available.

20 Since the Company has been strategic in selecting funding opportunities,
21 casting a much wider net to instead analyze *all* opportunities and providing a detailed
22 analysis of why it is not pursuing certain opportunities would be a significant

⁴¹ McGuire, Exh. CRM-1T at 75:5-7.

1 departure from the Company’s current approach. At present, the Company does not
2 have the internal resources to perform this work, and would likely need to add
3 additional full time employees and consulting resources to perform Staff’s proposed
4 analysis.

5 **Q. Do you think the reporting proposed by Staff regarding the Company’s**
6 **justifications for decisions not to pursue benefits will be useful to the**
7 **Commission?**

8 A. No, I do not think it would be useful. Staff did not explain the objective of the
9 reporting and Commission and stakeholder review, nor what conclusions could be
10 drawn from the Company’s decision not to pursue a funding opportunity.
11 Additionally, funding opportunities involve a competitive process, and pursuing a
12 funding opportunity does not guarantee an award will be made.

13 The Company does not currently have the resources to perform Staff’s
14 proposed analysis, and given the scope of the report as contemplated by Staff, it
15 seems likely that the Commission and stakeholders would also need to dedicate
16 additional resources to review of these filings.

17 Considering these factors together, Staff has not provided a rationale for
18 reporting regarding the Company’s justification for not pursuing certain funding
19 opportunities that would justify the substantial administrative burden on the Company
20 to develop the report—nor on the Commission and stakeholders that would review
21 the report.

1 **Q. Staff also recommends that the Company participate in a collaborative with**
2 **other investor-owned utilities regarding the potential benefits of the IRA and**
3 **IIJA, and document its consideration of and application for benefits pursuant to**
4 **the IRA and IIJA in future filings.⁴² Is the Company open to participating in a**
5 **collaborative with other utilities?**

6 A. Yes, the Company is willing to participate in a collaborative with the other investor-
7 owned utilities regarding the potential benefits of the IRA and IIJA, and the Company
8 will document its consideration of and application for benefits pursuant to the IRA
9 and IIJA. The Company looks forward to the initiation of a collaborative process.

10 **Q. Are there ways in which the Commission can help support the Company's**
11 **applications and funding awards for IRA and IIJA opportunities?**

12 A. Yes. PacifiCorp urges the Commission to support the Company's funding
13 applications. The Company has previously asked for the Commission to provide a
14 letter of support for an IIJA application, and was informed that the Commission
15 categorically will not support such requests.⁴³ To the extent that the Commission
16 believes that these are important funding opportunities that may provide benefits to
17 Washington customers, the Company respectfully requests that the Commission also
18 consider changing its policy to provide support for these requests.

⁴² *Id.*, at 75:1-4.

⁴³ Exh. MDM-3 – IRA IIJA Correspondence.

1 **2. Modifications to MYRP Review Timing**

2 **Q. Public Counsel witness Robert Earle comments that the MYRP has six**
3 **additional rate filings in it, and recommends that these proceedings should not**
4 **include prudency determinations, deferring these instead to the next general rate**
5 **case.⁴⁴ Do you agree?**

6 A. No. First, it is important to clarify that the filings referenced by Public Counsel are
7 for review of provisional plant and to update NPC. These filings are intended to be
8 narrowly focused and discrete, such that they would not require the same resources
9 for stakeholder review as a general rate case filing. Thus, PacifiCorp does not agree
10 that this review will be particularly burdensome to parties.

11 Second, if put into practice, Public Counsel's proposal would be confusing
12 and unwieldy, as it would simultaneously require that in the next general rate case
13 filings, stakeholders would perform a backward looking review at the same time they
14 are performing a forward-looking review of the next MYRP. Additionally, in the
15 event that any refunds are warranted, a delayed review process would significantly
16 extend any period of over-collection and delay associated refunds—which may be
17 both confusing to customers and problematic from a cash flow perspective.

18 Third, Public Counsel's proposal would be in direct contradiction to the
19 Policy Statement on Property that Becomes Used and Useful After the Rate Effective
20 Date, where the Commission explains that the review of provisional pro-forma plant
21 adjustments includes a prudency review by Staff and other parties.⁴⁵

⁴⁴ Earle, Exh. RLE-1CT at 14-15.

⁴⁵ *In the Matter of the Commission Inquiry into the Valuation of Public Service Company Property that*

1 **C. Equity in the MYRP**

2 **Q. Did the Company make any specific proposals to address equity in the MYRP?**

3 A. Yes. As part of its initial filing, the Company proposed to replace tiered energy
4 charges with seasonal energy charges, and also proposed splitting the basic charge
5 into two separate charges for customers living in single-family and multi-family
6 dwellings.⁴⁶ Additionally, the Company is constructing two new substations with new
7 115 kV transmission lines, and for these projects, the Company engaged with and
8 considered restrictions by the Yakama Nation on upgrades of distribution facilities
9 that supply areas off the tribal lands.⁴⁷ Finally, the Company described its plans to
10 build new corporate facilities at its North Temple Property, which is located in an
11 area and community that is economically disenfranchised.⁴⁸

12 **Q. Did the parties engage with the Company’s proposals to address equity in the**
13 **MYRP?**

14 A. Yes. However, the Company was surprised that parties were not supportive of the
15 proposal to shift from tiered rates to seasonal rates, and to split the basic charge into
16 two different rates, for single family and multi-family homes. Enhancing affordability
17 was a key consideration in offering these structural pricing modifications, and the
18 Company vetted this proposal with its Equity Advisory Group (EAG), which was
19 generally supportive.⁴⁹ Staff and Public Counsel were also skeptical of the

Becomes Used and Useful after the Rate Effective Date, Docket No. U-190531, Policy Statement ¶ 40 (Jan. 31, 2020) (“The general framework for review of provisional pro forma adjustments requires that: Companies will provide sufficient information to facilitate the review, *including a prudence review*, by Staff or other parties”) (emphasis added).

⁴⁶ Meredith, Exh. RMM-1T at 11-12.

⁴⁷ Vail, Exh. RAV-1T at 25-26.

⁴⁸ Branch, Exh. JB-1CTr at 17-18.

⁴⁹ Meredith, Exh. RMM-1T at 12:4-16.

1 Company’s inclusion of the Yakama Substation and North Temple Project.⁵⁰ These
2 issues are discussed in greater detail in the equity discussion below.

3 IV. EQUITY

4 A. Regulatory Context for Equity Analysis

5 **Q. Please explain your understanding of how the Commission considers equity in**
6 **rate case proceedings.**

7 A. As I detailed in my direct testimony, the Commission has explained that
8 consideration of a MYRP is subject to a broad public interest standard.⁵¹ The
9 Commission clarified in a recent PSE proceeding that the public interest standard may
10 consider such factors as environmental health and equity, among others.⁵²
11 Additionally, while the term “equity” was not defined in RCW 80.28.425(1), in
12 Cascade Natural Gas Corporation’s (Cascade) 2021 general rate case, the
13 Commission adopted the principles of equity set forth in the Washington Office of
14 Equity’s enabling statute, RCW 43.06.020, and “commit[ed] to ensuring that systemic
15 harm is reduced rather than perpetuated by our processes, practices, and
16 procedures.”⁵³ The Commission has explained that “to bring equity into the context of
17 utility ratemaking, we found salient guidance in the four core tenets of energy
18 justice,” which are distributional justice, procedural justice, recognition justice, and
19 restorative justice.⁵⁴

⁵⁰ Brewer, Exh. MAB-1T at 15:16-18; Dahl, Exh. CJD-1T at 17:6-19:18.

⁵¹ PSE order ¶ 225.

⁵² *Id.*

⁵³ *WUTC v. Cascade Nat. Gas Corp.*, Docket No. UG-210755, Order 09 ¶ 55 (Aug. 23, 2022) (“*Cascade order*”).

⁵⁴ PSE order ¶ 226.

1 **Q. Following the *Cascade* order, has the Commission provided a framework for**
2 **equity analysis that utilities should apply, or elaborated further on the metrics**
3 **or parameters it will apply in considering the tenets of energy justice?**

4 A. No, to my knowledge the Commission has not provided generally applicable
5 guidance regarding what it expects in equity analyses, or specific equity metrics or
6 parameters; rather the Commission is currently developing its views regarding what
7 these equity analyses could entail. There is a pending policy proceeding, docket
8 U-210590, where the Commission plans to adopt a policy statement addressing
9 alternatives to traditional cost of service rate making, including performance
10 measures or goals, targets, performance incentives, and penalty mechanisms.

11 Additionally, just this year the Commission initiated an equity-focused proceeding,
12 docket A-230217. The Commission recently clarified that it would solicit stakeholder
13 input concerning the four tenets of equity justice in turn, first exploring procedural
14 justice, followed by distributional justice, recognition justice, and then restorative
15 justice, and noting the Commission expectation is that docket A-230217 will take
16 about two years to complete.⁵⁵

17 It is important to note, however, that this is not a criticism of the Commission.
18 Instead, the fact that there are no generally applicable policies is entirely
19 understandable given the rapid policy changes occurring in Washington and the time,
20 resources, and stakeholder engagement that will be needed to formulate clear policy
21 statements. However, this uncertain and evolving policy landscape provides the
22 context for the Company's discussion of equity issues in this case.

⁵⁵ *Policy Statement to Address the Application of Equity and Justice in Commission and Regulated Company Processes and Decisions*, Docket No. A-230217, Notice of Comments for Phase 1 (Sept. 29, 2023).

1 **Q. Has the Commission also addressed equity in rate case proceedings?**

2 A. Yes, the Commission has addressed equity issues on an ad-hoc basis in utility rate
3 case proceedings, such as the recent Cascade, Avista, and PSE general rate cases.
4 However, it also bears noting that these cases were decided on a case-by-case basis,
5 and provided only high-level guidance regarding the Commission's expectations for
6 an equity analysis in a MYRP.

7 **Q. Do you have concerns about the Commission establishing its policy in rate case
8 proceedings rather than in a generic policy investigation?**

9 A. Yes, establishing equity-related policy in a rate case is suboptimal for several reasons.
10 First, while utilities may monitor the rate case proceedings of their peer utilities, they
11 typically do not intervene and actively participate in those cases. Similarly, there may
12 be groups that would wish to participate in a policy investigation that would not
13 typically intervene in a rate case. As a result, in a rate case, the Commission has only
14 a limited set of parties providing input to help shape the Commission's policies.
15 Additionally, the equity-related issues that are discussed in one utility's rate case may
16 or may not be relevant to another utility. To the extent the Commission wishes to
17 provide policy guidance of general applicability to all stakeholders, the best place to
18 do so is in a policy proceeding.

19 Second, from a cost-recovery perspective, setting policy requiring new
20 tracking, analysis, and reporting necessarily also requires adding internal or external
21 resources—which in turn requires the utility to incur additional costs. When new
22 policy is developed in a policy investigation or rulemaking, the utility can plan for the
23 additional costs and build them into the next rate case. If instead the Commission

1 layers on new tracking, analysis, and reporting requirements in a rate case order—
2 without also accounting for the additional costs—this will immediately put the utility
3 in a position to see its costs increase beyond its forecasts for its MYRP, which would
4 essentially build lag into the rate case.

5 **Q. In the absence of clear guidance, how is the Company approaching the**
6 **presentation of its equity analysis in this case?**

7 A. The Company recognizes that even in the absence of clear direction regarding equity
8 analyses, the Commission nonetheless anticipates that utilities will, to the best of their
9 ability, describe the ways in which they are integrating equity into their business
10 operations and addressing equity issues in their proposed MYRPs. Despite this
11 uncertain regulatory context, the Company has in this case endeavored to describe its
12 consideration of equity-related issues—both within the MYRP and outside the
13 MYRP—to give the Commission a view into how the Company approaches these
14 important issues.

15 **Q. Have Staff and stakeholders provided the Company with constructive feedback**
16 **in this proceeding?**

17 A. To an extent, yes, the parties have provided the Company with new proposals to
18 consider. In particular, Staff and Public Counsel urged that the Company should
19 perform a distributional equity analysis, Staff offered suggestions concerning
20 including equity and capital planning, and TEP offered specific proposals concerning
21 a language access plan and community-based outreach.

22 However, the Company was disappointed that certain parties appeared
23 inclined to criticize the Company without offering more constructive input, took a

1 cynical view of the Company’s equity-related proposals in its MYRP, and dismissed
2 as irrelevant the Company’s actions outside the MYRP. While the Commission,
3 utilities, and stakeholders are in a time of transition pending further policy guidance,
4 the Company hopes that parties will seek to understand how utilities are working on
5 incorporating equity into their business practices, and as much as possible, offer
6 specific and practicable recommendations.

7 **B. Response to Staff and Intervenors Regarding Equity Issues**

8 **Q. Do any other Company witnesses address equity issues?**

9 A. Yes, Company witness Medina also addresses TEP’s proposals regarding community-
10 based outreach and creating a Language Access Plan.⁵⁶ Additionally, Company
11 witness Meredith addresses recommendations regarding the Company’s Low-Income
12 Bill Assistance Program, the rate design changes to the basic charge and energy
13 change from tiered rates to seasonal rates, and distributional equity analysis.⁵⁷

14 **Q. What topics do you address in your rebuttal testimony?**

15 A. I address Staff’s and Public Counsel’s comments regarding equity in the MYRP,
16 Staff’s and Public Counsel’s recommendation that the Company perform an equity
17 analysis, Public Counsel’s recommendation that rates should be provisionally
18 approved subject to the Company completing an equity analysis, and Staff’s
19 testimony concerning incorporating equity in system planning.

⁵⁶ Medina, Exh. CMM-2T at 12-16.

⁵⁷ Meredith, Exh. RMM-12T at 32:8-34:5.

1 **1. Equity in the MYRP**

2 **Q. Staff asserts that the Company has not furnished adequate evidence**
3 **demonstrating its commitment to equitable outcomes or the application of an**
4 **equity-focused approach in its capital planning process within the MYRP.⁵⁸ How**
5 **do you respond?**

6 A. The Company included several proposals demonstrating how the Company is
7 reflecting an equity-focused approach in its initial filing, which fell into two
8 categories—rate design and capital projects. Staff was critical of the Company’s
9 proposals, and I will address Staff’s specific criticisms in more detail below.

10 **Q. What was Staff witness Molly Brewer’s focus in their testimony?**

11 A. Witness Brewer’s primary focus appeared to be on whether the Company maintained
12 documentation or evidence that explicitly considered equity at the time the decision
13 was made. They seemed less concerned with the equitable outcome of the Company’s
14 proposals and actions. Specifically, witness Brewer concludes that the Company did
15 not provide sufficient documentation or evidence that it applied an “equity lens” for
16 its proposals for upgrades of distributional facilities for the Yakama Nation and its
17 North Temple Property.⁵⁹

18 **Q. How do you respond to this?**

19 A. It is important to first acknowledge that witness Brewer’s emphasis on documentation
20 regarding equity considerations is valid, as it contributes to transparency and
21 accountability. However, it is equally crucial to ensure that equitable outcomes are
22 prioritized throughout decision-making processes. This is because the *outcomes* of the

⁵⁸ Brewer, Exh. MAB-1T at 9:17-19.

⁵⁹ *Id.*, at 20-22.

1 Company's decisions are what directly impact its customers and their lived experience.
2 In response to witness Brewer's concerns, I would like to highlight that the Company
3 places a strong emphasis on equity within its operations in Washington, as explained
4 earlier in my testimony and in the direct and rebuttal testimony of Company witness
5 Medina. The Company actively seeks input from the public, stakeholders, advisory
6 groups, and utilizes the results of its Customer Benefit Indicators (CBIs) in all its
7 planning documents and many operational decisions. For example, when developing its
8 proposal for multi-family rates, the Company sought input from the EAG and that is
9 documented in a slide deck presentation before the EAG.

10 It is worth noting that some members of the EAG have expressed their
11 preference for not having their meeting records or transcripts published, and the
12 Company respects their wishes by honoring their request. Furthermore, other than
13 meeting with customers, stakeholder, advisory groups, and internal Company meetings
14 are not typically recorded or transcribed. The Company looks forward to ongoing
15 collaboration with the Commission, Staff, stakeholders, and its advisory groups to
16 improve the documentation of these types of interactions. This includes the Company's
17 current collaborative efforts within docket A-230217.

1 **Q. Staff claims that it is unclear whether the Company applied an equity-focused**
2 **approach to the proposal for seasonal energy charges and concludes that based**
3 **on projects the Company described, “it appears that almost nothing in the**
4 **MYRP is an expense or investment actually related to improving distributional**
5 **or recognition justice.”⁶⁰ How do you respond?**

6 A. I disagree, and am disappointed that Staff appears to have taken a narrow view of the
7 Company’s projects. As defined in the *Cascade* order, distributional justice refers to
8 the distribution of benefits and burdens across populations, and recognition justice
9 requires an understanding of historic and ongoing inequalities and prescribes efforts
10 that seek to reconcile these inequalities. While the Company may not have explicitly
11 referred to “distributional justice” or “recognition justice” in its testimony, the
12 Company’s major rate design proposal is centered around increasing affordability for
13 its low-income customers.⁶¹ The proposal is to eliminate inclining tiered rates in favor
14 of seasonal rates and bifurcate the basic charge for single-family and multi-family
15 dwellings. The Company explained that “the combination of residential pricing
16 structural changes that the Company proposes will result in a lower increase for
17 customers who receive low-income bill assistance.”⁶² This proposal explicitly
18 promotes affordability, which addresses both distributional justice (distribution of
19 benefits and burdens) and recognition justice (prescribing efforts that seek to reduce
20 inequalities). Furthermore, Figure 3 in the rebuttal testimony of Company witness
21 Meredith provides additional evidence supporting the multi-family rate structure by

⁶⁰ *Id.*, at 20:21-22.

⁶¹ Meredith, Exh. RMM-1T at 12:9-11.

⁶² *Id.*, at 12:14-16.

1 illustrating that customers residing in multi-family dwellings are more likely to have
2 lower household incomes.⁶³

3 **Q. Did witness Brewer reference the Company’s proposal for multi-family rates?**

4 A. No, witness Brewer did not specifically reference the Company’s proposal for multi-
5 family rates. This omission was surprising considering that this proposal was a
6 significant equitable modification to the rate structure in this proceeding. The aim of
7 the proposal was to lower the basic charge for customers in multi-family residences,
8 who are often lower-income individuals.⁶⁴

9 **Q. Staff witness Brewer further expresses skepticism regarding the Yakama Nation**
10 **Substation, and alleges that it appears that the Company is asserting, after the**
11 **fact, that this project is related to equity.⁶⁵ Similarly, Staff questions whether the**
12 **North Temple Office investment was informed by equity in light of the decision**
13 **to proceed with the project occurring in 2019—prior to the Commission’s**
14 **guidance regarding equity.⁶⁶ How do you respond?**

15 A. Staff’s testimony highlights an inherent timing challenge in describing equity actions
16 in this MYRP. Utility capital and facilities planning is often a years-long process, and
17 thus many of the projects that are being proposed in this MYRP pre-date the
18 Commission’s guidance concerning equity. While the Company sought to highlight
19 the Yakama Nation Substation and North Temple Office projects as illustrative of
20 how the Company is considering equity in its planning, the Company would agree
21 that the decisions to proceed with these projects pre-date the Commission’s equity-

⁶³ Meredith, Exh. RMM-12T at 19.

⁶⁴ See *id.*, at 18:12-16.

⁶⁵ Brewer, Exh. MAB-1T at 16:5-15.

⁶⁶ *Id.*, at 17:3-7.

1 related guidance in the Cascade, PSE, and Avista proceedings. But that does not mean
2 that PacifiCorp did not previously engage with its communities in its decision-
3 making. Importantly, even without applying a separate equity lens to the projects that
4 pre-date the *Cascade* order, the Company is pursuing least cost, least risk investments
5 that are consistent with CETA and will provide benefits to customers.

6 Moreover, as it relates to documentation of equity considerations in capital
7 planning, the Company expects that the timing issue will be resolved in future MYRP
8 filings. As detailed in my rebuttal testimony concerning equity considerations in
9 capital planning, below, the Company is now taking steps in its planning proceedings
10 to consider CBIs, which bring stakeholder input and equity considerations to the
11 utility's planning process. It will take time for the decisions made as part of the
12 current planning proceedings to be reflected in the Company's filings seeking rate
13 recovery. The Company expects that it will be able to better highlight and document
14 this work in future MYRP filings and with additional Commission guidance.

15 **Q. How do you respond to Staff's comment that the Company had more time than**
16 **Avista and PSE to provide additional information in its MYRP concerning**
17 **equity?⁶⁷**

18 A. As a technical matter, it is true that the Company had several more months than the
19 other utilities to consider how to incorporate equity into its MYRP. Though as it
20 relates to the equity considerations in capital planning, as discussed above, the
21 planning process for projects included in the MYRP pre-date the *Cascade* order. I
22 think Staff's criticism is somewhat unfair, as it appears Staff expects the Company to

⁶⁷ *Id.*, at 21:18-21.

1 have been able to implement the Commission’s guidance overnight and apply it to
2 previous decisions, which is an unrealistic expectation for capital planning, and also
3 raises notice and opportunity to be heard concerns.

4 Moreover, Staff’s comment fails to account for the nature of the guidance
5 provided, and the fact that there is still some ambiguity as to what type of evidence or
6 information should be included in a MYRP concerning equity. The Company fully
7 expects that in the coming years the Commission, utilities, and stakeholders will
8 continue to gain experience in this area, and there will be greater consistency and
9 clarity regarding the discussion of equity in utility MYRPs. While we are in a
10 transitional phase, the Company seeks to continue to learn and share its ideas about
11 how to approach the analysis, and appreciates constructive feedback from
12 stakeholders.

13 Finally, I would like to note that while it can take some time for equity-related
14 capital planning to materialize in a MYRP, in preparing this MYRP the Company
15 focused on an issue central to energy justice—affordability. We believe that keeping
16 costs low for all customers is central to equity. In evaluating potential impacts to
17 different communities, there are many different sub-groups to consider, and it is not
18 clear that it would be appropriate to elevate consideration of one community over
19 another. Thus, the Company sought to propose rates that would be cost-conscious for
20 all customers, and in particular in its rate design proposals, sought to ensure
21 affordability for its low-income customers.

1 **2. Equity Analysis and Provisional Rates Subject to Results of Equity Analysis**

2 **Q. Has the Commission provided that it would establish a broad, Commission-led**
3 **collaborative process to establish the methods and standard for distributional**
4 **equity analysis?**

5 A. Yes, the Commission has signaled that it intends to establish a broad, Commission-led
6 collaborative process to establish methods and standards for distributional equity
7 analysis. In a previous Avista case, the Settling Parties had agreed to develop “methods
8 and standards” for distributional equity analysis based on guidance from the New York
9 University Institute for Policy and Integrity.⁶⁸ However, when considering the
10 stipulation, the Commission modified this term and decided that instead the
11 Commission should take the lead in establishing the methods and standards through a
12 broad collaborative process.⁶⁹ In light of this Commission-led collaborative process,
13 Staff has indicated that Avista is not currently proceeding with distributional equity
14 analysis in alignment with the methods and standards recommended by the New York
15 University Institute for Policy and Integrity.⁷⁰

16 **Q. Has the Commission initiated this collaborative process?**

17 A. Yes, the Commission has initiated this collaborative process in docket A-230217, and
18 as mentioned above, the second phase of this collaborative will specifically focus on
19 distributional justice.

⁶⁸ *Avista* order ¶ 75.

⁶⁹ *Id.*, ¶ 76.

⁷⁰ Exh. MDM-4 – Staff’s Response to PacifiCorp Data Request 2.

1 **Q. Do you anticipate that in docket A-230217 the Commission will provide guidance**
2 **regarding the appropriate framework and parameters for a distributional equity**
3 **analysis during the pendency of this case?**

4 A. No, based on the timing and phasing of work in docket A-230217 as described in the
5 Commission's notice (discussed above), it seems unlikely that this guidance will be
6 forthcoming during the Commission's review of this case.

7 **Q. What does witness Brewer recommend regarding distributional equity analysis?**

8 A. Witness Brewer suggests that the Company should have included a distributional equity
9 proposal within its MYRP.⁷¹

10 **Q. Does Public Counsel also recommend that the Company perform additional**
11 **analysis in this proceeding?**

12 A. Yes. Public Counsel witness Corey J. Dahl recommends that the Company conduct an
13 equity impact analysis of the rate impact on Named Communities.⁷²

14 **Q. Did Public Counsel detail the metrics that should inform the equity analysis?**

15 A. No. In response to PacifiCorp's Data Requests 2 and 3, Public Counsel references
16 several Commission dockets which have addressed equity concerns, and states that
17 the Company has the burden of proof for providing an equity analysis in compliance
18 with Commission rules.⁷³ However, Public Counsel did not provide any specific
19 metrics or analysis tools that the Company can utilize for the equity analysis.

20 **Q. How do you respond to these proposals?**

21 A. The Company appreciates Staff's and Public Counsel's perspectives and recognizes the

⁷¹ Brewer, Exh. MAB-1T at 25:9-19.

⁷² Dahl, Exh. CJD-1T at 20:14-18.

⁷³ Exh. MDM-5 – Public Counsel's Response to PacifiCorp's Data Requests 2-5.

1 significance of distributional equity analysis. While there remain questions about how
2 best to approach this analysis, in response to Staff witness Brewer’s and Public Counsel
3 witness Dahl’s testimony, Company witness Meredith has conducted a rate impact
4 analysis that examines how the rate increase would affect Highly Impacted
5 Communities and low-income bill assistance participants relative to the general
6 customer population.⁷⁴ Additionally, the Company utilizes CBIs to inform and ensure
7 that benefits and burdens are equitably distributed. The Company looks forward to
8 participating in discussions with the Commission and stakeholders to enhance our
9 methods and knowledge on this crucial topic.

10 **Q. What was the result of witness Meredith’s analysis?**

11 A. The analysis demonstrates that the rate impact of the Company’s proposed rate design
12 and price change, is equitable, since customers in Highly Impacted Communities and
13 those who participate in the Low-Income Bill Assistance program would experience a
14 lesser bill increase than other residential customers.

15 **Q. Witness Dahl also goes a step further and recommends that the Commission**
16 **“should enter provisional rates subject to adjustment based on the results of the**
17 **equity analysis and mitigation efforts the Company proposes, if applicable.”⁷⁵**

18 **How do you respond?**

19 A. While PacifiCorp takes seriously the suggestions to perform an equity-focused rate
20 impact analysis—and in fact did so as part of its rebuttal filing, as detailed above—
21 the Company strongly disagrees with the recommendation that rates should be
22 provisional pending the results of the equity analysis and related mitigation efforts.

⁷⁴ Meredith, Exh. RMM-12T at 33:1-34:5.

⁷⁵ Dahl, Exh. CJD-1T at 20:14-18.

1 First, while the Commission has made clear that rates may be provisional for
2 capital investments beyond the test year, I am not aware of any Commission
3 precedent suggesting that the Commission would apply a similar standard for an
4 equity analysis.

5 Second, Public Counsel’s proposal is particularly problematic at this point in
6 time, because there are no objective metrics available to inform the equity analysis—
7 nor are there metrics to determine when rates would be provisional or made
8 permanent. Accordingly, the Company recommends that the Commission reject
9 Public Counsel’s proposal.

10 To the extent that the Commission may nonetheless agree with Public
11 Counsel’s proposal, the Company respectfully requests that the Commission find that
12 the analysis performed in Company witness Meredith’s testimony satisfies the spirit
13 of the recommendation, given the information currently available and the status of the
14 Commission’s policy guidance on this issue.

15 **3. Equity Considerations in System Planning**

16 **Q. Please summarize Staff witness Brewer’s conclusion regarding the Company’s**
17 **incorporation of equity in planning and procurement.**

18 A. Witness Brewer states that there is uncertainty about whether the equity requirement
19 applies to capital projects that are constructed outside the Company's service territory.
20 Staff raises concerns about assessing the equity impacts of projects located far from
21 Washington service territory, such as investments related to the North Temple Property.
22 In particular, Staff states that it does not take a position on how the Company should
23 address the equity requirement for interstate investments. However, Staff commends

1 the Company for including an equity questionnaire in its Request for Proposals and
2 acknowledges that the Company's transmission decisions are primarily influenced by
3 interstate needs and federal regulation. Nonetheless, the Staff emphasizes that “the
4 Company must incorporate additional equity elements.”⁷⁶

5 **Q. Can you please provide more details on how the Company considers equity in**
6 **planning its system?**

7 A. Equity plays a crucial role in the Company’s operations and planning in Washington,
8 especially as it transitions to renewable energy. It is important to understand that
9 system *planning* does not occur within a general rate case, but rather through the
10 Company’s IRP and Clean Energy Implementation Plan (CEIP) in Washington. In
11 particular, equity integration within system planning occurs throughout the Company’s
12 CEIP. The Company is actively focused on engaging the public, particularly Named
13 Communities, in the development of the CEIP and ensuring the benefits are equitably
14 realized through the utilization of CBIs. In essence, PacifiCorp aims to actively involve
15 and consider the public in shaping its plans for a renewable energy future in
16 Washington.

17 **Q. Does witness Brewer acknowledge the Company’s CEIP, IRP, or CBIs in their**
18 **testimony?**

19 A. No, witness Brewer does not explicitly mention the Company’s CEIP, IRP, or CBIs in
20 their testimony. However, it is important to note that the Company’s system planning,
21 as outlined in its CEIP, is heavily influenced by public input. Additionally, the
22 Company’s CBIs play a significant role in shaping the CEIP, related programs, actions,

⁷⁶ Brewer, Exh. MAB-1T at 22:9-10.

1 and investments. I will explain these processes and further explain how the Company
2 incorporates equity into its system planning.

3 **Q. What is a CEIP?**

4 A. A CEIP is a comprehensive plan that outlines the specific actions PacifiCorp will
5 undertake over the next four years to align with the clean energy directives set forth in
6 CETA for the years 2030 and 2045.

7 **Q. Please explain further how PacifiCorp receives and incorporates public input in
8 its CEIP.**

9 A. PacifiCorp has developed a robust public participation plan that serves as a framework
10 for engaging and incorporating public input throughout the development of its CEIP.⁷⁷
11 The Company's approach to public participation is guided by key pillars, including
12 appropriate outreach methods, timing, and language considerations to engage the public
13 effectively. Additionally, PacifiCorp addresses barriers to participation, makes data
14 accessible to the public and CEIP stakeholders, and incorporates insights from existing
15 advisory groups. PacifiCorp recognizes the importance of advancing equity and
16 inclusivity in its planning processes, and its proactive engagement ensures that the
17 CEIP reflects diverse perspectives and benefits from community engagement.⁷⁸

18 **Q. Please explain what an IRP is and how the Company proactively solicits and
19 incorporates public input in the development of its IRP.**

20 A. An IRP serves as a comprehensive decision support tool and roadmap for PacifiCorp to
21 achieve its objective of delivering reliable and cost-effective electric service to its

⁷⁷ Medina, Exh. CMM-4 – 2023 Clean Energy Implementation Plan Public Participation Plan.

⁷⁸ *In the Matter of PacifiCorp, dba Pacific Power & Light Co. 's Clean Energy Implementation Plan*, Docket No. UE-210829, Revised 2021 Final CEIP at 102 (Mar. 13, 2023).

1 customers. The IRP encompasses several key elements, including an assessment of
2 resource needs, with a focus on the first 10 years of a 20-year planning period. It also
3 outlines the preferred portfolio of supply-side and demand-side resources to meet these
4 needs, identifies transmission projects, and establishes an action plan that outlines the
5 steps to be taken over the next two-to-four years to implement the plan.

6 PacifiCorp actively seeks and incorporates public input throughout the
7 development of its IRP. The Company follows an open, transparent, and inclusive
8 approach by engaging with various stakeholders, including state utility commission
9 staff, state agencies, customer and industry advocacy groups, project developers, and
10 other interested parties. PacifiCorp hosts a series of public input meetings and directly
11 invites the public and its advisory groups to participate and influence the Company's
12 resource planning decisions. This proactive engagement ensures that a diverse range of
13 perspectives are considered in shaping the IRP and helps create a more robust and
14 inclusive planning process.

15 **Q. Please provide additional information and context for the CBIs you referenced.**

16 A. Washington Administrative Code (WAC) 480-100-605 defines CBIs as “an attribute,
17 either quantitative or qualitative, of resources or related distribution investments
18 associated with customer benefits described in RCW 19.405.040(8).” These CBIs
19 ultimately inform the Company's resource procurement and CEIP compliance
20 strategies to ensure that the benefits from Washington's energy transition do not
21 disproportionately burden, and also positively impact, the Company's customers. For
22 PacifiCorp, the Company describes CBIs as the specific outcomes that customers

1 seek. Because electricity is an essential service, these customer-driven outcomes can
2 be broad and cover several categories.

3 **Q. Please explain PacifiCorp's process for developing CBIs.**

4 A. Because CBIs are customer focused, PacifiCorp developed its CBIs through an
5 iterative process that leveraged the input of external stakeholders and internal subject
6 matter experts.⁷⁹ This process included several steps, and after the Company
7 incorporated feedback from stakeholders, resulted in the Company's final list of
8 CBIs. The Company engaged with its EAG and other stakeholders to identify
9 vulnerable populations and develop CBIs to track impacts to those groups. The
10 parties to the CEIP docket recently reached a stipulation which included the
11 Company's core proposals and provided for additional tracking of and engagement
12 with vulnerable populations.⁸⁰ The Company will continue to work with stakeholders
13 to incorporate equity into its system planning.

14 **Q. Do you have any additional observations concerning the CEIP docket?**

15 A. Yes. The CEIP docket was PacifiCorp's first time developing CBIs. The Company
16 engaged with its EAG and stakeholders, as well as with parties to the CEIP docket, to
17 ensure that the final CBIs would best address equity concerns. The stipulation
18 additionally committed the Company to continued engagement with these
19 stakeholders and further analysis of its CBIs in the 2025 CEIP filing. The Company
20 looks forward to continuing improvements to the Company's proposals and further
21 engagement with stakeholders.

⁷⁹ In order to provide better understanding of the CBIs and their development for the record in this proceeding, I have attached the testimony of Kenneth Lee Elder from Docket No. UE-210829 as Exhibit MDM-6 to my rebuttal testimony.

⁸⁰ Docket No. UE-210829, Full Multi-Party Settlement Agreement (Sept. 22, 2023).

1 **Q. Witness Brewer states that the Company’s efforts to promote equity in its**
2 **Washington service area are “disappointing.”⁸¹ How do you respond?**

3 A. The Company acknowledges witness Brewer’s position, but also questions whether
4 Staff is considering the full picture of the Company’s efforts to promote equity in
5 Washington or the time needed to identify specifically what is meant by equity in
6 relation to the least-cost planning and operations that are the basis of utility decision-
7 making. As it relates to consideration of equity in MYRPs, the Commission and
8 stakeholders are only just beginning to gain experience and deeper understanding of
9 how equity will be evaluated as an element of ratemaking.

10 Implementing and fully meeting this requirement will be an ongoing process
11 that requires continuous improvement and dedication. PacifiCorp is committed to
12 learning and improving alongside Staff and other stakeholders, valuing their input in
13 this important area. However, PacifiCorp would like to emphasize that specific advice
14 on the topic of equity is significantly more helpful than generalized criticism.

15 As outlined in my testimony (and in the testimony of Company witness
16 Medina), equity will increasingly serve as a guiding principle for every action the
17 Company takes within its Washington service area, particularly as the Company plans
18 for its transition to a cleaner energy future. The Company believes that incorporating
19 diverse perspectives and actively involving Staff in the Company’s CEIP, IRP,
20 advisory groups, and the ongoing collaborative efforts in docket A-230217 will provide
21 valuable guidance on additional specific actions the Company can take to further
22 promote equity. PacifiCorp is dedicated to continuous improvement and appreciates the

⁸¹ Brewer, Exh. MAB-1T at 20:22-21:3.

1 opportunity to collaborate with Staff and other stakeholders to enhance its efforts in
2 promoting equity in our Washington service area.

3 **Q. Do you agree with witness Brewer that the Company should do more to**
4 **incorporate equity into its planning processes?**

5 A. Absolutely. The Company fully recognizes the importance of incorporating equity into
6 both its operation and planning decisions for its Washington customers, and the
7 Company views it as an ongoing process. The Company greatly appreciates the
8 valuable input and collaboration from its customers, Staff, stakeholders, and advisory
9 groups as the Company collectively strives to fulfill the objectives outlined in CETA
10 and the *Cascade* order. Additionally, the Company eagerly anticipates participating in
11 the upcoming equity workshop in docket A-230217 and receiving further guidance
12 from the Commission. In particular, the Company seeks Commission guidance on
13 some of the important issues raised by witness Brewer in their responsive testimony.

14 **Q. Staff also recommends that PacifiCorp develop customer-focused system**
15 **evaluation thresholds that reflect disproportionate impacts on particular circuits**
16 **or census tracts.⁸² In particular, Staff recommends PacifiCorp examine factors**
17 **that relate to the impact of reliability and resiliency to subpopulations of**
18 **customers. How do you respond to Staff's proposal?**

19 A. PacifiCorp appreciates Staff providing a specific proposal, and agrees that tracking
20 interruptions is a key component to ensuring equitable service to all customers. In
21 particular, tracking interruptions can help to ensure that all customers receive the same
22 reliable service, and can allow the Company to identify and prioritize areas that may

⁸² *Id.*, at 32:5-13.

1 warrant upgrades or improvements to enhance reliability. However, system conditions,
 2 weather events, and other external factors will also impact reliability, and those are
 3 beyond the control of the utility. Additionally, Staff’s proposals would require the
 4 Company to track, analyze, and make conclusions about the economic situation and
 5 risks of individual customers, and it is not clear that the utility is the appropriate entity
 6 to track this information. The complexity surrounding this proposal makes it more
 7 appropriate to address in the broader policy proceeding.

8 **V. PERFORMANCE MEASURES**

9 **Q. Please provide an overview of the Company’s proposed performance measures**
 10 **in this case.**

11 A. As detailed in my direct testimony in Tables 3 and 4, the Company proposes eight
 12 performance measures to be tracked and reported as part of its annual Commission
 13 Basis Reports.⁸³ The eight measures are based on the measures included as part of the
 14 settlements for PSE and Avista in their recent general rate case proceedings, but
 15 report affordability and energy burden information on a Zip code-basis only, and do
 16 not include census-tract reporting. For convenience, those eight measures are
 17 provided again below in Table 7.

TABLE 7. PACIFICORP’S PROPOSED PERFORMANCE MEASURES.

Topic	Measure	Total-Company or Washington-Allocated	Outcome
Operational Efficiency	O&M Total Expense <i>divided</i> by Operating Revenue	Washington Allocated	Assesses how much expense was incurred for every dollar earned. Results at 1.00 or greater might reflect reduced

⁸³ McVee, Exh. MDM-1T at 27-31.

			efficiency in controlling O&M spending
	Operating Revenue <i>divided by</i> AMA Total Rate Base and	Washington Allocated	Assesses efficient use of rate base to generate revenue. Results less than 1.00 or excessively low results might reflect reduced efficiency in utilizing rate base to generate revenue
	Operating Revenue <i>divided by</i> EOP Total Rate Base	Washington Allocated	Assesses efficient use of rate base to generate revenue. Results less than 1.00 or excessively low results might reflect reduced efficiency in utilizing rate base to generate revenue
	Current Assets <i>divided by</i> Current Liabilities	Total company	Assesses liquidity of current assets covering current liabilities. Results less than 1.00 might reflect issues or concerns with liquidity.
Earnings	Operating Revenues for Return <i>divided by</i> Total Rate Base	Washington Allocated	Assesses the amount of operating in comparison with total rate base..
	Retained Earnings <i>divided by</i> Total Equity	Total company	Assesses the amount of earnings retained by a company compared to its total equity. Excessively low or high deviations might indicate that the company is paying out more earnings than reinvesting or that the company is retaining more than it needs, respectively. This metric will require baseline information to understand reinvesting and payout patterns
Affordability	Average Annual Bill Impacts (by Zip code)	N/A	Assesses the average annual residential bill impacts to better understand, over time and by location, affordability of residential rates using the same average energy usage from year to year

			for better comparability over time.
Energy Burden	Average Annual Bill <i>divided</i> by Average Median Income (by Zip code)	N/A	Assesses the average energy burden of residential customers over time and by location. Results greater than 6 percent indicate energy burden concerns

1 **Q. Is the Company proposing any modifications to these performance measures as**
2 **part of its rebuttal filing?**

3 A. No. The Company maintains that the performance measures included with the initial
4 filing are appropriate at this time, and proposes no further modifications.

5 **Q. Please summarize parties’ positions on the Company’s proposed performance**
6 **measures.**

7 A. TEP asserts that the Company’s proposed performance measures are insufficient to
8 meet the “regulatory goals” established in docket U-210590, which are: “(1) resilient,
9 reliable, and customer-focused system; (2) customer affordability; (3) advancing
10 equity in utility operations; [and] (4) environmental improvements.”⁸⁴ TEP further
11 describes 69 additional performance metrics which it proposes the Commission adopt
12 for the Company.⁸⁵

13 Public Counsel recommends that the Commission approve PacifiCorp’s
14 performance metrics, and further recommends that the Commission impose additional
15 reporting metrics that were recently approved for Avista and PSE.⁸⁶ Public Counsel
16 also supports the Commission imposing additional performance measures, similar to

⁸⁴ Cebulko, Exh. BTC-1T at 7:19-8:3.

⁸⁵ *Id.*, at 14-27.

⁸⁶ Crane, Exh. ACC-1T at 32:21-33:4.

1 those included in the recent PSE and Avista settlements.⁸⁷ Finally, Public Counsel
2 recommends that the Company be required to comply with any additional
3 performance measures resulting from the Commission’s pending policy proceeding,
4 docket U-210590.⁸⁸

5 Staff recommends that the Company’s performance measures be modified to
6 include census-tract level reporting for energy burden and energy affordability
7 metrics, but does not contest the Company’s other proposals.⁸⁹ Unlike TEP and
8 Public Counsel, Staff does not recommend the adoption of all the performance
9 measures that were included as part of the PSE and Avista settlements.⁹⁰ Staff further
10 comments that the consideration of additional performance measures is best
11 determined in the broader generic investigation, docket U-210590.⁹¹ I respond to each
12 assertions in turn.

13 **Q. TEP appears to assert that the regulatory goals described in TEP’s testimony—**
14 **and by extension, TEP’s proposed metrics—are mandated by law.⁹² Is that your**
15 **understanding?**

16 A. No, that is not my understanding. While CETA and the MYRP statute have required
17 the inclusion of new considerations in utility ratemaking, the Commission has not
18 mandated performance metrics similar to what TEP is proposing.

19 In docket U-210590, the Commission has considered possible performance
20 measures and solicited comments on proposed performance measures from interested

⁸⁷ *Id.*, at 33:13-9.

⁸⁸ *Id.*, at 33:4-10.

⁸⁹ McGuire, Exh. CRM-1T at 51:3-5.

⁹⁰ *Id.*, at 53:4-12.

⁹¹ *Id.*, at 53:13-14.

⁹² Cebulko, Exh. BTC-1T at 9:9-11.

1 parties.⁹³ However, as of the filing of this rebuttal testimony, the Commission has yet
2 to issue its final policy statement, and has in fact paused the proceeding for the time
3 being.⁹⁴ Thus, the “regulatory goals” cited by TEP are still in development, and
4 PacifiCorp will further address this legal question in briefing.

5 **Q. TEP asserts that the Company ignored most of the performance metrics**
6 **included through settlements in the PSE cases and Avista, and instead focused**
7 **only on the 10 performance measures imposed by the Commission on the**
8 **utilities.⁹⁵ Please explain your understanding of the settlement in the PSE**
9 **proceeding and Avista proceedings, and how that informed the Company’s**
10 **performance measure proposals.**

11 A. As important context, in the PSE proceeding the settling parties agreed to an
12 expansive set of 69 performance metrics.⁹⁶ The Commission approved the settlement
13 including these metrics, but also expressly stated in the *PSE MYRP* order that the
14 performance metrics included in the settlement should not be precedential as to their
15 continuation or the adoption of different or additional metrics in future proceedings.⁹⁷
16 The Commission further concluded the metrics did not necessarily reflect the
17 regulatory goals or desired outcomes or design principles contemplated in docket
18 U-210590, lacked detail in how the metrics would support assessment of PSE’s

⁹³ *Proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, including performance measures or goals, targets, performance incentives, and penalty mechanisms*, Docket No. U-210590, Notice of Opportunity to File Written Comments (Nov. 30, 2022).

⁹⁴ Docket No. U-210590, Notice Temporarily Postponing Proceeding at 1 (Jan. 12, 2023).

⁹⁵ Cebulko, Exh. BTC-1T at 11:16-21.

⁹⁶ *PSE* order ¶ 92.

⁹⁷ *Id.*, ¶ 99 (“Further, the Settlement’s agreed new performance metrics are not binding on the Commission, and we expressly determine that our approval of the Settlement should not impute precedential value to their continuation should the Commission determine that other or additional metrics or measures are more appropriate in the future for the same or other purposes.”).

1 operations under the MYRP, and were inadequate to satisfy the Commission's
2 obligations under RCW 80.28.425(7).⁹⁸ The Commission separately imposed 10
3 performance measures to fulfill to the requirements of RCW 80.28.425(7).⁹⁹

4 Similarly, in the Avista case, the settling parties proposed 92 performance
5 metrics, which the Commission adopted while similarly noting they are not
6 precedential and did not aid in the Commission's evaluation of the utility
7 performance under the MYRP.¹⁰⁰ Like the PSE case, the Commission imposed 10
8 performance measures to meet the requirements of RCW 80.28.425(7).¹⁰¹

9 Given the Commission's skepticism about the additional metrics included in
10 the PSE and Avista settlements, PacifiCorp based its proposal on the measures
11 imposed by the Commission that were determined to be important and relevant to
12 evaluating a utility performance under a MYRP.

13 **Q. TEP asserts that the Company is not proposing to track two of the energy**
14 **burden performance measures.¹⁰² Is that accurate?**

15 A. No. As detailed above in Table 3, the Company is proposing to track both energy
16 burden and affordability, and proposes to track this information on a Zip-code basis.
17 The Company is not proposing to track this information by census tract, because the
18 Company does not currently track information in this way, and it would impose
19 additional costs that are not built into the MYRP.

⁹⁸ *Id.*, ¶¶ 105-109.

⁹⁹ *Id.*, ¶ 109.

¹⁰⁰ *Avista* order ¶¶ 96-97.

¹⁰¹ *Id.*, ¶¶ 187-190.

¹⁰² Cebulko, Exh. BTC-1T at 12:2-3.

1 **Q. Please summarize Staff’s position regarding the Company’s proposed**
2 **performance measures.**

3 A. Staff disagrees with the Company’s proposal to eliminate the census-tract level
4 reporting for energy burden and energy affordability metrics, but does not contest the
5 Company’s other proposals.¹⁰³

6 **Q. What is Staff’s rationale for proposing that the Company use census-tract level**
7 **data for reporting energy burden and energy affordability metrics?**

8 A. Staff explains that the Commission has required both PSE and Avista to report this
9 information at the census tract level, and commented that it is important for the
10 Commission to be able to track this data.¹⁰⁴

11 **Q. Does the Company agree that the metric should be modified to include census-**
12 **tract level reporting?**

13 A. No. The Company has already committed to tracking and reporting energy burden
14 and energy affordability by Zip code. If the Company were to also analyze this
15 information by census tract, it would be a duplicative effort at additional expense
16 without any clear benefit.

17 **Q. Why would the Company incur additional expense to track energy burden and**
18 **energy affordability by census tract?**

19 A. To the extent this request goes beyond the stipulated data collection in PacifiCorp’s
20 CEIP proceeding, the Company does not currently track its Washington customers by
21 census tract, and understands this task would require a significant amount of manual
22 data entry to accomplish. The Company would need to either increase staffing or hire

¹⁰³ McGuire, Exh. CRM-1T at 51:3-5.

¹⁰⁴ *Id.*, at 52:6-9.

1 an external contractor to perform the additional work, and possibly develop new
2 information systems to collect and track the data at this more granular level. The
3 Company is not yet convinced that these costs would be justified at this time, and
4 may be better analyzed once all parties have more experience with the data currently
5 available. In the event the Commission directs the Company to perform a census
6 tract-based analysis, the Company asks that the Commission also consider providing
7 a means for cost recovery of the related costs that would be situs-assigned to
8 Washington.

9 **Q. TEP's testimony provides a list of 69 performance metrics, and proposes that the**
10 **Commission adopt these metrics. Public Counsel also indicates it would support**
11 **the adoption of additional performance metrics. What is your general response**
12 **to these proposals?**

13 A. The Company recommends that TEP's proposed performance metrics be rejected.
14 TEP has not provided sufficient justification for adopting these metrics in addition to
15 the measures proposed by PacifiCorp. PacifiCorp's proposal is consistent with the
16 measures adopted by the Commission for PSE and Avista, as tailored to more
17 specifically meet the Company's needs based on information currently available and
18 taking into account the Company's multi-jurisdictional operations. The Commission
19 has recognized that performance measures may be different for each utility. The
20 measures proposed by the Company are appropriate given the nature of the proposed
21 MYRP and the Company's business structure.

1 **Q. Please describe Staff's position on adoption of any additional metrics, such as**
2 **those adopted in the PSE and Avista dockets.**

3 A. Staff argues that the additional metrics adopted in those cases are not appropriate for
4 PacifiCorp at this time.¹⁰⁵ Staff suggests that, given the state of the performance-
5 based ratemaking policy docket, adopting these additional metrics for PacifiCorp is
6 not warranted, and instead the Commission's policy proceeding is the more
7 appropriate venue for considering additional performance metrics.¹⁰⁶

8 **Q. Do you agree with Staff's position?**

9 A. Yes. As described in my direct testimony, the eight measures the Company originally
10 proposed are sufficient and appropriate to meet the Commission's requirements for
11 performance-based ratemaking at this time. While future modifications to the
12 Commission's policy may occur, for the time being and for the purposes of this
13 MYRP, the Company's suggestion is sufficient and requiring adoption of the other
14 metrics adopted for PSE and Avista through their settlements would go too far.

15 Additionally, the Company agrees that any additional performance metrics
16 should be discussed and evaluated with interested stakeholders in the Commission's
17 policy proceeding. The Company looks forward to continued engagement in that
18 proceeding in the future.

¹⁰⁵ *Id.*, at 53:9-12.

¹⁰⁶ *Id.*, at 53:13-14.

1 **Q. Public Counsel witness Andrea Crane recommends that the Company be**
2 **required to comply with any additional performance measures resulting from**
3 **the Commission’s pending policy proceeding, docket U-210590.¹⁰⁷ Does the**
4 **Company agree with that recommendation?**

5 A. Similar to Staff’s position, it is the Company’s position that the appropriate place for
6 continued discussion of additional performance based metrics is in the policy
7 proceeding. At this point in time, it is not clear when that proceeding will conclude,
8 nor when the Commission will issue further guidance. Indeed, it is not clear what
9 form the guidance will take and it is premature for the Commission to mandate
10 compliance with performance measures that have not yet been adopted. That said, the
11 Company looks forward to continued collaborative engagement in docket U-210590.

12 VI. CAPITAL PROJECT REVIEW

13 **Q. Please summarize the parties’ recommendations regarding the capital project**
14 **review process.**

15 A. AWEC and Public Counsel both criticize the Company’s proposal to use a portfolio-
16 based review of capital projects.¹⁰⁸ Specifically, Public Counsel and AWEC both
17 recommend that capital projects be reviewed on a project-by-project basis rather than
18 a portfolio basis.¹⁰⁹ Public Counsel also proposes that the Company perform a
19 detailed reconciliation of costs for each project—and not just for major projects—and
20 further that the Company provide an explanation for any budget estimate overages
21 exceeding five percent.¹¹⁰ AWEC also claims that the use of a portfolio basis will rely

¹⁰⁷ Crane, Exh. ACC-1T at 33:4-10.

¹⁰⁸ Mullins, Exh. BGM-1CT at 16-17; Crane, Exh. ACC-1T at 13-14.

¹⁰⁹ Mullins, Exh. BGM-1CT at 17:5-6; Crane, Exh. ACC-1T at 13:9-11.

¹¹⁰ Crane, Exh. ACC-1T at 13:9-20.

1 on the Company’s earnings rather than whether the projects are in service and used
2 and useful to customers.

3 Unlike AWEC and Public Counsel, Staff supports the use of a portfolio-based
4 review.¹¹¹

5 **Q. How do you respond to Public Counsel and AWEC’s recommendations**
6 **regarding a project-by-project review rather than a portfolio-based review?**

7 A. As I detailed in my direct testimony, the “portfolio” based review will be most
8 efficient and will provide the Company with flexibility to adapt to changing
9 circumstances—which is essential to meet the State of Washington’s clean energy
10 policy objectives.

11 **Q. Why is a detailed, project-by-project, budget reconciliation for all projects**
12 **burdensome?**

13 A. A detailed project-by-project budget reconciliation would be burdensome because
14 there are hundreds of projects included in the Company’s capital projects portfolio.

15 **Q. Besides being burdensome and impractical, do you have other concerns with**
16 **requiring a detailed project-by-project budget reconciliation?**

17 A. Yes. It appears that the rationale for this proposal is to set a cap based on the existing
18 project budgets.¹¹² However, including a cap would mean that the MYRP is punitive
19 by design, because it would only allow for downward adjustments from the initial
20 capital projects budgets. To provide an incentive for the Company to efficiently
21 manage its capital costs, it is critical to be able to balance both cost underruns and
22 overages.

¹¹¹ McGuire, Exh. CRM-1T at 40:5-10.

¹¹² See Crane, Exh. ACC-1T at 5:18-6:2.

1 **Q. Public Counsel witness Crane recommends rejecting the Company's portfolio**
2 **approach to annual true-up for now, and suggests that the Commission may**
3 **adopt a portfolio approach at a later date if appropriate.¹¹³ Public Counsel**
4 **argues that this approach will ensure the Commission has discretion and**
5 **flexibility to disallow specific project costs.¹¹⁴ Do you agree?**

6 A. No. As explained above, the portfolio-based approach will best balance the needs of
7 the Commission and parties to review and audit the Company's capital projects, while
8 also promoting efficiency and managing workloads for all. PacifiCorp instead
9 recommends that the Commission adopt the portfolio-based review, and after gaining
10 experience with it, the Commission can evaluate whether a different approach may be
11 warranted in the future.

12 **Q. Does Staff support the portfolio-based review?**

13 A. Yes. Staff witness McGuire comments that "requiring the Company to stick rigidly to
14 its forecasted capital plan could lead to bad business decisions," and that examining
15 projects on a portfolio level allows for adaptive management while ensuring that
16 customers only pay for plant that is used and useful in the rate effective period.¹¹⁵

17 **Q. To your knowledge, has the Commission previously approved a portfolio-based**
18 **review?**

19 A. Yes, it is my understanding the in the 2022 PSE proceeding, docket UE-220066, the
20 Commission approved a settlement agreement that included a portfolio-based review
21 of capital projects. As detailed in the direct testimony of Company witness Cheung,

¹¹³ *Id.*, at 14:20-23.

¹¹⁴ *Id.*, at 14:18-20.

¹¹⁵ McGuire, Exh. CRM-1T at 40:5-10.

1 PacifiCorp used the recent PSE rate proceeding as a model in developing its
2 portfolio-based review proposal.¹¹⁶

3 **Q. Do you agree with AWEC’s assertion that use of a portfolio-based review will**
4 **rely on the Company’s earnings and will not ensure that projects are in service**
5 **and used and useful?**

6 A. No, not at all. AWEC fundamentally misunderstands the Company’s proposal. The
7 use of a portfolio-based review will allow the Company the flexibility to adapt its
8 capital spending as may be needed over the two-year rate plan, and recognizes that
9 some projects may come in under budget while others may come in over budget.
10 Moreover, the Company explained in its direct testimony that it will remove any
11 projects that are not used and useful, so AWEC’s concern is unwarranted.¹¹⁷

12 **Q. Do you agree with Public Counsel witness Crane’s recommendation that the**
13 **annual review period be extended by additional six weeks, resulting in a**
14 **five-month review period?**¹¹⁸

15 A. No. The MYRP is still a relatively new process, and it is too soon to consider
16 extending the review period. The Company recommends that the Commission adopt
17 the timeline and review process the Company originally proposed. The capital project
18 review is a discrete filing, and the timelines the Company had originally proposed are
19 reasonable. The bulk of the review of provisional capital projects would occur during
20 this proceeding, with the annual capital review filings being focused on
21 implementation of projects that were identified in the rate case, as well as a more

¹¹⁶ Cheung, Exh. SLC-1T at 21:2-8.

¹¹⁷ McVee, Exh. MDM-1T at 25:5-16.

¹¹⁸ Crane, Exh. ACC-1T at 15:9-11.

1 detailed review of new items that are added per the portfolio-review approach. This
2 process promotes the policy behind the MYRP by encouraging administrative
3 efficiency. On the other hand, the proposals to extend and expand the review process
4 seek to backload (rather than frontload) review work. These proposals would amount
5 to one large rate case (the instant case) followed by several smaller cases through the
6 capital review process—and would diminish the efficiencies that may otherwise be
7 had from a MYRP.

8 As we proceed through the clean energy transition, there will be many new
9 filings and administrative demands placed on the Company, the Commission, and
10 stakeholders. The Company urges the Commission to promote administrative
11 efficiency as much as possible, and to maintain the streamlined review process
12 outlined in the Company’s initial filing.

13 **VII. CETA ISSUES FOR CAPITAL PROJECTS**

14 **Q. Please summarize the parties’ proposals concerning the Jim Bridger plant and**
15 **Colstrip Unit 4.**

16 **A.** As discussed in further detail below, Staff recommends that the Commission pro-rate
17 the Jim Bridger Units 1 and 2 gas conversion costs, and proposes to exclude many
18 investments in Colstrip and Jim Bridger Units 3 and 4 based on Staff’s view that they
19 are “life-extending.” NWEA provided similar testimony concerning investments in
20 Colstrip. Finally, Staff proposes that the Commission impose a coal cost tracker on
21 the Company to facilitate stakeholder review as coal costs are tracked out of
22 Washington rates as of December 31, 2025. I respond to these proposals in turn.

1 **Q. Prior to addressing parties' proposals, please provide an overview of the**
2 **Company's plans regarding the Jim Bridger plant and Colstrip Unit 4 as it**
3 **relates to CETA.**

4 A. As I explained in my direct testimony, based on my understanding, CETA requires
5 that on or before December 31, 2025, a utility must eliminate coal-fired resources
6 from its allocation of electricity to Washington.¹¹⁹ While the Company had flexibility
7 to fully depreciate and remove Jim Bridger and Colstrip from Washington rates prior
8 to this time as part of the 2020 rate case stipulation and the Washington
9 Interjurisdictional Allocation Methodology (WIJAM),¹²⁰ due to rising NPC, the
10 Company has pivoted to continue to provide benefits from these resources to
11 Washington customers.

12 **Q. Please provide an overview of the Company's plans regarding the conversion of**
13 **Jim Bridger Units 1 and 2, and proposed allocation of costs to Washington**
14 **customers.**

15 A. The Company will be performing natural gas conversions of Jim Bridger Units 1 and
16 2 in 2024, and accordingly is requesting modification of the Commission's Exit
17 Orders for these units.¹²¹ Because Jim Bridger Units 1 and 2 will provide benefits to
18 Washington customers at least until 2029, the Company has proposed to allocate
19 project costs for the gas conversion to Washington customers.

¹¹⁹ McVee, Exh. MDM-1T at 11:7-13.

¹²⁰ *WUTC v. PacifiCorp dba Pacific Power & Light Co.*, Docket No. UE-191024, Wilding, Exh. MGW-2 at 5 (Dec. 13, 2019).

¹²¹ McVee, Exh. MDM-1T at 14:8-15.

1 **Q. What does the Company propose with respect to Jim Bridger Units 3 and 4 and**
2 **Colstrip Unit 4?**

3 A. The Company is proposing to keep Jim Bridger Units 3 and 4 and Colstrip Unit 4 in
4 Washington rates until December 31, 2025, to mitigate increasing NPC. Because
5 these facilities will continue to provide benefits to Washington customers through the
6 end of 2025, the Company is allocating costs associated with these facilities to
7 Washington customers.

8 **A. Jim Bridger Natural Gas Conversion**

9 **Q. Does Staff support amending the Exit Orders for Jim Bridger 1 and 2?**

10 A. Yes. Staff supports PacifiCorp’s proposal to amend the Exit Orders for Jim Bridger 1
11 and 2 to specify that they apply to Jim Bridger Units 1-2 only as coal-fired
12 resources.¹²²

13 **Q. Please summarize Staff’s proposed adjustment regarding the Jim Bridger Units**
14 **1 and 2 Gas Conversion Project.**

15 A. Staff witness McGuire proposes to prorate the capital additions for the Jim Bridger
16 Units 1 and 2 Gas Conversion project to reflect “PacifiCorp’s expectation that the
17 facility will serve Washington for only 5.5 years (2024-2029) of its 13.5 year
18 (2024-2037) expected service life.”¹²³ Staff maintains that the pro-rated treatment of
19 Jim Bridger Units 3 and 4 and Colstrip 4 pro forma investments is “fundamentally the
20 same circumstances”¹²⁴ as Jim Bridger Units 1 and 2 – i.e., under CETA, the
21 Company has concluded that these facilities would provide service in Washington for

¹²² McGuire, Exh. CRM-1T at 66:3-9.

¹²³ *Id.*, at 35:20-22.

¹²⁴ *Id.*, at 38:13-14.

1 only a portion of their remaining service lives.

2 **Q. Are the circumstances surrounding Jim Bridger Units 3 and 4, and Colstrip Unit**
3 **4 capital additions fundamentally the same as those surrounding Jim Bridger**
4 **Units 1 and 2 gas conversion?**

5 A. No. The circumstances surrounding coal-fired generation assets, and gas-fired
6 generation assets are fundamentally different. CETA requires that electric utilities
7 must eliminate coal-fired resources from the allocation of electricity to Washington
8 customers by the end of 2025, which means that the costs (and benefits) of generation
9 from coal-fired resources must be removed from rates at that same time. This means
10 that there is no possible scenario under which coal-fired generation assets can be
11 continued to be used to generate electricity serving Washington customers beyond
12 December 31, 2025.

13 On the other hand, the 2029 date is not a gas-fired resource exit deadline, but
14 instead is a greenhouse gas neutrality target date. The 2029 greenhouse gas neutrality
15 requirements can be met through the use of renewable energy credits, and there is
16 currently no requirement that gas generation plants be out of rates by a date certain
17 for Washington prior to 2045. Taken together, so long as the greenhouse gas emission
18 requirements can continue to be met, this means there is a possible scenario where
19 gas-fired resources could continue to operate and serve customers in Washington
20 through 2029 and beyond if those resources continue to provide energy and enhanced
21 reliability to customers.

22 Another way in which circumstances are different is that in the Company's
23 last Washington rate case, coal-fired assets depreciation was approved to be

1 accelerated and be fully depreciated by the end of 2023. The accelerated depreciation
2 provided flexibility in facilitating the removal of coal costs from Washington rates
3 certainly by 2025, and *possibly* as early as 2023, in advance of the deadline contained
4 in Washington's CETA. In this filing, the Company was prepared to remove the Jim
5 Bridger Units 3 and 4 and Colstrip generation plants out of rates in accordance with
6 the approved end of depreciable life of December 2023. In preparing the current rate
7 case, the Company assessed the impacts of a scenario in which the entirety of Jim
8 Bridger and Colstrip were excluded from its NPC forecast, and discovered that there
9 would be substantial costs to Washington customers if the coal-fueled resources were
10 prematurely excluded from Washington rates. The Company therefore determined
11 that the rate increase would be reduced if coal plant usage was extended.

12 Based on the accelerated depreciation decision on coal-fired resources in the
13 Company's last case, as of the rate effective date of the current rate filing, absent
14 proposals to include pro forma coal-fired resource investments, all coal-fired assets
15 would already be fully depreciated in Washington's rate base, meaning that as of the
16 end of December 2023, there would be no coal-fired resource costs remaining in
17 Washington rates. Accordingly, the Company developed a methodology to include
18 further pro forma coal-fired resources in rates, now that all coal-fired resource
19 balances are theoretically fully depreciated in Washington's rates. The Company's
20 proposal to pro rate the additional coal-fired resources into rates for the remainder of
21 the two-year period where coal-fired generation is still allowed in Washington rates is
22 an attempt to bridge the gap until 2025. On the other hand, Jim Bridger Units 1 and 2,
23 once converted to a gas-fired project, will be available to provide benefits to

1 Washington customers for many years given there is no fixed deadline when gas-fired
2 resources must be excluded from Washington rates under CETA.

3 It is also worth noting that the approved accelerated depreciation through 2023 of
4 coal-fired generation assets in the previous rate case did not reflect any pro ration of
5 capital costs. Despite agreeing on a shorter depreciable life, Washington customers
6 were still responsible to pay the full allocation of costs associated with the coal-fired
7 resources.

8 **Q. If the expected life of the Jim Bridger Units 1 and 2 gas conversion is 2037, and**
9 **Washington might possibly continue utilizing the resource past the 2030**
10 **greenhouse gas naturalty deadline, why did the Company set 2029 as the end of**
11 **depreciable life of these assets in this filing?**

12 A. The Company decided to set 2029 as the end of depreciable life for the Jim Bridger
13 Units 1 and 2 gas conversion resources to provide flexibility in navigating the
14 established emission standards under CETA by the end of 2029. Based on the best
15 information available at the time of the filing this case, RCW 19.405.040(1)(b) allows
16 for up to 20 percent of the Company's compliance obligation to be satisfied with an
17 alternative compliance option, and the amount of generation forecasted to be
18 allocated to Washington, under current allocation assumptions, from Jim Bridger Unit
19 1 and Jim Bridger Unit 2 would exceed 20 percent. In addition, alternative
20 compliance may be necessary to cover non-emitting electricity contracts where the
21 Company does not retain the non-power attributes as required by RCW
22 19.405.040(1)(f). Despite this, there is still much uncertainty around what could
23 happen between now and the 2029 deadline. As noted above, the CETA requirement

1 around the 2029 timeline is a neutrality standard and not an absolute requirement to
2 remove gas-fueled resources from rates. Generation forecasts on the gas-fired plants
3 may also shift, as the regulatory and legislative landscape continues to evolve.
4 Therefore, it is not known with certainty that 2029 is the final date this project could
5 be used in serving Washington customers, only that it could be. Accordingly, the
6 Company selected 2029 as the end of depreciable life for these projects to enable the
7 most flexibility for the Company as the 2029 deadline draws closer, and more
8 information comes to light. The end-of-depreciable life does not in itself represent a
9 certain end-of-service life, as is evident in the fact that coal-fired resources are
10 currently being proposed to be used to continue serving customers after the
11 previously determined 2023 end-of-depreciation date.

12 **Q. Even assuming for the sake of argument that Units 1 and 2 only provide service**
13 **through 2029, do you have concerns with Staff’s proposal to pro-rate the costs**
14 **associated with the natural gas conversion?**

15 A. Yes, Staff’s premise is fundamentally flawed. As further detailed in the rebuttal
16 testimony of Company witness Richards, the conversion is integral to Jim Bridger
17 Units 1 and 2 continuing to provide service to Washington customers.¹²⁵ Simply put,
18 if there is no gas conversion, there is no continued service to Washington customers.

19 **Q. How do you respond to Staff’s contention that due to the shorter 5.5-year period**
20 **for service to Washington customers, Washington customers only receive 41**
21 **percent of the benefits of the facility?**¹²⁶

22 A. While I understand the premise of Staff’s contention, I still disagree with it and

¹²⁵ Richards, Exh. BDR-2CT at 7:5-11.

¹²⁶ McGuire, Exh. CRM-1T at 37:10-38:5.

1 believe it sets the wrong policy. By proposing to pro-rate these costs, Staff seeks to
2 have it both ways—to receive the full benefits of this flexible and dispatchable
3 resource, but not pay its fair share for the resource.

4 As was detailed in the Company’s initial filing, the investment in the gas
5 conversion is still significantly less expensive than the impact on NPC without the
6 gas conversion.¹²⁷ Company witness Mitchell explained in direct testimony that the
7 NPC impact of excluding Jim Bridger 1 and 2 from the Company’s NPC forecast is
8 an increase of \$50 million, or 25 percent.¹²⁸ Over the course of the period in which
9 the gas units provide service to Washington customers, there will be substantial
10 benefits flowing from the conversion, and thus it is entirely appropriate that
11 Washington customers should pay their full allocated share.

12 **B. Colstrip Unit 4 and Jim Bridger Units 3 and 4**

13 **Q. Please describe the Company’s capital investments in Colstrip Unit 4 and Jim**
14 **Bridger Units 3 and 4.**

15 A. With respect to Colstrip Unit 4, in its initial filing, the Company included costs
16 associated with dry disposal of Coal Combustion Residuals, superheat section
17 replacement, Colstrip Unit 4 overhaul, and Colstrip condenser tube replacement.¹²⁹ In
18 rebuttal, Witness Richards clarifies that certain projects—the condenser replacement
19 and superheat section replacement—have been cancelled, and accordingly are being
20 removed from the Company’s case.¹³⁰ The Company also included a number of
21 investments in Jim Bridger Units 3 and 4, which are described in the direct testimony

¹²⁷ Mitchell, Exh. RJM-1CT at 34.

¹²⁸ *Id.*, at 34:10.

¹²⁹ Richards, Exh. BDR-1T at 6-9.

¹³⁰ Richards, Exh. BDR-2CT at 5:2-14.

1 of Witness Richards.¹³¹

2 **Q. Does Staff support the Company’s decision to keep Colstrip Unit 4 and Jim**
3 **Bridger Units 3 and 4 in rates?**

4 A. Yes, and Staff further comments that removing these facilities from rates before the
5 end of 2025 would increase rates unnecessarily.¹³²

6 **Q. At the same time, Staff proposes that a number of the investments in Colstrip**
7 **Unit 4 and Jim Bridger Units 3 and 4 should be excluded from Washington rates**
8 **on the basis that they are “life-extending” investments.¹³³ Similarly, NWECC**
9 **witness Lauren McCloy opposes the inclusion in rates of the capital expenditures**
10 **at Colstrip Unit 4 as inconsistent with CETA, and proposes that all investments**
11 **that are not associated with decommissioning and remediation should be**
12 **excluded from Washington rates.¹³⁴ How do you respond?**

13 A. In assessing whether an investment is “life-extending,” Staff considered whether the
14 investment would have been made if the facility were going to be closed on
15 December 31, 2025.¹³⁵ Company witness Richards responds to this concern in detail,
16 explaining that PacifiCorp’s assessment of whether an investment is life-extending is
17 based the Company’s more thorough factual understanding of the capital projects and
18 the specific criteria laid out in the Commission-approved WIJAM Memorandum of
19 Understanding. Specifically, Section 7.1 describes how for coal units that are being
20 removed on December 31, 2025, Washington will continue to be allocated ongoing

¹³¹ Richards, Exh. BDR-1T at 3-5.

¹³² McGuire, Exh. CRM-1T at 20:9-11.

¹³³ *Id.*, at 30:9-12.

¹³⁴ McCloy, Exh. LM-1T at 39:16-23.

¹³⁵ McGuire, Exh. CRM-1T at 30:15-16.

1 capital investments expenses for these plants, excluding incremental capital
2 investments that are made primarily for the purpose of extending the life of these
3 plants.¹³⁶

4 From a policy perspective, however, I would note that Staff's position is
5 internally inconsistent. Staff recognizes that these facilities will provide benefits to
6 Washington customers, and supports the Company's plans to continue to use them to
7 mitigate otherwise unavoidable NPC increases.¹³⁷ Yet, Staff argues that Washington
8 customers should not have to pay for these benefits, even while maintenance is
9 needed to keep Units 3 and 4 operational in the near term. While Washington
10 customers continue to benefit from these facilities, they should continue to pay for the
11 investments that allow the Company to provide safe and reliable service.

12 **Q. If Colstrip Unit 4 and Jim Bridger Units 3 and 4 were excluded from the NPC
13 forecast, would there be a significant NPC impact to Washington customers?**

14 A. Yes. As detailed in the direct testimony of Company witness Mitchell,
15 Washington-allocated NPC increased by \$72 million (36 percent) from \$199 million
16 to \$271 million with the exclusion of Jim Bridger Units 3 and 4, and Colstrip Unit 4
17 from the NPC forecast due to a substantial increase (1.03 million MWh or 373
18 percent) in the WIJAM Shortfall and the associated costs of re-balancing to close the
19 net open position.¹³⁸

¹³⁶ Docket No. UE-191024, Wilding, Exh. MGW-2 at 5, WIJAM § 7.1 (“Capital Investments. Washington will continue to be allocated a WCA share of ongoing capital investments expenses for these plants, excluding incremental capital investments that are made primarily for the purpose of extending the life of these plants. Incremental capital investments that are made primarily for the purpose of extending the life of these plants includes, but is not limited to, those associated with achieving compliance with environmental requirements or those necessitated by catastrophic failure.”).

¹³⁷ McGuire, Exh. CRM-1T at 39:3-13.

¹³⁸ Mitchell, RJM-1CTr at 34:1-7.

1 **C. Coal Cost Tracker**

2 **Q. What is Staff’s proposal regarding tracking and removing coal expenses to**
3 **comply with CETA?**

4 A. Staff proposes that PacifiCorp be required to file a power cost only rate case in April
5 of 2025 to effectuate the removal of coal from rates in compliance with CETA,
6 effective January 1, 2026.¹³⁹ Staff also proposes a separate tracker for Colstrip Unit 4
7 and Jim Bridger Units 3 and 4 costs be established in this case (consistent with PSE
8 and Avista’s trackers) in part to prepare for when these costs must be removed from
9 rates under CETA requirements.¹⁴⁰

10 **Q. Do you agree that a separate tracker is warranted?**

11 A. No. A separate tracker is not needed, because the Company has already planned that
12 all costs associated with Jim Bridger Units 3 and 4 and Colstrip Unit 4 will be
13 removed from rates effective January 1, 2026, as part of the MYRP. Specifically,
14 under the Company’s MYRP proposal, the Company will complete the provisional
15 pro-forma review and revise base rates in 2025. As detailed in the direct and rebuttal
16 testimony of Company witness Cheung, these coal facility costs have been identified
17 and isolated, which will allow Staff and stakeholders to verify that they are being
18 removed from rates without requiring a separate tracker.

19 **Q. Would Staff’s proposal create additional administrative burden for the**
20 **Company, the Commission, and interested stakeholders?**

21 A. Yes. Since the Company’s current MYRP proposal already provides a means for
22 parties to verify that coal costs are being removed from rates, Staff’s proposal is

¹³⁹ McGuire, Exh. CRM-1T at 55:19-21.

¹⁴⁰ *Id.*, at 62:5-64:3.

1 duplicative and unnecessary. The Company understands that similar trackers are in
2 place for both PSE and Avista, but since PacifiCorp's MYRP already provides a
3 means to track coal out of Washington rates, the Company recommends that Staff's
4 proposal be rejected.

5 VIII. DEFERRALS

6 **Q. Please summarize the parties' proposals regarding the Company's deferrals.**

7 A. Public Counsel recommends that the Commission deny the Company's proposal to
8 amortize deferrals for CETA costs, the EV Pilot Program costs, and COVID costs.¹⁴¹

9 AWEC recommends that the Commission reject the amortization of the COVID
10 deferral, arguing that PacifiCorp has provided no evidence regarding the
11 reasonableness of the costs included in the deferral.¹⁴²

12 **Q. What are the deferred amounts at issue for each of these programs?**

13 A. The Company proposed deferring \$826,093 for CETA costs, \$911,209 for the EV
14 Pilot Program costs, and \$5,273,956 for COVID costs.¹⁴³

15 **Q. What is Public Counsel's rationale for recommending that the Commission reject
16 these deferrals?**

17 A. Public Counsel asserts that these deferrals should be denied because they are
18 regulatory assets the deferral of which should be allowed infrequently and only for a
19 compelling reason.¹⁴⁴ Further, Public Counsel claims that the costs are minimal
20 compared to the Company's overall rate base, and thus disallowing a deferral would

¹⁴¹ Crane, Exh. ACC-1T at 23:12-13.

¹⁴² Mullins, Exh. BGM-1CT at 59:16-21.

¹⁴³ Cheung, Exh. SLC-4.

¹⁴⁴ Crane, Exh. ACC-1T at 21:1-15.

1 not present significant harm to the Company or its shareholders.¹⁴⁵ As to the COVID
2 costs, Public Counsel additionally questions the reasonableness of requiring
3 customers to bear the costs incurred by the Company.¹⁴⁶

4 **Q. Do you agree with this rationale?**

5 A. No. The deferrals for which the Company seeks amortization were evaluated and
6 approved by the Commission, and represent required actions to promote state policy
7 or, in the case of the COVID deferral, to respond to a global emergency and are
8 legitimate costs incurred by the Company.¹⁴⁷

9 **Q. Has Public Counsel previously supported the programs for which it now**
10 **recommends the Commission deny recovery?**

11 A. Yes. In docket UE-210829, Public Counsel joined in a settlement agreement with
12 PacifiCorp and other parties on the Company's 2021 CEIP, which included the CETA
13 costs and EV pilot program.¹⁴⁸ The stipulating parties in that docket agreed that the
14 CEIP conditions agreed to in the settlement were "consistent with lowest reasonable
15 cost, least-risk, and equitable planning principles to meet the needs of PacifiCorp's
16 Washington customers."¹⁴⁹ In Miscellaneous Condition 7, the parties agreed that

¹⁴⁵ *Id.*, at 24:15-19.

¹⁴⁶ *Id.*, at 25:8-10.

¹⁴⁷ *In the Matter of the Petition of PacifiCorp dba Pacific Power & Light Company, Petitioner, For an Order Approving Deferral of the Costs Associated with the Clean Energy Transformation Act*, Docket No. UE-210414, Order 01 (Mar. 10, 2022); *In the Matter of the Petition of PacifiCorp dba Pacific Power & Light Company, Petitioner, For an Accounting Order Authorizing Deferral of Costs Related to the Company's Electric Vehicle Pilot Program*, Docket No. UE-180809, Order 01 (Jan. 31, 2019); *In the Matter of the Petition of PacifiCorp dba Pacific Power & Light Company, Petitioner, For an Order Approving Deferral of Costs Associated with the COVID-19 Public Health Emergency*, Docket No. UE-200234, Order 01 (Dec. 10, 2020).

¹⁴⁸ *In the Matter of PacifiCorp, dba Pacific Power & Light Company's Clean Energy Implementation Plan*, Docket No. UE-210829, Full Multi-Party Settlement Agreement (Sep. 22, 2023); see Exh. JS-1T at 10:11-16 (discussing the Company's proposal to establish an EV grant program); see also *id.* at 11:19-12:1 (discussing the Stipulating Parties agreement that the costs anticipated in the settlement were consistent with the Company's requirements under CETA).

¹⁴⁹ Docket No. UE-210829, Exh. JS-1T 11:21-12:1.

1 inclusion of a project in the CEIP could factor into a prudence determination in a
2 future proceeding, although it could not be the only consideration.¹⁵⁰ In separately
3 filed testimony, Public Counsel reiterated this condition and noted that “PacifiCorp
4 will be required to meet the Commission’s reasonableness standard and analysis,
5 which typically focuses on the need for the resource, the evaluation of alternatives,
6 communication with and involvement of the Company’s board of directors, and
7 adequate documentation.”¹⁵¹

8 **Q. Does Public Counsel’s position in this case appear to be inconsistent with their**
9 **position in the CEIP docket above?**

10 A. Yes. In the past, Public Counsel has been supportive of the program’s inclusion in the
11 CEIP and thus of PacifiCorp’s implementation of the programs. Public Counsel’s
12 position in this case, surprisingly, is not that the costs incurred by the Company were
13 unreasonable or unnecessary. In fact, Public Counsel seems to argue that PacifiCorp’s
14 spending on these programs was *too small a portion* of the Company’s overall rate
15 base to be recovered.¹⁵²

16 **Q. What is your response to Public Counsel’s assertion that it is unreasonable to**
17 **collect PacifiCorp’s COVID related costs from customers?**

18 A. In docket UE-200234, the Commission approved the Company’s deferral of bad debt
19 and customer bill assistance programs.¹⁵³ While it is true, as Public Counsel states,
20 that the Commission’s approval of the deferral of these costs did not guarantee

¹⁵⁰ Docket No. UE-210829, Full Multi-Party Settlement Agreement, Attachment A at 14.

¹⁵¹ Docket No. UE-210829, Exh. SKC-1T at 10:4-7.

¹⁵² Crane, Exh. ACC-1T at 24:15-19.

¹⁵³ *In the Matter of the Petition of PacifiCorp dba Pacific Power & Light Company, Petitioner, For an Order Approving Deferral of Costs Associated with the COVID-19 Public Health Emergency*, Docket No. UE-200234, Order 01 ¶¶ 21-22 (Dec. 10, 2020).

1 recovery,¹⁵⁴ Public Counsel has not provided any justification for denying recovery.

2 **Q. What is AWEC’s claim regarding the reasonableness of COVID deferral costs?**

3 A. AWEC witness Mullins asserts that PacifiCorp has failed to prove the reasonableness
4 of the funds it seeks to recover as part of the COVID deferral.¹⁵⁵ In support of this
5 assertion, witness Mullins notes that the Company is proposing to recover lost
6 revenues and that the Company has failed to recognize any savings in the deferral.¹⁵⁶

7 **Q. How do you respond to AWEC’s claim that the Company has not provided any
8 evidence concerning the reasonableness of the costs included in the deferral?**¹⁵⁷

9 A. In docket UE-200234, the Company continues to provide quarterly reports
10 concerning the costs incurred and savings related to COVID policies. Company
11 witness Cheung also addressed this issue in greater detail.¹⁵⁸

12 **IX. INCREMENTAL WILDFIRE MITIGATION AND VEGETATION**
13 **MANAGEMENT COSTS**

14 **Q. Please summarize Public Counsel’s recommended adjustments to wildfire
15 mitigation and vegetation management costs.**

16 A. Public Counsel does not recommend any adjustment to the Company’s capital costs
17 relating to wildfire mitigation, but instead recommends an adjustment to the
18 incremental O&M costs that the Company includes in its MYRP.¹⁵⁹ Public Counsel
19 recommends that the costs in Adjustment 14.3 be limited to a 10 percent annual
20 increase over the Base Period, which would result in a total increase of 27 percent

¹⁵⁴ See Exh. MDM-7 – Public Counsel’s Response to PacifiCorp’s Data Requests 6-8.

¹⁵⁵ Mullins, Exh. BGM-1CT at 59:16.

¹⁵⁶ *Id.*, at 59:17-21.

¹⁵⁷ *Id.*, at 57:13.

¹⁵⁸ Cheung, Exh. SLC-8T at 78:15-82:23.

¹⁵⁹ Crane, Exh. ACC-1T at 27:8-13.

1 from the Base Period through the end of Rate Year 1.¹⁶⁰

2 **Q. What is Public Counsel's rationale for a 10 percent cap?**

3 A. In support of this recommendation, Public Counsel overstates the amount of the
4 proposed increase and asserts that the Company has not provided sufficient
5 justification for an increase of this magnitude.¹⁶¹ In particular, Public Counsel focuses
6 on the Company's proposed costs for situational awareness expenses and for non-
7 Wildfire Mitigation Plan (WMP) vegetation management costs.¹⁶²

8 **Q. Please provide context for how risk associated with wildfire has evolved in the**
9 **Company's service territory.**

10 A. There has always been some degree of wildfire risk across PacifiCorp's service
11 territories, including in Washington. This risk is inherent to operating an electric
12 utility and is elevated for utilities in the Western United States where climates are arid
13 year-long in some areas, or seasonally in others. However, the frequency, severity,
14 and costs of catastrophic wildfires are increasing across the West. Recent experiences
15 with catastrophic and tragic wildfires have resulted in an even greater focus on
16 wildfire risk mitigation by public utilities in the region. It is vital that the Company
17 plan for and implement wildfire mitigation, including the additional system
18 hardening, tree trimming, and situational awareness improvements that are included
19 in this case.

¹⁶⁰ *Id.*, at 29:9-13 (note Public Counsel's testimony references Adjustment 4.13, however, it appears this reference is in error and should instead be 14.3).

¹⁶¹ *Id.*, at 28:3-16.

¹⁶² *Id.*, at 28:3-29:6.

1 **Q. Has the Company provided justification for the situational awareness costs to**
2 **which Public Counsel takes issue?**

3 A. Yes. The testimony of Company witness Berreth provides justification for the
4 Company's proposed situational awareness costs. These costs ensure that the
5 Company can respond quickly to the risk of wildfire across its system.¹⁶³ Investments
6 included in this category include the "acquisition of data, collection of Company-
7 owned data through new devices, storage and processing of data, and mapping or
8 visualization of data into dashboards and tools."¹⁶⁴ These investments reduce the risk
9 of catastrophic fire caused by the Company's facilities.¹⁶⁵

10 **Q. Has the Company provided justification for its non-WMP vegetation**
11 **management costs?**

12 A. Yes. The Company witness Berreth describes why the Company's vegetation
13 management program costs have increased, and provides justification for the
14 proposed amounts for RY1.¹⁶⁶ The Company has implemented strategies to control
15 costs associated with this program,¹⁶⁷ and Berreth provides further explanation of this
16 issue in rebuttal testimony.

17 **Q. Did Public Counsel claim that the Company's incremental wildfire mitigation**
18 **and vegetation management expense is unnecessary or imprudent?**

19 A. No. Public Counsel made no such claims, and instead only argues that the Company
20 did not provide sufficient justification for its costs. However, given the detailed

¹⁶³ Berreth, Exh. ALB-1T at 13:6-13.

¹⁶⁴ *Id.*, at 13:17-19.

¹⁶⁵ *Id.*, at 14:9-13.

¹⁶⁶ *Id.*, at 22:3-13.

¹⁶⁷ *Id.*, at 23:17-24:2.

1 testimony and exhibits of Company witness Berreth, both in direct and rebuttal, the
2 Company has provided substantial support for its proposal.

3 **Q. What is your general response to Public Counsel’s recommendation for a 10**
4 **percent cap?**

5 A. Public Counsel’s proposed 10 percent cap is arbitrary and should be rejected. As
6 Public Counsel concedes, wildfire mitigation and vegetation management are vital
7 programs for the Company to fund, especially with the increased risk of wildfire
8 across its service territory. The Company should not be unnecessarily prevented from
9 making prudent investments that promote safety and reliability for its customers.

10 **X. INSURANCE PREMIUMS**

11 **Q. Please explain the portion of insurance premium costs that the Company is**
12 **updating in rebuttal.**

13 A. The Company is updating the insurance premiums related to excess liability
14 insurance. As further explained by Company witness Mariya Coleman, excess
15 liability insurance provides coverage for legal liability to third parties arising out of
16 bodily injury and property damage losses suffered by those third parties, including
17 general liability, wildfire liability, auto liability, and employer’s liability.¹⁶⁸

18 Renewals for this insurance occur in August of every year.¹⁶⁹

19 **Q. How much was included for excess liability insurance in the Company’s direct**
20 **filing?**

21 A. In its direct filing, the Company included approximately \$32.2 million, total-
22 Company, for the liability insurance premiums paid in August 2022 based on the best

¹⁶⁸ Coleman, Exh. MVC-1T at 4:23-26.

¹⁶⁹ *Id.*, at 5:1-6.

1 available information at the time. In August 2023, premiums for excess liability
2 insurance costs were \$125.2 million (total-Company) for the policy period beginning
3 August 15, 2023, or later.

4 **Q. Why is it appropriate to update the premiums for excess liability insurance**
5 **premiums?**

6 A. It is appropriate to include the updated costs in the Company's rates as it reflects the
7 costs of insurance during the time these rates will be in effect. It is important that
8 rates are set to allow the Company the opportunity to recover its expected costs
9 during the period of time rates are in effect, and it is my understanding that the
10 Commission has previously taken into account known and measurable changes to
11 insurance premiums because "[u]se of the most recent data that encompasses changes
12 in all the company's insurance premium levels assures that the level of expense in
13 rates will approximate expense levels to be incurred by the company more accurately
14 during the period when rates are in effect."¹⁷⁰

15 Further, excess liability insurance provides coverage for third party claims
16 related to general liability, wildfire liability, auto liability and employer's liability.
17 This is reasonable insurance to maintain in the ordinary course of business, which the
18 Company has maintained for many years and has been allowed into rates. The
19 increase of costs for excess liability insurance is not an anomaly and is expected to
20 continue because of the impact of wildfires with some insurers no longer providing
21 insurance. For further discussion, see Witness Coleman's rebuttal testimony.¹⁷¹

¹⁷⁰ *WUTC v. The Washington Water Power Company*, Docket No. U-88-2380-T, 1989 Wash. UTC LEXIS 81 at *35-36 (Oct. 19, 1989).

¹⁷¹ Coleman, Exh. MVC-1T at 5:7-10:9.

1 **XI. WASHINGTON CLIMATE COMMITMENT ACT**

2 **Q. Please provide an overview of the Washington Cap and Invest Program created**
3 **by the CCA.**

4 A. The Washington Cap and Invest Program impacts the Company in two separate and
5 distinct ways. First, the Cap and Invest Program imposes an obligation on the
6 Company to acquire greenhouse gas emission allowances for generation from the
7 Chehalis gas-fired generation plant (Chehalis). These generally applicable
8 compliance costs are tied to *generation* and are imposed on all generating facilities
9 located in Washington state and govern all energy generated at Chehalis, regardless
10 of whether the energy is exported outside the state.¹⁷²

11 Second, Washington state allocates PacifiCorp a certain number of no-cost
12 allowances based on the Company’s *retail load* in Washington.¹⁷³ These no cost
13 allowances are provided only to utilities subject to Washington’s CETA and are
14 calculated based on the Company’s load and the types of resources that will be used
15 to serve that load.¹⁷⁴ The Washington Department of Ecology has indicated that the
16 Company must allocate the benefits of the no-cost allowances exclusively to
17 Washington customers.¹⁷⁵

18 **Q. Does any party dispute the treatment of the CCA costs in this case?**

19 A. No. However, AWEC witness Mullins comments:

¹⁷² RCW 70A.65.080(1)(b).

¹⁷³ RCW 70A.65.120(1).

¹⁷⁴ RCW 70A.65.120(1); WAC 173-446-230(2).

¹⁷⁵ See RCW 70A.65.010(21) (defining “cost burden” to mean “the impact on rates or charges to customers of electric utilities *in Washington state* for the incremental cost of electricity service to serve load due to the compliance cost for greenhouse gas emissions caused by the program.”) (emphasis added); see also State of Washington, Dep’t. of Ecology, Publication 22-02-046, Concise Explanatory Statement Chapter 173-446 WAC Climate Commitment Act Program, (Sept. 2022) (available at <https://apps.ecology.wa.gov/publications/documents/2202046.pdf>) (last visited Sept. 19, 2023).

1 Customers in other states participating in the [MSP] have
2 expressed concerns with the effects of the Washington CCA on
3 the costs associated with the Chehalis plant. Much of the
4 concern revolves around the fact that Washington customers
5 benefit from the allocation of free allowances for their portion
6 of the Chehalis generating facility, whereas out of state
7 customers do not.¹⁷⁶

8 Though AWEC does not offer a specific recommendation regarding CCA in
9 this case, AWEC recommends that the Commission and Washington parties engage
10 with the MSP stakeholder group to work on a solution, “including evaluating a scenario
11 where Washington assumes full responsibility of the costs and benefits of the Chehalis
12 power plant.”¹⁷⁷

13 **Q. How do you respond to AWEC’s comments?**

14 A. As an initial matter, AWEC’s testimony generically referencing “customers in other
15 states” is disingenuous considering AWEC is one of the most vocal opponents of the
16 CCA in other states. Indeed, in testimony and briefing recently submitted to the
17 Public Utility Commission of Oregon (OPUC), AWEC strenuously argued that the
18 CCA is unconstitutional because it “explicitly favors in-state interests over out-of-
19 state interests by providing free allowances to PacifiCorp for in-state emissions
20 associated with its Washington retail load but allocates no free allowances for in-state
21 emissions associated with the retail load of its other jurisdictions.”¹⁷⁸ AWEC not only
22 urged the OPUC to conclude the CCA is unconstitutional and disallow recovery of
23 CCA compliance costs, AWEC also argued that PacifiCorp failed to act in the best
24 interests of its customers by not suing Washington to strike down the CCA:

¹⁷⁶ Mullins, Exh. BGM-1CT at 71:21-72:2.

¹⁷⁷ *Id.*, at 72:4-7.

¹⁷⁸ *In the Matter of PacifiCorp’s 2024 Transition Adjustment Mechanism*, OPUC Docket UE 420, Opening Brief of the Alliance of Western Energy Consumers at 4 (Sept. 22, 2023).

1 PacifiCorp has standing to challenge the legality of the CCA but
2 has chosen not to. Simply because PacifiCorp thinks it can pass
3 CCA compliance costs through to its customers should not also
4 impose upon its customers the obligation to challenge a law
5 applicable to the Company. PacifiCorp has an obligation to act
6 in the best interests of its customers and it has not done so.¹⁷⁹

7 Notably, in Oregon, AWEC did not argue that the costs of the CCA should be
8 paid exclusively by Washington customers; rather, AWEC argued that the entirety of
9 the CCA should be struck down. AWEC witness Mullins, however, has expressly
10 argued in other states that Washington customers should pay the full CCA
11 compliance costs for Chehalis generation.

12 **Q. In what other state has AWEC witness Mullins testified in opposition to the CCA?**

13 A. AWEC witness Mullins recently submitted testimony on behalf of the Wyoming
14 Industrial Energy Consumers to the Wyoming Public Service Commission
15 recommending disallowing all CCA compliance costs. In Wyoming, AWEC witness
16 Mullins explicitly argued that Washington customers should bear the full costs of CCA
17 compliance because “[h]olding a state accountable for the financial burden it imposes
18 on utilities ensures that policymakers carefully consider the economic implications of
19 their decisions.”¹⁸⁰ AWEC witness Mullins further argued that exempting Washington
20 customers from CCA compliance costs “undermines the credibility of the CCA” and
21 “raises questions about the necessity and effectiveness of the CCA itself”¹⁸¹ and that

¹⁷⁹ *Id.*, at 14.

¹⁸⁰ *In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Service Rates by Approximately \$140.2 Million Per Year Or 21.6 Percent and to Revise the Energy Cost Adjustment Mechanism*, Wyoming Public Service Commission Docket No. 20000-633-ER-23 (Record No. 17252), Wyoming Industrial Energy Consumers Responses to the Wyoming Commission’s Fourth Set of Data Requests, Response to WPSC 4.7 (Oct. 5, 2023).

¹⁸¹ *Id.* (“If another state imposes costs on a utility in pursuit of its own state policies, it is consistent with sound public policy and the 2020 Protocol for the state imposing the costs to bear the financial burden of that cost.”)

1 the “Washington CCA is not a benefit to Wyoming customers; it is a harm to Wyoming
2 customers.”¹⁸²

3 **Q. Did AWEC witness Mullins’ Wyoming filings address the possibility of assigning
4 the full costs and benefits of Chehalis to Washington?**

5 A. Yes. In Wyoming, AWEC witness Mullins argued that “Wyoming customers have paid
6 for the Chehalis power plant for many years and removing it from Wyoming rates
7 would be harmful to Wyoming customers.”¹⁸³

8 Taken together, AWEC and Witness Mullins’ shifting and contradictory
9 positions on the CCA are:

- 10 • In Washington, not assigning CCA costs to Washington, but work toward assigning
11 the costs and benefits of Chehalis to Washington.
- 12 • In Oregon, not assigning CCA costs to Washington, but strike down the entirety of
13 CCA as unconstitutional.
- 14 • In Wyoming, assign all CCA costs to Washington and do not assign the costs and
15 benefits of Chehalis to Washington.

16 **Q. How do you respond to AWEC’s recommendation regarding Washington’s
17 participation in the MSP?**

18 A. Notwithstanding AWEC’s and AWEC witness Mullins’ opposition to the CCA, the
19 Company agrees that the effects of the Washington CCA has been a contentious issue

Holding a state accountable for the financial burden it imposes on utilities ensures that policymakers carefully consider the economic implications of their decisions. This is particularly true in instances such as the CCA, where Washington has exempted its own citizens from paying the policy costs. This creates an inequitable situation, in which customers in other states such as Wyoming may face a competitive disadvantage or financial burden not experienced by Washington customers. Exempting in-state Washington customers also undermines the credibility of the CCA. If Washington customers are not willing to bear the same costs they would impose on other states, it raises questions about the necessity and effectiveness of the CCA itself.”)

¹⁸² *Id.*, Response to WPSC 4.9 (Oct. 5, 2023).

¹⁸³ *Id.*, Response to WPSC 4.10 (Oct. 5, 2023).

1 in other jurisdictions. The Company also supports AWEC’s recommendation urging
2 the Commission and stakeholders to participate in the MSP and to help craft a solution
3 regarding the allocation of costs and benefits of the Chehalis plant—and in particular,
4 the CCA compliance costs.

5 **XII. RESPONSE TO SIERRA CLUB’S PROPOSALS**

6 **Q. What is the purpose of this section of your rebuttal testimony?**

7 A. I respond two proposals set forth by Sierra Club witness Ronald J. Binz regarding the
8 Company’s IRP and adoption of competitive bidding for PURPA compliance.

9 **Q. What is Sierra Club’s proposal related to the IRP?**

10 A. Witness Binz proposes that the Commission use the Company’s IRP submission to
11 examine how different portfolios could affect the Company and its customers.¹⁸⁴

12 Witness Binz adds that this is especially important considering the changed incentives
13 brought by the IRA and California Independent System Operator’s proposed
14 Enhanced Day-Ahead Market (EDAM), and recommends the Commission further
15 consider the deployment of more low-cost renewables, which could lower the
16 Company’s net power costs.¹⁸⁵

17 **Q. How do you respond to witness Binz’s proposal concerning the IRP?**

18 A. Witness Binz’s proposal is not appropriate for several reasons. First, how the
19 Commission examines a Company’s IRP is outside the scope of this general rate
20 proceeding. Second, Sierra Club is an active participant in the Company’s IRP and
21 can properly raise this issue either during the months-long IRP stakeholder input
22 process that the Company conducts prior to the filing of an IRP or during the IRP

¹⁸⁴ Binz, Exh. RJB-1T at 38:3-5.

¹⁸⁵ *Id.*, at 38:5-7.

1 review proceeding itself. Finally, the expected start date with EDAM has now been
2 extended to 2026, which allows the Commission more time to consider this issue in
3 future proceedings.

4 **Q. What is Sierra Club’s proposal regarding PURPA compliance?**

5 A. Witness Binz proposes that a competitive bidding process be conducted to acquire
6 PURPA resources, and states that competitive bidding can improve outcomes that
7 benefit the utility, consumers, and independent power producers alike.¹⁸⁶

8 **Q. How do you respond?**

9 A. Again, this proposal is not an appropriate consideration for the Company’s general
10 rate case. If the Commission wants to explore such a proposal, it should do so in a
11 proceeding open to all relevant stakeholders, including other utilities, consumer
12 advocates, and independent power producers.

13 **XIII. CONCLUSION**

14 **Q. Please summarize your recommendations to the Commission.**

15 A. I recommend the Commission approve the Company’s proposals as modified in this
16 rebuttal testimony, including the Company’s proposed MYRP and requested increase
17 to rates of approximately \$18.7 million in RY1, effective March 1, 2024, and \$22.0
18 million in RY2, effective March 1, 2025. I further recommend that the Commission
19 adopt the Company’s positions as articulated in its rebuttal testimony.

20 **Q. Does this conclude your rebuttal testimony?**

21 A. Yes.

¹⁸⁶ *Id.*, at 37.