Exh. SLC-1T
Docket UE-25_____
Witness: Sherona L. Cheung

BEFORE THE WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

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

PACIFICORP

DIRECT TESTIMONY OF SHERONA L. CHEUNG

April 2025

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ATTACHED EXHIBITS

I. INTRODUCTION AND QUALIFICATIONS

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

A. My name is Sherona L. Cheung, and my business address is 825 NE Multnomah Street, Portland, Oregon 97232. I am currently employed as Revenue Requirement Manager.

Q. Briefly describe your education and professional experience.

A. I earned my Bachelor of Commerce with a major in Finance in 2008. In 2011, I obtained my Certified Management Accounting designation in British Columbia, Canada. In addition to my formal education, I have attended several utility accounting, ratemaking, and leadership seminars and courses. I have been employed by the Company since May 2013 in various positions within the regulation organization. In April 2021, I was promoted to Revenue Requirement Manager.

Q. What are your present duties?

A. My primary responsibilities include overseeing the calculation of the Company's revenue requirement and the preparation of various regulatory filings in Washington, Oregon, and California. I am also responsible for the calculation and reporting of the Company's regulated earnings and the application of the inter-jurisdictional allocation methodologies.

Q. Have you testified in previous regulatory proceedings?

A. Yes. I have previously provided testimony in Washington, Oregon, and California.

II. PURPOSE OF TESTIMONY

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

A. My testimony provides the overall revenue increase of $33.9 million as calculated in this filing. I also explain the impacts to the Company's Washington-allocated non-net power costs (NPC) revenue requirement change resulting from the proposed allocation methodology changes as described in the direct testimony of Company witnesses Joelle R. Steward, and Rick T. Link. Specifically, my testimony provides the following:

- A description of the methodology used, and adjustments prepared in this filing to reflect the changes to the Company's Washington-allocated revenue requirement. My testimony will primarily address non-NPC changes.
- The calculation of the approximately $21.2 million price change requested as part of this Power Cost Only Rate Case (PCORC) related to non-NPC cost components in revenue requirement. This price change represents the revision required to rates requested by the Company in the rate year 2 (RY2) compliance filing in the 2023 Multi-Year Rate Plan (MYRP),[1] for the Company to recover its Washington-allocated revenue requirement based on an updated allocation of resources as proposed in this PCORC.
- The calculation of the approximately $16.3 million price change requested as part of this PCORC related to NPC, and the corresponding offsetting $1.4 million reduction to rates related to Production Tax Credits (PTC) updates as discussed in the direct testimony of Company witness Ramon J. Mitchell.
- The calculation of the $2.2 million rate reduction anticipated as of January 1, 2026, on the Company's non-NPC Coal Cost Tracker (Schedule 92).
- An explanation of the workpapers supporting the calculated revenue requirement impacts reflected in this filing. Included as part of my workpapers is a summary revenue requirement model, which is similar in design to the model used by staff of the Washington Utilities and Transportation Commission (Commission) in the Company's 2023 MYRP and multiple prior rate proceedings. This summary model is designed to

[1] *Wash. v PacifiCorp*, Docket Nos. UE-230172 and UE-210852 (Consolidated), PacifiCorp's Compliance Filing - Revisions to PacifiCorp's General Tariffs—Rate Year 2 filed March 7, 2025.

facilitate easier review of the filing and is consistent with the models used in the Company's past rate cases.

Q. Please explain the rate change impacts reflected in this filing.

A. The overall rate change reflected in the PCORC includes the following components as summarized in Table 1:

Table 1 – PCORC Rate Change Summary

	($) millions
Non-NPC Base Rates	21.2
NPC Base Rates	16.3
PTC Tracker	(1.4)
Non-NPC Coal Cost Tracker	(2.2)
Net Price Change	**$33.9**

Q. Please describe the cost allocation changes proposed in this filing.

A. This filing incorporates rate impacts for the seven discrete changes to resources and cost allocation as outlined in the direct testimony of Company witnesses Steward and Link. These changes include:

1. Transitioning from a System Overhead (SO) allocation factor, as used in the Washington Inter-Jurisdictional Allocation Methodology (WIJAM) to a revised System Overhead (2026 Protocol SO) allocation factor that does not depend on a circular formulaic derivation resulting in unnecessary complications in the process of reallocating capital resources;
2. Replacement of the System Generation (SG) and System Energy (SE) allocation factors insofar as they are applied to production-related costs, as prescribed in the WIJAM, to a Fixed System Generation (SG-F) allocation factor;
3. Direct assignment of the costs associated with the Chehalis gas generation plant to Washington rates;
4. Removal of costs associated with the Hermiston plant from Washington rates;
5. Reallocation of costs associated with Jim Bridger (JB) Plant Units 1 and 2, gas-converted, generation resources from the Jim Bridger-Generation (JBG) allocation factor, per the WIJAM, to an SG-F allocation factor; and

6. Increasing Washington's allocated share of the Rolling Hills wind plant costs from an SG allocation as currently prescribed under WIJAM to approximately 35 percent, as explained in the direct testimony of Company witness Link.

7. The removal of non-NPC coal generation operating costs from rates, currently being recovered under Schedule 92.

Q. Please provide a summary of the estimated revenue requirement impact to base rates, for non-NPC components, based on the proposed changes outlined above.

A. The estimated non-NPC revenue requirement impact of the proposed changes to resources and cost allocation in Washington identified above is as follows:

Table 2 – Non-NPC Cost Impact Details

Allocation Change	**Est. Impact ($ million)[2]**
SO Allocation Factor Update SO Calculation	$2.2
Production Costs to SG-F	($0.7)
Direct Assignment of Chehalis	$33.9
Removal of Hermiston	($4.4)
Reallocation of JB Units 1&2	($10.4)
Reallocation of Rolling Hills	$7.5
Tax Impacts of Proposed Reallocations	($7.0)
Interest Synchronization & State Deferred Tax Removal	$0.1
Removal of non-NPC Coal Costs	($2.2)
Net non-NPC Price Change	**$19.0**

The estimated net non-NPC price change then gets added to the net NPC/PTC price change requested in this PCORC, which is an increase of $14.9 million. Combined impact of the Company's proposal to update NPC, PTC, and generation resource allocation is an overall price increase of approximately $33.9 million.

[2] Individual change impact estimates are exclusive of impact from associated tax balance reallocation. Tax impacts of reallocations are consolidated in a separate designated adjustment which quantifies the aggregate impact of tax changes resulting from the Company's reallocation proposal.

Q. In light of these changes, is PacifiCorp providing an exhibit that identifies new allocation factors for Federal Energy Regulatory Commission (FERC) accounts impacted by the proposed changes described above?

A. Yes. Accompanying the direct testimony of Company witness Link is an exhibit presenting the Washington 2026 Protocol. As part of this exhibit, Attachment 1 is provided to outline FERC accounts for which proposed allocation factor changes are being made as part of this PCORC filing.

Q. What is the requested rate effective date for the non-NPC changes discussed in your testimony?

A. The Company is requesting a rate effective date of January 1, 2026.

III. OVERVIEW OF THE METHODOLOGIES

Q. What is the currently approved allocation methodology used in the calculation of the Company's Washington-allocated revenue requirement?

A. The currently approved cost-allocation protocol used in Washington is detailed in the WIJAM, through the implementation of the WIJAM Memorandum of Understanding (MOU) included as Appendix F to the 2020 Inter-jurisdictional Allocation Protocol (2020 Protocol). The WIJAM and 2020 Protocol was adopted for use in calculating Washington's results of operations in the Final Order of the Company's 2019 Rate Case, Docket No. UE-191024.

Q. How has the Company calculated the rate impacts of the above discussed items into its proposal to update base rates?

A. The starting point of the calculation for the required non-NPC rate change in this PCORC is the normalized results of operations from the Company's 2023 MYRP, specifically the normalized balances reflected in the compliance filing submitted in support of the Company's RY2 price change that will take effect in April 2025.

From there, discrete adjustments were prepared to capture the revisions to base rates in accordance with each proposed allocation change as discussed in the direct testimony of Company witnesses Steward and Link. In addition to the adjustments specifically made to reallocate generation resources underlying costs, additional ones were also included to capture the interest true-up in rates required as a result of rate base changes, and to implement corresponding updates to deferred income tax balances associated with other adjustments made in this filing. I will discuss each adjustment in more detail in sections below.

Finally, I present updates to the non-NPC coal cost tracker (Schedule 92) to reflect the cessation of non-NPC coal operating costs recovery starting January 1, 2026. At which point, Schedule 92 will only be providing recovery for Jim Bridger and Colstrip plant decommissioning and closure costs, Bridger Mine reclamation and unrecovered investment depreciation costs, and the amortization of remaining deferred fly ash revenues as ordered in the settlement stipulation in the 2023 MYRP.

The combination of changes to base rates, and Schedule 92 rates, is the aggregate non-NPC price change associated with the Company's resource reallocation proposal in this PCORC.

IV. RATE IMPACT OF ADJUSTMENTS

Q. What is the net revenue requirement impact to rates for the updates reflected in this filing?

A. The net revenue requirement impact to rates necessitated by the updates, inclusive of both NPC and non-NPC changes, in this filing is an increase of approximately $33.9 million.

Q. Please describe Exhibit Nos. SLC-2 and SLC-3.

A. Exhibit No. SLC-2 is a summary of the change to the Company's Washington revenue requirement, reflecting the allocation updates proposed in this PCORC. This exhibit provides an adjustment summary, outlining the estimated revenue requirement impact of each change proposed in this PCORC. This page shows the rate base, net operating income, and the Washington revenue requirement cumulative impact of the Company's proposed adjustments. Exhibit No. SLC-3 provides detailed support for each adjustment made in this PCORC as described in sections above, and summarized in Exhibit No. SLC-2.

Adjustment 1 – Transition to 2026 Protocol SO Allocation

Q. What is the 2026 Protocol SO Factor, and how does it differ from the currently approved SO Factor?

A. Each state's approved SO Factor is calculated by taking each state's allocated share of gross plant, less any SO-allocated gross plant, divided by the total gross plant balance on the system. In contrast, the 2026 Protocol SO factor is calculated as the average of three separate, independent, allocation factors – System Capacity (SC), System Energy (SE), and System Gross Plant Distribution[3] (SGPD) respectively. For calculations in this PCORC, the 2026 Protocol SO Factor is calculated using the approved SC and SE factors from the Company's most recently approved 2023

[3] This factor is calculated by taking the ratio of gross distribution plant for a jurisdiction by the total gross distribution plant for all jurisdictions.

MYRP. Correspondingly, the SGPD factor is calculated using the unadjusted gross distribution plant balances from the same docket.

Q. Are the SO Factor and the 2026 Protocol SO Factor applied to the allocation of generation resources associated with power production?

A. No, they generally are not.

Q. If the SO factor is not applicable to generation resource cost allocation, why is it necessary to propose the adoption of the 2026 Protocol SO factor as part of this PCORC?

A. As adopted for use currently, the SO allocation factor is derived using a circular formula where the derivation of the SO allocation factor is dependent on the SO-allocated plant balance itself. This creates a dependency that complicates any resource reallocation attempts, as each resource that gets reassigned or reallocated will create a rippling effect requiring concurrent changes in plant balances allocation and a significant number of general and administrative expenses that rely on the SO allocation factor. In other words, each generation resource allocation change will require a simultaneous change to the SO allocation factor, under currently approved SO factor calculations.

The 2026 Protocol SO factor on the other hand, is only dependent on capacity, energy and distribution plant allocation, which is not affected by the shift across jurisdictions of generation resource assets. Transitioning to the 2026 Protocol SO factor is a necessary first step to undo the inherent dependencies in the SO factor formula and enable changes to the jurisdictional allocation of system generation resources without mathematically complicating allocation of other plant balances and overhead expense balances.

Q. Please explain how the Company has calculated the estimated impact of replacing SO factor with the 2026 Protocol SO factor.

A. Revenue requirement models and adjustment workpapers from the Company's 2023 MYRP was reviewed, and all total-Company balances, including accumulated deferred income tax balances, that were allocated using an SO factor in the MYRP were identified. The Company then took the identified total-Company balances and applied the updated 2026 Protocol SO allocation factor percentage to determine a revised Washington-allocated share of these balances. The difference between the Washington-allocated balances calculated with the currently approved SO allocation factor, and the 2026 Protocol SO allocation factor is the adjustment proposed.

Q. How does the SO factor compare to the 2026 Protocol SO factor as an allocation percentage?

A. The approved SO allocation factor is currently 7.085 percent. The proposed 2026 Protocol SO allocation factor is 7.669 percent.

Q. What is the estimated impact to rates of transitioning SO factor-allocated balances to be allocated by the 2026 Protocol SO factor?

A. The estimated revenue requirement impact to transition from the currently approved SO factor to the 2026 Protocol SO factor is approximately an increase of $2.2 million, before consideration of further corresponding tax impacts.

Adjustment 2 – Production Costs to SG-F Allocation

Q. Please describe the adjustment.

A. This adjustment takes the identified non-NPC production costs (rate base and expenses) that are allocated on an SG factor or SE factor and reallocates the balances using the SG-F factor.

Q. How was the analysis performed?

A. This reallocation adjustment was developed in three steps. First, like the SO factor adjustment, revenue requirement models and workpapers were reviewed, and all total-Company production-function FERC account, currently being allocated using the SG factor was identified.

Secondly, general and intangible plant balances were specifically analyzed to identify any balances recorded under any production-function location (for example, general or intangible assets associated with a wind or hydro generation plant etc...), and those balances are also reallocated from the currently approved SG factor to the proposed SG-F factor.

Finally, tax impacts associated with the reallocation of production-function balances are captured separately in Adjustment 7.

Q. Why is it that general and intangible plant balances need to be analyzed separately?

A. Historically, general and intangible plant balances include assets that are considered general or intangible plants (for example, vehicles, equipment, or communication software), but are specifically assets that support an alternate primary function. For example, a vehicle located at a generation facility, while a general asset, serves a production function. Similarly, communication equipment recorded under a transmission asset location serves a transmission function. For this reason, general and intangible plant aggregate balances cannot simply be reallocated from SG to SG-F like production-function specific FERC account balances can. However, with the implementation of FERC Order 898, the subset of general or intangible plant balances will be reduced, thus narrowing the subset of general or intangible plant assets that would require this additional level of more detailed analyses going forward.

Q. What is FERC Order 898?

A. FERC Order 898, issued by the Federal Energy Regulatory Commission, mandates various updates to current accounting practices effective January 1, 2025. These updates aim to facilitate a more flexible, adaptive, and efficient grid, particularly for accommodating increased renewable energy and addressing emerging energy demands. FERC Order 898 mandated, amongst several other requirements:

- creation of new subfunctions and accounts for wind, solar, and other renewable generating assets;
- creation of a new functional class and accounts for energy storage assets; and
- creation of new accounts for hardware, software, and communication equipment within existing functions that do not already include them.

Q. How does FERC Order 898 implementation affect the Company's allocation proposals?

A. Because the requirement to implement FERC Order 898 mandate is only on a prospective basis, and the Company's most recently concluded rate case was prepared and concluded before January 1, 2025, the level of detailed data available to be used for this reallocation adjustment calculation is different than it would be after the implementation of FERC Order 898 updates. As a reminder, the Company is relying on 2023 MYRP RY2 compliance balances as the basis to calculate estimated impacts of the proposed allocation changes in this filing. Accordingly, while the adjustment presented here does not capture any new accounts created as a result of FERC Order 898, Attachment 1 supporting the 2026 Protocol as presented by Company witness Link does include proposed allocations for these newly mandated FERC accounts.

Q. Based on the available data, what is the currently estimated impact to rates of this proposed change to the allocation of production costs?

A. As currently approved, SG and SE factors are 7.979 percent and 7.616 percent respectively. The proposed SG-F factor is calculated to be 7.897 percent. The change to production-function costs from being allocated SG or SE to being allocated SG-F results in a slight reduction of approximately $0.7 million in Washington rates. This is again exclusive of any associated tax impacts, which is reflected as part of Adjustment 7.

Adjustments 3 through 6 – Reallocation of Specific Generation Resources

Q. Please describe the adjustments.

A. The next four adjustments address the reallocation of specific generation resources proposed in this PCORC. These include:

- Reassigning the Chehalis Gas Generation resource costs to be situs-assigned to Washington;
- Removal of Hermiston Gas Generation resources costs from Washington rates;
- Reallocating JB Units 1 and 2 Gas Generation units and associated costs from the currently approved Jim Bridger-Generation (JBG) allocation factor, to the SG-F, consistent with other production-function costs; and

- Increasing the allocation of Rolling Hills Wind Generation facilities to Washington from the currently approved SG factor to approximately 34.873 percent.

Q. How were the adjustments developed?

A. These adjustments are all developed in a similar manner, where 2023 MYRP revenue requirement models and workpapers are examined to verify the costs embedded through RY2. Once total-Company balances were identified, a differential on a Washington-allocated basis derived based on a comparison of Washington-allocated balances assuming currently approved allocation methodologies, and the proposed revised allocation methodologies becomes the adjustment used to quantify the revenue requirement impact of each proposed change in this filing.

Adjustment 7 – Tax Impacts of Reallocation Proposal

Q. Please describe the adjustment.

A. This adjustment details the reallocation of the property-related accumulated deferred income tax (ADIT) balances for generation specific resources, as described in Adjustments 2 through 6 above. The underlying detail of the ADIT balances from the 2023 MYRP revenue requirement models was examined to quantify the ADIT balances embedded through RY2 by resource and/or tax class. Once total-Company ADIT balances were identified, a differential on a Washington-allocated basis was derived based on a comparison of Washington-allocated balances assuming currently approved allocation methodologies, and the proposed revised allocation methodologies becomes the adjustment used to quantify the revenue requirement impact of each proposed change in this filing.

Adjustment 8 – Interest Synchronization

Q. Please describe the adjustment.

A. This pro forma adjustment presents the update to interest expense required to synchronize the interest expense with updated rate base. This is done by multiplying the net rate base adjustment on a Washington-allocated basis by the Company's authorized weighted cost of debt.

Adjustment 9 – Deferred State Taxes Removal

Q. Please describe the adjustment.

A. This Company's per books provision for deferred income tax and the balance for ADIT are computed using the Company's blended federal and state statutory tax rate. State income taxes are a system cost for the Company that is not recoverable in Washington. Accordingly, after all adjustments are made to income taxes, this final adjustment is made to remove deferred state income tax expenses and balances from results.

V. DESCRIPTION OF COAL COST TRACKER AND NET POWER COSTS UPDATES

Additional Revenue Requirement Exhibits

Q. Please describe Exhibit No. SLC-4.

A. Exhibit No. SLC-4 provides the calculations of revenue requirement levels to be recovered through Schedule 92, the Company's non-NPC coal cost tracker adopted as part of the outcome to the 2023 MYRP, Docket No. UE-230172, effective January 1, 2026. An additional calculation is also provided to illustrate the anticipated recovery to remain through Schedule 92 upon April 2026, when the deferred fly ash revenues currently being given back to customers as part of Schedule 92 are fully amortized.

Q. What are the respective rate changes anticipated in January 2026 and April 2026 respectively on Schedule 92?

A. As of January 1, 2026, when the operational non-NPC coal costs are excluded from rates collected through Schedule 92, Washington rates collected through this coal cost tracker will decrease approximately $2.2 million. However, in April 2026, when the amortization of deferred fly ash revenues is done, annual revenue requirement collected under Schedule 92 will increase by approximately $1.7 million, which is equivalent to the annual amortization of deferred fly ash revenues currently embedded in Schedule 92.

Q. Please describe Exhibit No. SLC-5.

A. Exhibit No. SLC-5 provides the calculations supporting the proposed revenue requirement change in this filing associated with the NPC update, and a corresponding PTC update.

Q. How were the NPC and PTC revenue requirement impacts calculated?

A. The calendar year 2026 forecast NPC as supported by Company witness Mitchell, is compared against the NPC reflected in rates through the Company's RY2 compliance filing in its 2023 MYRP. The difference in NPC is then calculated, and a production factor adjustment is applied to derive the incremental impact to rates due to updating NPC in Washington rates through this PCORC. A similar exercise is performed as well to compare the 2026 forecasted PTCs against PTCs reflected in the Company's RY2 compliance filing PTC levels, and again, a production factor adjustment is applied to this differential to determine incremental rate impact for updating PTCs in Washington rates.

Q. Why has the Company applied the production factor methodology in this filing?

A. Since the Company's 2009 general rate case, Docket No. UE-090205 (2009 Rate Case), the Company has implemented the production factor approach in the calculation of overall Washington-allocated revenue requirement. Through discussions with Commission Staff and other parties in prior proceedings, the production factor methodology was adopted as the preferred approach in Washington when using pro forma NPC in ratemaking calculations to adjust pro forma data back to historical test period levels. A similar production factor adjustment was also included in the Company's 2022 PCORC filing outcome.

Q. How is the production factor calculated?

A. The Company's most recently established test period was the 12 months ended June 2022, as used in the 2023 MYRP. Pro forma generation-related components in the MYRP across both rate years were also adjusted back to test period June 2022 levels using the production factor methodology. Correspondingly, the production factor in this PCORC is calculated by dividing the Washington normalized test period 12 months ended June 2022 retail load by the Washington forecast period retail load that was used to forecast the 2026 NPC.

Revenue Requirement Workpapers

Q. Please describe the workpapers supporting the revenue requirement calculations.

A. The Company has filed workpapers to expedite review of this filing, including several revenue requirement workpapers. An Excel file titled "NEW-PAC-SLC-WP-RevReqSummaryBaseRates-4-1-25.xlsx" supports the calculations presented in

Exhibit Nos. SLC-2 and SLC-3 respectively. A separate Excel file detailing each adjustment presented is also provided. Additionally, three Excel files have been provided to support the calculation of rate base balances used in the development of adjustments related to plant asset reallocations proposed in this PCORC. An Excel file titled "NEW-PAC-SLC-WP-RevReqSummaryCoalCostTracker-4-1-25.xlsx" is provided to illustrate the expected recovery in the non-NPC Coal Cost Tracker starting in January 2026 and April 2026 respectively, as presented in Exhibit No. SLC-4. Finally, an Excel file titled "NEW-PAC-SLC-WP-RevReqImpactNPCUpdate-4-1-25.xlsx" supporting NPC and PTC calculations or rate impacts due to proposed updates in this filing has also been provided for reference.

Q. Does this conclude your direct testimony?

A. Yes.