

**Exh. CRM-1T**

**Dockets UE-230172 and UE-210852**

**Witness: Chris R. McGuire**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PACIFICORP d/b/a PACIFIC POWER  
AND LIGHT COMPANY,**

**Respondent.**

**DOCKETS UE-230172 and  
UE-210852 (consolidated)**

**In the Matter of**

**ALLIANCE OF WESTERN ENERGY  
CONSUMERS'**

**Petition for Order Approving Deferral of  
Increased Fly Ash Revenues**

**TESTIMONY OF**

**CHRIS R. MCGUIRE**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Summary of Staff's Responsive Case; MYRP Policy; Colstrip Unit 4 and Jim Bridger Units 3-4 (Adjs. 10.6 and 14.7); Jim Bridger Units 1-2 Gas Conversion (Adjs. 10.7 and 14.8); Tracking Mechanism for Coal Costs; Net Metering; and IRA/IIJA Benefits*

**September 14, 2023**

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## LIST OF EXHIBITS

- Exh. CRM-2 PacifiCorp Responses to Staff Data Request Nos. 36-37
- Exh. CRM-3 PacifiCorp Responses to Staff Data Request Nos. 16-17
- Exh. CRM-4 PacifiCorp Washington Energy Burden Assessment, prepared by Empower Dataworks (June 2022)
- Exh. CRM-5 PacifiCorp Response to Staff Data Request No. 56

1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Chris R. McGuire, and my business address is 621 Woodland Square  
5 Loop SE, Lacey, Washington, 98503. My business mailing address is P.O. Box  
6 47250, Olympia, Washington, 98504-7250. My business email address is  
7 chris.mcguire@utc.wa.gov.

8

9 **Q. By whom are you employed and in what capacity?**

10 A. I work in the Energy Regulation Section of the Regulatory Services Division of the  
11 Washington Utilities and Transportation Commission (Commission) as a Regulatory  
12 Analyst. I have worked at the Commission since May 2012, and in my current  
13 position since February 2022.

14

15 **Q. Would you please state your educational and professional background?**

16 A. I graduated from the University of Washington in 2002 with a Bachelor of Science  
17 degree in Cell and Molecular Biology. I graduated from the University of Colorado  
18 in 2010 with a Master of Business Administration and a Master of Science in  
19 Environmental Studies. Prior to my employment with the Commission, I held  
20 research positions at various institutions, including the University of Washington, the  
21 University of Colorado, and the National Renewable Energy Laboratory. Since  
22 joining the Commission in 2012, I have held the positions of Regulatory Analyst  
23 (2012-2016, 2022-present), Energy Policy Strategist (2016-2018), Assistant Director

1 of Energy Regulation (2018-2021), and Director of Legislation and Policy (2021-  
2 2022).

3  
4 **Q. Have you previously testified before the Commission?**

5 A. Yes. I sponsored testimony on behalf of Commission Staff in the following  
6 adjudicated proceedings: Pacific Power’s 2013 general rate case (GRC), Docket UE-  
7 130043; Avista’s 2014 GRC, Dockets UE-140188 and UG-140189; the initial and  
8 remand phases of Avista’s 2015 GRC, Dockets UE-150204 and UG-150205; PSE’s  
9 2017 GRC, Dockets UE-170033 and UG-170034; Avista’s 2017 GRC, Dockets UE-  
10 170485 and UG-170486; PSE’s 2018 expedited rate filing, Dockets UE-180899 and  
11 UG-180900; Avista’s 2019 GRC, Dockets UE-190334 and UG-190335; PSE’s 2019  
12 GRC, Dockets UE-190529 and UG-190530; PSE’s proposed sale of its ownership  
13 stake in Colstrip Unit 4, Docket UE-200115; Cascade’s 2020 GRC, Docket UG-  
14 200568; and PSE’s 2022 GRC, Dockets UE-220066 and UG-220067.

15  
16 **II. SCOPE AND SUMMARY OF TESTIMONY**

17  
18 **Q. What is the purpose and scope of your testimony?**

19 A. The first purpose of my testimony is to provide an overview of Staff’s case. I  
20 introduce the witnesses sponsoring testimony on behalf of Staff and I summarize  
21 Staff’s responsive case. The second purpose of my testimony is to present Staff’s  
22 recommendations as the witness of record on the following issues: (1) multiyear rate  
23 plan (MYPR) policy, including performance metrics and the retrospective plant

1 review processes, (2) new plant additions at Colstrip Unit 4 and Jim Bridger Units 3-  
2 4, (3) the Jim Bridger Units 1-2 gas conversion, (4) PacifiCorp’s proposal to extend  
3 the depreciation schedules for Colstrip Unit 4 and Jim Bridger Units 3-4 to 2025, (5)  
4 PacifiCorp’s request to modify the coal facility exit orders as they pertain to Jim  
5 Bridger Units 1-2, (6) Staff’s proposal to establish a tracker for coal costs, (7)  
6 PacifiCorp’s request to eliminate the deadbands and sharing bands of its power cost  
7 adjustment mechanism (PCAM), (8) PacifiCorp’s “net billing” proposal and  
8 proposal to cap net metering enrollment, and (9) Staff’s recommendations regarding  
9 Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA)  
10 benefits.

11

12 **Q. Please summarize your recommendations on the issues you specifically address.**

13 A. I provide a full summary of Staff’s case, including summaries of the issues addressed  
14 specifically by me, in Section IV, below.

15

16 **Q. Have you prepared any exhibits in support of your testimony?**

17 A. Yes. I prepared Exhibits CRM-2 through CRM-5.

- 18 Exh. CRM-2 – PacifiCorp Response to Staff Data Request Nos. 36-37
- 19 Exh. CRM-3 – PacifiCorp Response to Staff Data Request Nos. 16-17
- 20 Exh. CRM-4 – PacifiCorp Washington Energy Burden Assessment, prepared
- 21 by Empower Dataworks (June 2022)
- 22 Exh. CRM-5 – PacifiCorp Response to Staff Data Request No. 56

23

- 24 • Exh. CRM-2 shows that the final superheat section and condenser tube
- 25 replacement projects at Colstrip Unit 4 have been cancelled.

- 1 • Exh. CRM-3 shows the expected service life to 2037 of the gas-fired Jim  
2 Bridger Units 1-2 and PacifiCorp’s understanding that the facility cannot  
3 serve the Company’s Washington customers beyond 2029.
- 4 • Exh. CRM-4 shows that, as part of PacifiCorp’s Washington Energy  
5 Burden Assessment completed in June 2022, the Company collected  
6 relevant customer data at the census tract level, mapped customers to  
7 census tract, and matched customers to census tract average statistics.
- 8 • Exh. CRM-5 shows the actions that PacifiCorp has taken in pursuit of  
9 federal resources available under the IRA and IIJA.

10  
11 **III. INTRODUCTION OF STAFF WITNESSES**

12  
13 **Q. Please introduce the other Staff witnesses testifying in this proceeding and the**  
14 **subjects of their testimony.**

15 A. The following witnesses present testimony and exhibits for Staff:

- 16 • Joanna Huang (Exh. JH-1T) presents Staff’s calculation of revenue requirement for  
17 rate year 1 (RY1) and rate year two (RY2) of the multiyear rate plan. Staff witness  
18 Huang also addresses the interest true-up adjustments (Adjs. 7.1 and 15.1) and the  
19 production factor adjustment for RY1 (Adj. 9.1).
- 20 • Kristen Hillstead (Exh. KMH-1T) addresses PacifiCorp’s proposal to implement  
21 seasonal rates as well as its proposal to increase the basic charge for residential  
22 single-family dwellings.
- 23 • Alex Tellez (Exh. AMT-1CT) addresses PacifiCorp’s pro forma adjustments for  
24 wage increases (Adjs. 4.3 and 13.2) and pension related non-service expense for



1 RY1 (Adj. 4.4), its proposal to eliminate its decoupling mechanism, and the petition  
2 for deferred accounting related to excess fly ash revenues filed by the Alliance of  
3 Western Energy Consumers (AWEC) in Docket UE-210852.

- 4 • David Parcell (Exh. DCP-1T) addresses PacifiCorp’s cost of capital and Staff’s  
5 recommended rate of return.
- 6 • John Wilson (Exh. JDW-1CT) addresses PacifiCorp’s pro forma power costs and  
7 responds to the Company’s proposal to eliminate the deadbands and sharing  
8 bands from the Power Cost Adjustment Mechanism (PCAM).
- 9 • Molly Brewer (Exh. MAB-1T) addresses equity, specifically as it applies to  
10 PacifiCorp’s capital planning processes.
- 11 • I (Exh. CRM-1T) address the pro forma adjustments for plant additions at  
12 Colstrip Unit 4 and Jim Bridger Units 3-4 (Adjs. 10.6 and 14.7) as well as for the  
13 Jim Bridger Units 1-2 gas conversion (Adjs. 10.7 and 14.8). I also address the  
14 depreciation schedules for Colstrip Unit 4 and Jim Bridger Units 3-4 to 2025, the  
15 coal facility exit orders as they pertain to Jim Bridger Units 1-2, Staff’s proposed  
16 tracker for coal costs, policy parameters relevant to PacifiCorp’s request to  
17 eliminate the PCAM deadbands and sharing bands, net metering, Inflation  
18 Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA) benefits,  
19 and multiyear rate plan (MYRP) policy, including performance metrics and the  
20 provisional plant reviews.

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**IV. SUMMARY OF STAFF'S CASE**

**A. Summary of Staff's Recommendations on Revenue Requirement**

**1. Overall Revenue Requirement**

**Q. What is Staff's recommendation on overall revenue requirement?**

A. As presented in the testimony of Staff witness Joanna Huang, Staff recommends the Commission authorize revenue increases of \$16.6 million for RY1 and \$26.06 million for RY2.<sup>1</sup>

It is important to note that the amounts above include the revenues that would be collected through Staff's proposed tracker for Colstrip Unit 4 and Jim Bridger Units 3-4 (discussed in Section V.C.3., below). If the Commission orders PacifiCorp to establish such a tracker, the annual revenue requirement for the tracker rates would need to be pulled out of the annual revenue requirement for base rates.

**Q. What issues impacting revenue requirement does Staff contest?**

A. Staff contests elements of the following issues: Cost of Capital, Power Costs, Pro forma wages and pension expense, several capital additions at Colstrip Unit 4 and Jim Bridger Units 3-4, and finally, the allocation of the costs of converting Jim Bridger Units 1-2 to a gas-fired facility.

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<sup>1</sup> Huang, Exh. JH-1T at 4:1-2.

1 I provide a summary of Staff's recommendations on each of those issues in  
2 turn, below.

3  
4 **2. Cost of Capital**

5  
6 **Q. What does Staff recommend with respect to the cost of capital?**

7 A. As described by Staff witness Parcell, Staff recommends an overall rate of return of  
8 7.09 percent, which is based on a return on equity (ROE) of 9.5 percent and a capital  
9 structure composed of 49.1 percent equity.<sup>2</sup> This compares to PacifiCorp's request  
10 for an overall rate of return of 7.60 percent based on a return on equity of 10.3  
11 percent and a capital structure that includes a 51.27 percent equity layer.<sup>3</sup>

12  
13 **Q. Is there anything you wish to emphasize for the Commission regarding Staff's  
14 recommendation on the cost of capital?**

15 A. Yes. As noted by Staff witness Parcell, the MYRP legislation passed in May 2021  
16 (SB 5295, codified as RCW 80.28.425) is risk-reducing for electric utilities in  
17 Washington State, including PacifiCorp,<sup>4</sup> and that risk reduction was a relevant  
18 factor in Staff's recommendation on ROE. While Staff witness Parcell describes  
19 some of the ways RCW 80.28.425 impacts the risks and costs of capital for  
20 PacifiCorp and other Washington utilities,<sup>5</sup> I would like to further emphasize for the  
21 Commission that RCW 80.28.425 effectively eliminates regulatory lag.

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<sup>2</sup> Parcell, Exh. DCP-1T at 3:3-6.

<sup>3</sup> Bulkley, Exh. AEB-1Tr at 3:7, 7:2.

<sup>4</sup> Parcell, Exh. DCP-1T at 22:17-19.

<sup>5</sup> *Id.* at 20-25.

1 **Q. How does RCW 80.28.425 eliminate regulatory lag?**

2 A. By requiring the Commission to ascertain rate base and operating costs during the  
3 rate-effective period, RCW 80.28.425 requires the Commission to set rates using  
4 forecasts of the utility's costs in a future period rather than actual costs from a  
5 completed (historical) period. Specifically, for ratemaking purposes, the law requires  
6 the Commission to (a) value property that will be used and useful in each rate-  
7 effective period,<sup>6</sup> and (b) ascertain and determine revenues and operating expenses  
8 for each year of a MYRP.<sup>7</sup>

9 Calculating rates using forecasted costs rather than historical costs has the  
10 effect of providing the utility with revenues sufficient to recover future, expected  
11 costs at the time those costs are incurred. This by definition effectively eliminates  
12 regulatory lag.

13  
14 **Q. How does the elimination of regulatory lag impact the risk profile of the utility?**

15 A. With the elimination of regulatory lag, it is much, much more likely that the utility  
16 will earn at or above its authorized rate of return. And with an MYRP, the utility has  
17 predictable revenue over a multi-year time horizon and is therefore better able to  
18 manage its costs according to those revenues. Given that the elimination of  
19 regulatory lag and the predictable revenues of an MYRP both reduce risk to the  
20 utility, it is important to consider whether that risk reduction should be reflected in

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<sup>6</sup> RCW 80.28.425(3)(b) ("The commission shall ascertain and determine the fair value for rate-making purposes of the property of any gas or electrical company that is or will be used and useful under RCW 80.04.250 for service in this state by or during each rate year of the multiyear rate plan.").

<sup>7</sup> RCW 80.28.425(3)(c) ("The commission shall ascertain and determine the revenues and operating expenses for rate-making purposes of any gas or electrical company for each rate year of the multiyear rate plan.").

1 the utility's cost of capital, particularly its' risk-adjusted ROE. All else equal,  
2 businesses with less risk to investors should have a lower cost of equity. As  
3 discussed in further detail by Staff witness Parcell, the impact of RCW 80.28.425 on  
4 PacifiCorp's risk profile operates in favor of choosing a ROE that is at the lower end  
5 of Staff's ROE range.<sup>8</sup>

### 7 3. Power Costs

8  
9 **Q. What does Staff recommend with respect to power costs?**

10 A. As presented in the testimony of Staff witness Wilson, Staff recommends that the  
11 Commission authorize a net power cost baseline of \$198,432,643, which is a  
12 \$554,774 reduction from PacifiCorp's request of \$198,987,417.<sup>9</sup>

### 14 4. Pro Forma Wage Increases (Adjs. 4.3 and 13.2)

15  
16 **Q. What does Staff conclude with respect to PacifiCorp's pro forma wage increase  
17 adjustments?**

18 A. PacifiCorp's pro forma escalation of wages overstates rate year expense. PacifiCorp  
19 fails to account for offsetting factors – such as recognizing the expense impact of  
20 lower-salaried employees replacing senior employees as they leave – and,  
21 accordingly, the Company's Adjustments 4.3 and 13.2 do not conform to the  
22 Commission's rules on pro forma adjustments. Furthermore, the Company has a

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<sup>8</sup> Parcell, Exh. DCP-1T at 25:3-6.

<sup>9</sup> Wilson, Exh. JDW-1CT at 6, Table 1.

1 demonstrated history of consistently overestimating pro forma levels of pro forma  
2 wage expense.

3 Staff also concludes that PacifiCorp used outdated actuarial reports to  
4 develop the pro forma pension and post-retirement benefits the Company included in  
5 Adjustments 4.3 and 13.2.

6

7 **Q. What does Staff recommend with respect to pro forma wage increases?**

8 A. Staff recommends that the Commission (a) reduce the Company's proposed  
9 adjustment for non-union wages by 3.89 percent, (b) use the Company's recently  
10 updated actuarial projections to calculate pro form pension and post-retirement  
11 benefits, and (c) correct errors made to the wage increases for International  
12 Brotherhood of Electric Workers (IBEW) 57 Power Delivery (PD) and Power  
13 Supply (PS) labor groups. Overall, Staff's Adjustment 4.3 increases revenue  
14 requirement for RY1 by \$1.3 million<sup>10</sup> which, relative to PacifiCorp's Adjustment  
15 4.3, represents a \$0.6 million reduction to RY1 revenue requirement. Staff's  
16 Adjustment 13.2 increases revenue requirement for RY2 by \$0.7 million<sup>11</sup> which,  
17 relative to PacifiCorp's Adjustment 13.2, represents a \$0.1 million increase to RY2  
18 revenue requirement.

19

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<sup>10</sup> Huang, Exh. JH-2 at 3.

<sup>11</sup> Huang, Exh. JH-3 at 2.

1                   **5. Pro Forma Pension-Related Non-Service Expense (Adj. 4.4)**

2  
3 **Q. What does Staff conclude with respect to PacifiCorp’s pro forma pension-**  
4 **related non-service expense adjustment?**

5 A. Staff concludes that the actuarial reports PacifiCorp used for calculating pro forma  
6 pension and post-retirement benefits are outdated. In response to discovery, Staff  
7 obtained updated actuarial reports that differ materially from the reports PacifiCorp  
8 used in the development of its Adjustment 4.4.

9  
10 **Q. What does Staff recommend with respect to pro forma pension-related non-**  
11 **service expense?**

12 A. Staff recommends that the Commission use the newer, updated actuarial reports to  
13 calculate the non-service pension and post-retirement expenses in Adjustment 4.4.  
14 Relative to PacifiCorp’s proposed Adjustment 4.4, using the newer, updated actuarial  
15 report results in a \$866,751 reduction to pension non-service expense and a \$197,606  
16 increase to post-retirement non-service expense. Overall, Staff’s Adjustment 4.4  
17 decreases revenue requirement by \$1.3 million<sup>12</sup> which, relative to PacifiCorp’s  
18 Adjustment 4.4, represents a \$0.7 million decrease to RY1 revenue requirement.

19  
20                   **6. Pro Forma Interest True-up (Adjs. 7.1 and 15.1)**

21  
22 **Q. What does Staff recommend with respect to Adjustments 7.1 and 15.1?**

---

<sup>12</sup> Huang, Exh. JH-2 at 3.

1 A. As explained by Staff witness Huang, Staff’s Adjustments 7.1 and 15.1 calculate the  
2 tax effect on interest using Staff witness Parcell’s recommended weighted average  
3 cost of debt applied to Staff’s recommended level of rate base. Staff’s Adjustment  
4 7.1 increases revenue requirement by \$0.4 million<sup>13</sup> for RY1 which, relative to  
5 PacifiCorp’s Adjustment 7.1, represents a revenue requirement decrease of \$0.3  
6 million. Staff’s Adjustment 15.1 decreases revenue requirement by \$1.7 million<sup>14</sup> for  
7 RY2 which, relative to PacifiCorp’s Adjustment 15.1, represents no material change  
8 to revenue requirement.

9

10 **7. Production Factor (Adj. 9.1)**

11

12 **Q. What does Staff recommend with respect to Adjustment 9.1?**

13 A. As explained by Staff witness Huang, Staff’s Adjustment 9.1 accounts for the  
14 revenue requirement impact of applying the production factor to Staff’s contested  
15 pro forma adjustments for net power costs (Adjustments 5.1 and 5.2) and pro forma  
16 plant (Adjustments 10.6 and 10.7)., Staff’s Adjustment 9.1 increases revenue  
17 requirement for RY1 by \$1.1 million<sup>15</sup> which, relative to PacifiCorp’s Adjustment  
18 9.1, represents no material change to revenue requirement.

19

20

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<sup>13</sup> Huang, Exh. JH-2 at 6.

<sup>14</sup> Huang, Exh. JH-3 at 4.

<sup>15</sup> Huang, Exh. JH-2 at 10.



1                   **8. Colstrip Unit 4 and Jim Bridger Units 3-4 (Adjs. 10.6 and 14.7)**

2  
3     **Q. What does Staff recommend with respect to capital additions at Colstrip Unit 4**  
4     **and Jim Bridger Units 3-4?**

5     A. Staff recommends that the Commission exclude from rates the costs of new, long-  
6     lived investments that PacifiCorp included in pro forma Adjustments 10.6 (RY1) and  
7     14.7 (RY2). For Colstrip Unit 4, Staff recommends excluding from rates four  
8     investments in long-lived assets that PacifiCorp categories as “major” projects as  
9     well as numerous investments in long-lived assets that PacifiCorp did not categorize  
10    as “major.” For Jim Bridger Units 3-4, Staff recommends excluding from rates eight  
11    investments in long-lived assets that PacifiCorp categories as “major” projects as  
12    well as numerous investments in long-lived assets that PacifiCorp did not categorize  
13    as “major.” Staff’s Adjustment 10.6 increases revenue requirement by \$0.2 million<sup>16</sup>  
14    which, relative to PacifiCorp’s Adjustments 10.6, represents a \$0.2 million reduction  
15    to RY1 revenue requirement. Staff’s Adjustment 14.7 increases revenue requirement  
16    immaterially<sup>17</sup> which, relative to PacifiCorp’s Adjustments 14.7, represents a \$0.1  
17    million reduction to RY2 revenue requirement.

18                   I address this issue in further detail in Section V.A.1., below.

19  

---

<sup>16</sup> Huang, Exh. JH-2 at 11.

<sup>17</sup> Huang, Exh. JH-3 at 3.

1                   **9. Jim Bridger Units 1-2 Gas Conversion (Adjs. 10.7 and 14.8)**

2

3 **Q. What does Staff recommend with respect to the Jim Bridger Units 1-2 gas**  
4 **conversion?**

5 A. Staff recommends that the Commission prorate the costs it includes in rates related to  
6 the Jim Bridger Units 1-2 gas conversion. PacifiCorp includes the costs of the Jim  
7 Bridger Units 1-2 gas conversion in Adjustments 10.7 (RY1) and 14.8 (RY2). Staff's  
8 Adjustment 10.7 increases revenue requirement by \$0.2 million<sup>18</sup> which, relative to  
9 PacifiCorp's Adjustments 10.7, represents a \$0.3 million reduction to RY1 revenue  
10 requirement. Staff's Adjustment 14.8 increases revenue requirement by \$0.1  
11 million<sup>19</sup> which, relative to PacifiCorp's Adjustments 14.8, represents a \$0.1 million  
12 reduction to RY2 revenue requirement.

13                   I address this issue in further detail in Section V.A.2., below.

14

15 **B. Summary of Staff's MYRP Policy Recommendations**

16

17 **1. Review of Plant Provisionally Included in Rates**

18

19 **Q. What does Staff recommend with respect to which post-test year plant additions**  
20 **should be subject to retrospective review and refund?**

21

---

<sup>18</sup> Huang, Exh. JH-2 at 11.

<sup>19</sup> Huang, Exh. JH-3 at 3.

1 A. Except for the specific capital additions Staff contests in PacifiCorp’s Adjustments  
2 10.6, 10.7, 14.7, and 14.8,<sup>20</sup> Staff recommends that the Commission treat all of the  
3 post-test year plant additions PacifiCorp includes in its case as provisional. This  
4 includes post-test year plant additions in 2022, 2023, 2024, and (for RY2) 2025.  
5

6 **Q. What does Staff recommend with respect to the threshold for determining**  
7 **refunds during the annual retrospective reviews of plant provisionally included**  
8 **in rates?**

9 A. Staff recommends that the Commission establish that, for the purpose of determining  
10 ratepayer refunds related to plant provisionally included in rates, the annual  
11 retrospective reviews should compare the actual used and useful plant with the level  
12 of plant included in provisional rates, thus applying a refund threshold that is  
13 consistent with the property valuation statute, RCW 80.04.250.  
14 I address this issue in Section V.B.1., below.  
15

16 **2. Performance Measures**  
17

18 **Q. What is Staff’s recommendation with respect to performance measures?**

19 A. Staff recommends that the Commission accept, in part, PacifiCorp’s proposed list of  
20 performance metrics. However, the Commission should reject PacifiCorp’s omission  
21 of the census tract-level performance measures for affordability and energy burden.  
22 Staff recommends that the Commission order PacifiCorp to report on essentially the

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<sup>20</sup> See *infra* Sections V.A.1. and V.A.2., below.

1 same measures that it established for PSE and Avista,<sup>21</sup> with one modification to an  
2 earnings metric, as proposed by PacifiCorp.

3 I address this issue in further detail in Section V.B.2., below.  
4

5 **3. PacifiCorp’s proposal to “update” rates on January 1, 2026**  
6

7 **Q. What is Staff’s recommendation with respect to PacifiCorp’s proposal to**  
8 **“update” rates on January 1, 2026?**

9 A. Staff recommends that the Commission reject PacifiCorp’s proposal to simply  
10 “update” rates on January 1, 2026, to remove coal from rates. Revising rates  
11 effective January 1, 2026, would require removing from base rates the costs  
12 associated with coal-fired facilities as well as adding to base rates the cost of  
13 replacement power. Although it might not be necessary to update these costs through  
14 a general rate case, there very likely will need to be a proceeding wherein parties  
15 have an opportunity to examine and challenge new costs that the Company would  
16 seek to recover through the updated rates.

17 Instead, Staff recommends that the Commission order PacifiCorp to remove  
18 coal from rates by (a) revising the rates for the Colstrip 4/ Jim Bridger 3-4 tracker  
19 that Staff is recommending the Commission order PacifiCorp to establish through  
20 this proceeding, and (b) filing a power cost only rate case in April of 2025, with rates  
21 effective January 1, 2026, for both filings.

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<sup>21</sup> *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-220066, UG-220067, & 210918, Order 24/10, 33, Table 4 (Dec. 22, 2022) (PSE GRC Order); *Wash. Utils. & Transp. Comm’n v. Avista Corp.*, Dockets UE-220053 & UG-220054, Order 10/04, 70, Table 8 (Dec. 12, 2022) (Avista GRC Order).

1 I address this issue in further detail in Section V.B.3., below.

2

3 **C. Summary of Staff’s Recommendations on Other Issues not Directly**  
4 **Impacting Revenue Requirement**

5

6 **1. Continuation of Decoupling**

7

8 **Q. What is Staff’s recommendation with respect to PacifiCorp’s request to**  
9 **discontinue its decoupling mechanism?**

10 A. As explained in further detail in the testimony of Staff witness Tellez, Staff  
11 recommends that the Commission reject PacifiCorp’s request to eliminate its  
12 decoupling mechanism.

13

14 **Q. Why does Staff recommend the Commission reject PacifiCorp’s request to**  
15 **eliminate decoupling?**

16 A. As the purpose of revenue decoupling is to incentivize certain behavior – specifically  
17 to incentivize investment in conservation by eliminating the throughput incentive –  
18 revenue decoupling is a form of performance-based regulation and a common  
19 element of performance-based regulation (PBR) frameworks.<sup>22</sup> Therefore, the  
20 question of whether to continue or discontinue revenue decoupling is more

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<sup>22</sup> Elaine Prause and Jessica Shipley, *Performance-Based Regulation: Considerations for the Washington Utilities and Transportation Commission*, Docket U-210590, at 3-4 and 11-12 (filed Mar. 2, 2022) (Regulatory Assistance Project).

1 appropriately considered within the context of the Commission's open policy  
2 proceeding on PBR, Docket U-210590.

3

4 **Q. Does Staff have any other recommendations with respect to PacifiCorp's**  
5 **decoupling mechanism?**

6 A. Yes. Staff recommends replacing the decoupling mechanism's earnings test with the  
7 MYRP earnings test under RCW 80.28.425(6). Replacing PacifiCorp's decoupling  
8 earnings test with the earnings test under RCW 80.28.425(6) would allow for a  
9 consistent earning test structure across the three electric utilities regulated by the  
10 Commission. The decoupling earnings test already has been replaced with the  
11 earnings test under RCW 80.28.425(6) for both Avista<sup>23</sup> and PSE.<sup>24</sup>

12

13 **Q. Is there anything you wish to emphasize for the Commission regarding Staff's**  
14 **recommendation to reject PacifiCorp's request to eliminate its decoupling**  
15 **mechanism?**

16 A. Yes. While Staff recommends that PacifiCorp's decoupling mechanism remain in  
17 place while the Commission considers PBR more broadly in Docket U-210590, Staff  
18 does not have a firm position on whether the incentive structure created by revenue  
19 decoupling continues to align with statewide policy objectives at this point. Staff  
20 recommends that as part of the PBR policy proceeding in Docket U-210590, the  
21 Commission consider the specific question of whether eliminating the throughput

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<sup>23</sup> Avista GRC Order at 46, ¶ 126.

<sup>24</sup> PSE GRC Order at 24, ¶ 87 (Staff notes that it does not believe that RCW 80.28.425(6) sets a threshold required for all earnings tests in MYRPs. While the threshold for customer refunds could not be above 0.5 percent, nothing prevents the Commission from setting a lower threshold for customer refunds.)

1 incentive via revenue decoupling continues to support state policy priorities, such as  
2 electrification of the natural gas and transportation sectors.

3  
4 **2. Continuation of the PCAM Deadbands and Sharing Bands**

5  
6 **Q. What is Staff's recommendation with respect to PacifiCorp's request to**  
7 **eliminate its deadbands and sharing bands?**

8 A. Staff recommends the Commission reject PacifiCorp's request to eliminate its  
9 PCAM deadbands and sharing bands. As I discuss in further detail in Section V.C.1.,  
10 below, elimination of the risk-sharing mechanism of PacifiCorp's PCAM would be  
11 inconsistent with Commission policy.

12  
13 **Q. Does Staff have an alternative proposal with respect to PCAM deadbands and**  
14 **sharing bands?**

15 A. Yes. As presented in the testimony of Staff witness Wilson, Staff recommends  
16 eliminating the deadband and adopting a 90/10 risk sharing mechanism.<sup>25</sup>

17  

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<sup>25</sup> Wilson, Exh. JDW-1CT at 36:13-38:14.

1                   **3.       Depreciation Schedules for Colstrip Unit 4 and Jim Bridger**  
2                   **Units 3-4**

3  
4 **Q.       What is Staff’s recommendation with respect to PacifiCorp’s request to extend**  
5 **the depreciable lives of Colstrip Unit 4 and Jim Bridger Units 3-4 from 2023 to**  
6 **2025?**

7 A.       Staff recommends that the Commission allow PacifiCorp to extend the depreciable  
8 lives of Colstrip Unit 4 and Jim Bridger Units 3-4 to the end of 2025, thus allowing  
9 those facilities to remain in rates beyond 2023. Staff is concerned that eliminating  
10 those facilities from rates now without a legal requirement to do so would increase  
11 rates unnecessarily. I address this issue in Section V.C.2., below.

12  
13                   **4.       Establishing a Tracker for Colstrip Unit 4 and Jim Bridger**  
14                   **Units 3-4**

15  
16 **Q.       What does Staff recommend with respect to establishing a tracker for the costs**  
17 **of Colstrip Unit 4 and Jim Bridger Units 3-4?**

18 A.       Staff recommends that the Commission order PacifiCorp to establish a tracker for the  
19 recovery of costs related to its coal-fired facilities (i.e., Colstrip Unit 4 and Jim  
20 Bridger Units 3-4), consistent with the trackers established for Puget Sound Energy  
21 and Avista. I address this issue in further detail in Section V.C.3., below.



1                   **5. Amending the Exit Orders for Jim Bridger Units 1-2**

2  
3 **Q. What is Staff’s recommendation with respect to PacifiCorp’s request to amend**  
4 **the Exit Orders as they pertain to Jim Bridger Units 1-2?**

5 A. Jim Bridger Units 1-2 are being converted from a coal-fired facility to a gas-fired  
6 facility, but the Exit Orders as written require PacifiCorp to exit Unit 1 by 2023 and  
7 Unit 2 by 2025.<sup>26</sup> Therefore, Staff recommends that the Commission grant  
8 PacifiCorp’s request to amend the Exit Orders as they pertain to Jim Bridger Units 1-  
9 2 to specify that they apply to those units only as coal-fired resources. I address this  
10 issue in Section V.C.4., below.

11  
12                   **6. Net metering and “net billing”**

13  
14 **Q. What is Staff’s recommendation on PacifiCorp’s proposal to discontinue new**  
15 **enrollment in the Company’s net metering tariff Schedule 135?**

16 A. Staff recommends that the Commission reject PacifiCorp’s proposal to enforce a cap  
17 on net metering participation at 37.2 MW of capacity and instead order PacifiCorp to  
18 revise Schedule 135 to remove the specified cap. New enrollment in net metering  
19 should continue until the policy parameters for a long-term successor to net metering  
20 are developed through a policy proceeding or legislative action. I address this issue  
21 in further detail in Section V.C.5., below.

22  

---

<sup>26</sup> *Wash. Utils. & Transp. Comm’n v. PacifiCorp*, Dockets UE-191024, UE-190750, UE-190929, UE-190981, & UE-180778, Order 09/07/12, 41-42, ¶ 104 (Dec. 14, 2020) (2019 PacifiCorp GRC Order).

1 **Q. What is Staff’s recommendation regarding PacifiCorp’s proposal to establish a**  
2 **“net billing” tariff Schedule 138?**

3 A. Consistent with Staff’s recommendation that PacifiCorp continue to allow  
4 enrollment in its net metering Schedule 135, Staff does not support establishing a net  
5 billing tariff schedule (or any tariff schedule) as a long-term successor to net  
6 metering at this time. However, Staff would not be opposed to PacifiCorp offering its  
7 net billing proposal as a pilot program which would allow the Company to collect  
8 data on how time-of-use rates impact the energy consumption behavior of customer-  
9 generators in Washington.

10

11 **7. Equity in Capital Planning**

12

13 **Q. What does Staff recommend with respect to PacifiCorp’s consideration of**  
14 **equity in its capital planning process?**

15 A. Staff recommends that the Commission order PacifiCorp to:

- 16 1. Incorporate a distributional equity analysis (“DEA”) into the Company’s  
17 capital planning frameworks and submit a compliance filing demonstrating  
18 this has been done by the end of the MYRP Multi Year Rate Plan.
- 19 2. Develop benefits and costs (with associated weights, where applicable)  
20 related to equity for use in the portfolio optimization step in its transmission  
21 and distribution capital planning framework.

1                   3. Modify the criteria that trigger the need to add a new transmission or  
2                   distribution capital project to include equity related criteria, as the criteria  
3                   relate to evaluating system needs in capital planning.

4

5                   **8. IRA/IIJA**

6

7 **Q. What is Staff’s recommendation with respect to benefits available under the**  
8 **IRA/IIJA?**

9 A. Staff recommends the Commission order PacifiCorp to:

- 10                   1. Report annually, during the MYRP, all funding, tax benefits, or any other  
11                   benefit for which it has and has not applied and, if it has not, the reasons  
12                   justifying its decision to not pursue the IRA and IIJA funding options.
- 13                   2. Participate in a collaborative with other investor-owned utilities regarding the  
14                   potential benefits of the IRA and IIJA, as described in Docket UE-220066,  
15                   Order 24, paragraph 241, and document its consideration of, and application  
16                   for, benefits provided pursuant to the IRA and IIJA in future filings.
- 17                   3. Demonstrate in the annual capital review filings all offsetting benefits  
18                   received or for which it has applied through the IRA and IIJA for any and all  
19                   plant placed in service during the period subject to review.

20                   I address this issue in further detail in Section V.C.6., below.

21

22

1                   **9. Rate Design Proposals**

2

3 **Q. Which elements of PacifiCorp’s rate design does Staff contest?**

4 A. As described by Staff witness Hillstead, Staff contests PacifiCorp’s proposal to  
5 increase the basic charge for residential single-family dwellings as well as its  
6 proposal to implement seasonal rates.

7

8 **Q. What does Staff conclude concerning PacifiCorp’s proposals on the basic  
9 charge and seasonal rates?**

10 A. With respect to the basic charge, Staff concludes PacifiCorp’s proposed increase  
11 could result in sharp increases for low use customers, violating the principle of  
12 gradualism.

13                   With respect to seasonal rates, Staff concludes that PacifiCorp has not  
14 conducted the necessary evaluations or studies in Washington to justify a transition  
15 to seasonal rates.

16

17 **Q. What is Staff’s recommendation with respect to PacifiCorp’s proposal to  
18 increase the basic charge for residential single-family dwellings?**

19 A. Staff recommends that the Commission reject PacifiCorp’s request to increase the  
20 basic charge for residential single-family dwellings by \$2.25 (for a total basic charge  
21 of \$10.00) in favor of a more modest increase of \$0.50 for those customers (for a  
22 total basic charge of \$8.25). Staff does not take a position regarding basic charges for  
23 multi-family dwellings.

1 **Q. What is Staff’s recommendation with respect to PacifiCorp’s proposal to**  
2 **implement seasonal rates?**

3 A. Staff recommends the Commission reject PacifiCorp’s proposal to implement  
4 seasonal rates and instead require the Company to maintain the current inclining  
5 tiered rate structure. While Staff believes that seasonal rates *could* provide adequate  
6 price signals to support the State’s decarbonization goals, and thus benefit  
7 Washington ratepayers the Company did not provide sufficient evidence to support  
8 eliminating the inclining block/tiered rate structure in this case.

9

10 **10. Excess Fly Ash Revenues, Docket UE-210852**

11

12 **Q. What does Staff conclude with respect to the accounting petition filed by**  
13 **AWEC in Docket UE-210852 related to excess fly ash revenues?**

14 A. As further described by Staff witness Tellez, Staff concludes that PacifiCorp’s  
15 revenues from the sale of fly ash likely exceeded revenues embedded in the base  
16 rates established through the Company’s 2019 GRC.<sup>27</sup> Staff estimates these excess  
17 revenues to be material and considers the circumstances leading to those excess  
18 revenues to be extraordinary. Therefore, Staff recommends that the Commission  
19 grant the petition for deferred accounting filed in Docket UE-210852,<sup>28</sup> and order  
20 PacifiCorp to establish a tracker to return to customers the cumulative deferral

---

<sup>27</sup>See generally 2019 PacifiCorp GRC Order.

<sup>28</sup> *In re All. of Western Energy Consumers*, Docket UE-210852, Petition for Order Approving Deferral of Increased Fly Ash Revenues (Nov. 8, 2021).

1 balance associated with excess revenues from the sale of fly ash at Jim Bridger over  
2 a two year period.

3  
4 **V. DISCUSSION OF ISSUES I ADDRESS**

5  
6 **A. Contested Accounting Adjustments**

7  
8 **1. Adj. 10.6 and Adj. 14.7 – Colstrip Unit 4 and Jim Bridger**  
9 **Units 3-4**

10  
11 **Q. Please summarize Staff's recommendations with respect to the Colstrip Unit 4**  
12 **and Jim Bridger Units 3-4 capital additions PacifiCorp included in revenue**  
13 **requirement through Adjustments 10.6 and 14.7.**

14 A. Staff recommends that the Commission exclude from rates the costs PacifiCorp  
15 included in pro forma Adjustments 10.6 and 14.7 associated with (1) projects that  
16 will not be completed because they have been canceled, and (2) new, long-lived  
17 investments made for the purpose of extending the lives of those facilities. Of the  
18 \$3.3 million in gross capital additions at Colstrip Unit 4 PacifiCorp included in  
19 Adjustments 10.6 and 14.7, \$0.9 million is related to canceled projects while \$1.7  
20 million is related to long-term investments.<sup>29</sup> And of the \$24.0 million in gross  
21 capital additions at Jim Bridger Units 3-4 PacifiCorp included in Adjustments 10.6  
22 and 14.7, \$18.1 million is related to long-term investments.<sup>30</sup>

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<sup>29</sup> Refers to Washington-allocated amounts prior to proration.

<sup>30</sup> Refers to Washington-allocated amounts prior to proration.

1 **Q. Which projects does Staff recommend be included in rates through**  
2 **Adjustments 10.6 and 14.7?**

3 A. Staff recommends that the Commission allow into rates all four of the Company’s  
4 “programmatic” investments at Colstrip Unit 4 (totaling \$0.2 million on a  
5 Washington-allocated basis), all 69 “programmatic” investments at Jim Bridger  
6 Units 3-4 (totaling \$2.5 million on a Washington-allocated basis), and one of the  
7 major “specific” investment at Jim Bridger Units 3-4 – the flue gas desulfurization  
8 (FGD) pond (totaling \$9.0 million on a Washington-allocated basis).

9  
10 **Q. What is the revenue requirement impact of Staff’s recommendations regarding**  
11 **Colstrip Unit 4 and Jim Bridger Units 3-4?**

12 A. Staff’s Adjustment 10.7 increases revenue requirement by \$0.2 million<sup>31</sup> which,  
13 relative to PacifiCorp’s Adjustments 10.7, represents a \$0.2 million reduction to  
14 RY1 revenue requirement. Staff’s Adjustment 14.8 increases revenue requirement by  
15 \$0.1 million<sup>32</sup> which, relative to PacifiCorp’s Adjustments 14.8, represents a \$0.1  
16 million reduction to RY2 revenue requirement.

17  
18 **Q. Did PacifiCorp include in its Adjustments 10.6 and 14.7 any projects that have**  
19 **since been canceled?**

20 A. Yes. Specifically, Staff learned through discovery that the final superheat section and  
21 the condenser tube replacement have both been canceled.<sup>33</sup> Therefore, the costs

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<sup>31</sup> Huang, Exh. JH-2 at 11.

<sup>32</sup> Huang, Exh. JH-3 at 3.

<sup>33</sup> McGuire, Exh. CRM-2 at 1-2.

1 associated with these projects should be removed from revenue requirement.

2

3 **Q. Does PacifiCorp include in its Adjustments 10.6 and 14.7 any investments made**  
4 **for the purpose of extending the lives of Colstrip Unit 4 and Bridger Units 3-4?**

5 A. Yes. With respect to Colstrip Unit 4, two of the four projects PacifiCorp categorizes  
6 as “major” – specifically, dry ash waste disposal system and the Unit 4 overhaul – as  
7 well as nine of the 13 non-major projects, represent life-extending plant additions.  
8 While the final superheat section and the condenser tube replacement projects also  
9 would be considered life-extending investments, those two projects have been  
10 canceled (as discussed above), so whether they are life-extending need not be  
11 addressed here.

12 With respect to Bridger Units 3-4, eight of the nine projects PacifiCorp  
13 categorizes as “major,” as well as 147 of the 234 non-major projects, represent life-  
14 extending plant additions. The three “major” life-extending 2024 projects Staff  
15 removes are the Unit 3 SCR catalyst replacement, new Unit 3 burners, and a new ash  
16 hauler. The five “major” life-extending 2025 projects Staff removes are the Unit 4  
17 SCR catalyst replacement, the Unit 4 cooling tower fill replacement, new Unit 4  
18 burners, a new ash hauler, and the Unit 4 stack floor and breech refurbishment.

19

20 **Q. Why does Staff recommend including in rates the costs of the FGD pond at**  
21 **Bridger Units 3-4?**

22 A. Staff is convinced that PacifiCorp was legally required to install the project by  
23 September 30, 2023, and, as such, was necessary for the plant to operate between



1 September 30, 2023, and December 31, 2025. While PacifiCorp provided no  
2 testimony supporting the Company’s investment in the FGD pond, PacifiCorp did  
3 include a very brief write-up of the project in Company witness Cheung’s Exh. SLC-  
4 4.<sup>34</sup> In that write-up, PacifiCorp asserts that “[u]nder the current CCR rules for the  
5 alternative closure, a new FGD Pond must be placed in-service by October 2023,”  
6 but the Company does not cite to the relevant section of the CCR rules, explain how  
7 the current CCR rules apply to the FGD pond, or note what the Company means by  
8 “CCR rules.”

9 Staff interprets that the “CCR rules for alternative closure” that Company  
10 witness Cheung refers to are the U.S. Environmental Protection Agency’s rules for  
11 the alternative closure of an unlined CCR surface impoundment under 40 CFR §  
12 257.103, which lays out two alternative closure schemes for unlined CCR surface  
13 impoundments. § 257.103(f)(1) — which Staff believes to be relevant here — allows  
14 an unlined pond to continue receiving waste provided the owner/operator  
15 demonstrates that it was technically infeasible to institute alternative disposal  
16 methods by the April 2021 deadline specified in § 257.101. The rule provides that  
17 the unlined pond must cease receiving CCR waste as soon as an alternative disposal  
18 method is available, which may be no later than October 2023.

19  
20 **Q. Why does Staff remove from revenue requirement the investments made for the**  
21 **purpose of extending the lives of Colstrip Unit 4 and Jim Bridger Units 3-4?**  
22

---

<sup>34</sup> Cheung, Exh. SLC-4 at 391.

1 A. Only investments that are used and useful for service to Washington ratepayers may  
2 be included in rates. Long-lived investments at those facilities – as opposed to  
3 investments in regulator upkeep and maintenance – serve no purpose other than to  
4 enable long-term operation of those facilities. Given that coal must be removed from  
5 Washington’s allocation of energy by the end of 2025,<sup>35</sup> investments made for the  
6 purpose of enabling operations beyond 2025 do not serve Washington ratepayers.

7 The Commission has observed that the used and useful standard can be met  
8 only when a utility demonstrates that an investment “provides quantifiable direct or  
9 indirect benefits to Washington commensurate with its cost.”<sup>36</sup> PacifiCorp’s  
10 investments in life-extending assets cannot meet this standard because the benefits  
11 the investment provides – *i.e.*, power production from coal-fired facilities beyond  
12 2025 – are benefits that will never accrue to Washington ratepayers.<sup>37</sup>

13  
14 **Q. How did Staff determine whether an investment was life-extending?**

15 A. Fundamentally, Staff considered whether the investment would have been made if  
16 the facility were going to be closed on December 31, 2025. Staff believes that  
17 investments that were made but would not have been made were the facility going to  
18 close in 2025 must be investments made for the purpose of extending the life of the  
19 facility beyond 2025. Therefore, unless the Company explains why a specific

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<sup>35</sup> RCW 19.405.030(1)(a) (“On or before December 31, 2025, each electric utility must eliminate coal-fired resources from its allocation of electricity”).

<sup>36</sup> *Wash. Utils. & Transp. Comm’n v. PacifiCorp, d/b/a Pacific Power & Light Co.*, Dockets UE-050684 & UE-050412, Order 04/03, 27-28, ¶ 68 (Apr. 17, 2006).

<sup>37</sup> In addition to not being used and useful to Washington ratepayers, PacifiCorp’s decisions to make major life-extending capital investments in coal-fired facilities are likely imprudent with respect to Washington ratepayers given the mandates in Washington Clean Energy Transformation Act (CETA). RCW 19.405.030(1)(a).

1 investment was necessary for the facility to operate between now and December 31,  
2 2025, only the capital costs associated with routine maintenance should be included  
3 in Washington rates.

4

5 **Q. Has the Commission indicated that, given Washington’s impending exit from**  
6 **the facilities on December 31, 2025, only routine maintenance should be**  
7 **included in Washington rates?**

8 A. Yes. In Avista’s 2020 GRC, the Commission agreed with Staff that the investment in  
9 a dry ash waste disposal system “is not [a] routine capital maintenance measure  
10 and... absent a showing by Avista that it is *not* life-extending, we are unconvinced  
11 that it should be allowed in rates.”<sup>38</sup>

12 More generically, with the quoted statement above the Commission indicated  
13 it agreed with Staff that investments made to extend the life of Colstrip are not  
14 appropriate to include in Washington rates. Furthermore, the Commission indicated  
15 that a company seeking to include a new investment in a coal-fired facility must  
16 show that the investment is not life-extending.

17

18 **Q. How did Staff determine whether an investment was routine maintenance?**

19 A. Absent explanations of the projects PacifiCorp included in Adjustments 10.6 and  
20 14.7, Staff relied on the Company’s designation of a project as “programmatic” to  
21 determine whether the project was likely to be routine maintenance. Of the 251  
22 projects PacifiCorp included in Adjustments 10.6 and 14.7, the Company categorized

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<sup>38</sup> *Wash. Utils. & Transp. Comm’n v. Avista Corp.*, Dockets UE-200900, UG-200901, & UE-200894, Order 08/05, 100, ¶ 279 (Sept. 27, 2021).

1 73 as “programmatic.” Staff considered these 73 “programmatic” projects as routine  
2 maintenance and included them in its revenue requirement calculation.

3

4 **Q. Is there any other evidence indicating that PacifiCorp’s investments in Colstrip**  
5 **Unit 4 and Jim Bridger Units 3-4 are, by and large, investments in long-lived**  
6 **assets?**

7 A. Yes. Nearly all of the projects PacifiCorp included in Adjustments 10.6 and 14.7 are  
8 recorded to FERC account 312<sup>39</sup> and, based on the Company’s 2018 Depreciation  
9 Study, plant PacifiCorp records to FERC account 312 – Boiler Plant Equipment –  
10 has an average expected service life of as long as 65 years.<sup>40</sup> The composite  
11 remaining life of plant recorded to FERC account 312 – which includes all plant-in-  
12 service of any age – is 9.4 years for Colstrip Unit 4<sup>41</sup> and 18.6 years for Jim Bridger  
13 Units 3-4.<sup>42</sup> Clearly, investments recorded to FERC account 312 are, per  
14 PacifiCorp’s depreciation study, investments in long-lived plant.

15

16 **Q. Did PacifiCorp provide testimony or any other evidentiary support**  
17 **demonstrating that the 251 projects were not investments made for the purpose**  
18 **of extending the lives of Colstrip Unit 4 or Jim Bridger Units 3-4?**

---

<sup>39</sup> Cheung, Exh. SLC-4 at 384.

<sup>40</sup> *Wash. Utils. & Transp. Comm’n v. PacifiCorp*, Docket UE-180778 PacifiCorp Depreciation Study, Exh. JJS-3, 85-87 (Aug. 29, 2018). Plant PacifiCorp records to FERC account 312 follows the survivor curve of 65-L0.5 which indicates that approximately 50 percent of plant placed in service and recorded to FERC account 312 remains in service for greater than 65 years.

<sup>41</sup> *Wash. Utils. & Transp. Comm’n v. PacifiCorp*, Docket UE-180778 PacifiCorp Depreciation Study, Spanos, Exh. JJS-3 at 60 (Aug. 29, 2018).

<sup>42</sup> *Wash. Utils. & Transp. Comm’n v. PacifiCorp*, Docket UE-180778 PacifiCorp Depreciation Study, Spanos, Exh. JJS-3 at 64-65 (Aug. 29, 2018).

1 A. No. In testimony, PacifiCorp provided only brief descriptions of the four major  
2 projects at Colstrip Unit 4.<sup>43</sup> PacifiCorp did not at all address the remaining 247  
3 projects, including the nine “major” projects at Bridger Units 3-4.

4 With respect to the projects on which PacifiCorp does offer testimony – i.e.,  
5 the four major projects at Colstrip Unit 4 – PacifiCorp offers only the bare assertion  
6 that the investments were not made for the purpose of extending the life of the  
7 facility.<sup>44</sup>

8

9 **Q. Has the Commission previously considered any of the investments PacifiCorp**  
10 **includes in its Adjustments 10.6 and 14.7?**

11 A. Yes. The investment in a dry waste disposal system at Colstrip was an issue in  
12 Avista’s and PSE’s most recent general rate cases. In the Avista case, the  
13 Commission agreed with Public Counsel and Staff that some Colstrip-related costs,  
14 including but not limited to Dry Ash Disposal System, were not in the public interest  
15 and contradict CETA requirements. It would be therefore inappropriate to recover  
16 these costs from Washington ratepayers as the clean energy transition proceeds.<sup>45</sup>

17 Furthermore, as the Commission previously noted, the counterparties to the  
18 aforementioned PacifiCorp settlement offered the owners of Colstrip an opportunity  
19 to push back or eliminate the deadline for completing the dry ash waste disposal  
20 system in exchange for a definitive closure date for Colstrip Units 3 and 4.<sup>46</sup> As such,

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<sup>43</sup> Richards, Exh. BDR-1T at 6:1-9:7.

<sup>44</sup> See e.g., *Id.* at 7:8-10.

<sup>45</sup> Avista GRC Order at 23-24, ¶¶ 67-68.

<sup>46</sup> *Wash. Utils. & Transp. Comm’n v. Avista Corp.*, Dockets UE-200900 & UG-200901, Order 08, 99, ¶ 278 (Sept. 27, 2021).

1           there were alternative courses of action available to the joint Colstrip owners,  
2           rendering dubious PacifiCorp’s claim that the investment was “necessary.” The  
3           investment was “necessary” only in the sense that it needed to be done to enable the  
4           joint owners to avoid agreeing to a definitive closure date for the Colstrip units and  
5           thereby allowing the joint owners to operate the facilities indefinitely.

6

7   **Q.    Does the joint owners’ decision to invest in the dry ash disposal system rather**  
8           **than agree to a definitive closure date indicate that this was a life-extending**  
9           **investment?**

10  A.    Yes. Had the joint owners been willing to agree to a firm closure date for Colstrip  
11       Units 3 and 4, it appears the investment could have been avoided. The investment  
12       allowed the joint owners to avoid agreeing to a definitive closure date, thereby  
13       enabling operation beyond whatever closure date(s) the joint owners could have  
14       otherwise considered. In other words, the investment was made for the purpose of  
15       extending the life of Colstrip.

16

17  **Q.    Are Avista and PSE allowed to recover the costs of the dry ash disposal system**  
18       **in rates?**

19  A.    No. As part of the settlements of Avista’s and PSE’s most recent general rate cases,  
20       both Avista and PSE have agreed to forego rate recovery of their investments in the  
21       dry waste disposal system.

22

1 **Q. Given that Staff recommends in Section V.A.2., below, that the costs of the Jim**  
2 **Bridger Units 1-2 gas conversion be prorated, why does Staff not support**  
3 **PacifiCorp’s proposal to include in rates its long-lived investments in Colstrip**  
4 **Unit 4 and Jim Bridger Units 3-4 on a prorated basis?**

5 A. Assuming it goes into service, the Jim Bridger Units 1-2 gas-fired facility will be  
6 used and useful for service in Washington, albeit only for a portion of the facility’s  
7 expected service life. Therefore, it *should be* included in Washington rates on a  
8 prorated basis. For Colstrip Unit 4 and Jim Bridger Units 3-4, new investments in  
9 long-lived assets are necessarily for the purpose of continuing operations beyond  
10 2025. And given that coal must be eliminated from Washington’s allocation of  
11 electricity by the end of 2025, investments made for the purpose of continuing  
12 operations beyond 2025 are not used and useful in Washington and should not be  
13 included in rates, even on a prorated basis.

14

15 **2. Adj. 10.7 and Adj. 14.8 – Jim Bridger Units 1-2**

16

17 **Q. Please summarize Staff’s recommendation concerning the costs of the Jim**  
18 **Bridger Units 1-2 gas conversion.**

19 A. Staff recommends that the Commission prorate the costs of the Bridger 1-2 gas  
20 conversion that it includes in rates, reflecting PacifiCorp’s expectation that the  
21 facility will serve Washington for only 5.5 years (2024-2029) of its 13.5-year (2024-  
22 2037) expected service life. Prorating reduces the Washington-allocated project costs  
23 from \$4.6 million to \$1.9 million.

1 **Q. How did PacifiCorp determine the level of costs to include in Washington rates?**

2 A. PacifiCorp estimates the total investment will be \$20.9 million, or \$4.6 million on a  
3 Washington-allocated basis.<sup>47</sup> The \$4.6 million PacifiCorp has included in its  
4 proposed rates represent the full, Washington-allocated share of the total project  
5 costs.<sup>48</sup> While PacifiCorp states that, under CETA, Bridger 1-2 will be used for  
6 service in Washington for only a portion of the facility's expected service life, the  
7 Company did not prorate the costs of Bridger 1-2. Rather, PacifiCorp is proposing to  
8 recover the full Washington allocated share of the \$4.6 million investment over 6  
9 years (2024-2029).

10

11 **Q. What is the revenue requirement impact of Staff's recommendation to prorate  
12 the costs of the Jim Bridger Units 1-2 gas conversion?**

13 A. Staff's Adjustment 10.7 increases revenue requirement by \$0.2 million<sup>49</sup> which,  
14 relative to PacifiCorp's Adjustments 10.7, represents a \$0.3 million reduction to  
15 RY1 revenue requirement. Staff's Adjustment 14.8 increases revenue requirement by  
16 \$0.1 million<sup>50</sup> which, relative to PacifiCorp's Adjustments 14.8, represents a \$0.1  
17 million reduction to RY2 revenue requirement.

18

19 **Q. Why will Bridger 1-2 be used for service in Washington for only a portion of the  
20 facility's expected service life?**

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<sup>47</sup> Richards, Exh. BDR-1T at 2, Table 1.

<sup>48</sup> *Id.* at 2:8-11.

<sup>49</sup> Huang, Exh. JH-2 at 11.

<sup>50</sup> Huang, Exh. JH-3 at 3.



1 A. While PacifiCorp expects the facility to be placed in service in mid-2024<sup>51</sup> and to  
2 remain in service through 2037<sup>52</sup> (for an expected service life of approximately 13.5  
3 years), the Company believes that, given the greenhouse neutrality standards of  
4 CETA, the Bridger 1-2 gas-fired facility cannot serve Washington beyond 2029.<sup>53</sup>  
5 Therefore, PacifiCorp expects the Bridger 1-2 gas-fired facility to serve Washington  
6 for only 5.5 years (or 41 percent) of the facility's expected service life of 13.5 years.

7  
8 **Q. What are Staff's concerns with how PacifiCorp has included the costs of the gas  
9 conversion in its proposed rates?**

10 A. PacifiCorp includes an amount in its proposed rates that is well beyond  
11 Washington's fair share of the costs of the gas conversion. PacifiCorp's proposal to  
12 recover a full Washington allocated share of the costs fails to account for  
13 PacifiCorp's expectation that the facility will serve Washington for only 5.5 years,  
14 which is 41 percent of the facility's expected service life of 13.5 years. In other  
15 words, PacifiCorp wants Washington to pay 100 percent of the costs but receive only  
16 41 percent of the benefits.

17  
18 **Q. What would be a more appropriate approach to determining what portion of  
19 the costs should be allocated to Washington ratepayers?**

---

<sup>51</sup> Richards, Exh. BDR-1T at 3:13-14.

<sup>52</sup> McGuire, Exh. CRM-3 at 1.

<sup>53</sup> *Id.* at 2.

1 A. The allocation of costs to Washington should be consistent with the allocation of  
2 benefits to Washington, consistent with Commission standard.<sup>54</sup> In this case, the  
3 costs of the facility should be prorated to reflect the remaining years Washington will  
4 receive benefit from the facility (i.e., 5.5 years) relative to the remaining service life  
5 of the facility (i.e., 13.5 years).

6

7 **Q. Why did PacifiCorp not prorate the costs of Bridger 1-2 given that Washington**  
8 **will receive benefit from the facility for only a fraction of the facility’s expected**  
9 **service life?**

10 A. I don’t know. PacifiCorp did not provide a rationale for why it did not prorate the  
11 costs of Bridger 1-2. PacifiCorp choosing to not prorate the costs of Bridger 1-2 is  
12 particularly peculiar given that the Company *did* prorate the costs of Colstrip Unit 4  
13 and Jim Bridger Units 3-4, facilities which face fundamentally the same  
14 circumstances as Bridger 1-2 – i.e., under CETA the Company concluded that these  
15 facilities would provide service in Washington for only a portion of their remaining  
16 service lives. It’s not clear why PacifiCorp used the limitations it believes are  
17 imposed by CETA as the rationale for prorating Bridger 3-4 and Colstrip 4 but did  
18 not apply that same rationale to Bridger 1-2.

19

20 **Q. Does Staff recommend the Commission prorate the costs it includes in**  
21 **PacifiCorp’s rates for the gas conversion at Jim Bridger Units 1-2?**

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<sup>54</sup> RCW 80.04.250; *Wash. Utils. & Transp. Comm’n v. PacifiCorp*, Dockets UE-050684 & UE-050412, Order 04/03, 27-28, ¶ 68 (Apr. 17, 2006) (“The test for including a resource in rates is not whether it is “needed, deliverable and least cost” but rather whether it provides quantifiable direct or indirect benefits to Washington commensurate with its cost.”).

1 A. Yes.

2

3 **Q. How does Staff recommend the costs of Bridger 1-2 be prorated?**

4 A. Staff recommends prorating the costs of Jim Bridger Units 1-2 using the same  
5 methodology that PacifiCorp uses to prorate the costs of Colstrip Unit 4 and Jim  
6 Bridger Units 3-4. Specifically, the prorated amount is based on the fraction of the  
7 facility's expected remaining life that it will serve Washington ratepayers (i.e., as the  
8 number of months remaining to the CETA deadline divided by the number of months  
9 remaining in the facility's expected service life.<sup>55</sup> For Jim Bridger Units 1-2, Staff  
10 calculates the fraction of the facility's expected remaining life that the facility will  
11 serve Washington ratepayers on a month-by-month basis as the number of months  
12 remaining to the December 2029 CETA deadline divided by the number of months  
13 remaining to the December 2037 expected end of service life.

14

15 **B. MYRP Policy**

16

17 **1. Review of Plant Provisionally Included in Rates**

18

19 **a. Annual Review Process and Determining when to Issue**

20 **Refunds**

21

22

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<sup>55</sup> Cheung, Exh. SLC-1T at 13:16-18.

1 **Q. Does Staff agree with PacifiCorp that the annual capital reviews should**  
2 **compare actual used and useful plant to the level of plant included in**  
3 **provisional rates on a portfolio basis (rather than on a project-by-project**  
4 **basis)?**

5 A. Yes. Staff agrees that requiring the Company to stick rigidly to its forecasted capital  
6 plan could lead to bad business decisions<sup>56</sup> and that the Company should not be  
7 penalized for adaptively managing its investment plan and appropriately responding  
8 to changing circumstances.<sup>57</sup> Examining the level of plant on a portfolio level allows  
9 for adaptive management while still ensuring that, in the aggregate, customers only  
10 pay for plant that is used and useful during the rate-effective period.

11  
12 **Q. What does Staff recommend with respect to the threshold for determining**  
13 **refunds during the annual retrospective reviews of plant provisionally included**  
14 **in rates?**

15 A. Staff recommends that the Commission establish that, to determine ratepayer refunds  
16 related to plant provisionally included in rates, the annual retrospective reviews  
17 should compare the actual used and useful plant with the level of plant included in  
18 provisional rates, thus applying a refund threshold that is consistent with the property  
19 valuation statute, RCW 80.04.250.

20  
21  
22

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<sup>56</sup> Cheung, Exh. SLC-1T at 23:17-19.

<sup>57</sup> *Id.* at 23:3-7.

1 **Q. What threshold does PacifiCorp propose?**

2 A. PacifiCorp proposes to apply the 0.5 percent above authorized ROR threshold from  
3 the MYRP statute, RCW 80.28.425(6).<sup>58</sup>

4

5 **Q. Why is the 0.5 percent threshold under RCW 80.28.425(6) not the ideal  
6 threshold to use when reviewing the provisional plant?**

7 A. In short, the 0.5 percent threshold under RCW 80.28.425(6) is not an indicator of  
8 whether (or the degree to which) the level of plant provisionally included in rates  
9 was used and useful for service during the rate effective period, which is a  
10 requirement under Washington's property valuation statute, RCW 80.04.250.

11 The purpose of establishing a process for reviewing and approving plant  
12 provisionally included in rates is to ensure that provisional rates do not run afoul of  
13 used and useful provision of RCW 80.04.250.<sup>59</sup> To the extent that provisional rates  
14 are shown during the retrospective review to include a level of plant above the level  
15 of plant that was actually used and useful for service during the rate-effective period,  
16 RCW 80.04.250 would necessitate refunding ratepayers in full the amount the utility  
17 collected through rates for the value of plant that was not used and useful.

18 The 0.5 percent threshold under RCW 80.28.425(6) pertains to a company's  
19 overall earnings and is meant to ensure that companies operating under a MYRP do  
20 not over-earn by more than 0.5 percent of authorized ROR. A company's overall  
21 (over)earnings tell the Commission nothing about whether provisional rates included

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<sup>58</sup> Cheung, Exh. SLC-1T at 22:3-10.

<sup>59</sup> See *In re Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful after Rate Effective Date*, Docket U-190531, Policy Statement on Property that becomes Used and Useful after Rate Effective Date, 3-4, ¶¶ 7-8 (January 31, 2020) (Used and Useful Policy Statement).

1 plant that was not used and useful. Applying the 0.5 percent threshold under RCW  
2 80.28.425(6) would allow the utility to keep amounts collected from customers for  
3 plant that was not used and useful as long as the utility didn't over-earn by more than  
4 0.5 percent of authorized ROR.

5 Ironically, PacifiCorp points out that the Commission's Used and Useful  
6 policy statement "mandates a safeguard for customers from paying for any capital  
7 costs in rates that significantly differ from actual capital costs placed in service to  
8 serve customers,"<sup>60</sup> but then proposes threshold does not provide that very safeguard  
9 for customers.

10  
11 **Q. Was the 0.5 percent threshold that PacifiCorp proposes the threshold that was**  
12 **established for PSE's and Avista's retrospective capital reviews?**

13 A. Yes. However, the PSE and Avista GRCs were the first two GRCs adjudicated under  
14 the state's new multiyear rate plan statute and, accordingly, the agreed-upon designs  
15 of the PSE and Avista MYRPs and refund mechanisms should be considered  
16 experimental test beds rather than perfected models that all future rate cases should  
17 follow. After now having gone through one cycle of annual retrospective capital  
18 reviews for both PSE and Avista, Staff now recognizes that the MYRP statute's  
19 earnings cap of 0.5 percent over authorized ROR is an imperfect threshold for  
20 determining whether companies should issue refunds related to provisional plant that  
21 was not used and useful in the rate effective period. Staff now believes that, while it  
22 had initially envisioned that the 0.5 percent over authorized ROR threshold would

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<sup>60</sup> Cheung, Exh. SLC-1T at 22:15-19.

1 operate functionally as a PIM,<sup>61</sup> for the purpose of determining refunds related to  
2 plant provisionally included in rates the annual retrospective capital reviews should  
3 compare the actual level of plant used and useful during the rate effective period to  
4 the level of plant included in provisional rates, thus applying a refund threshold that  
5 is consistent with the property valuation statute, RCW 80.04.250.

6  
7 **b. Provisional Plant Subject to Review**

8  
9 **Q. What does Staff recommend regarding which pro forma plant additions should**  
10 **be included in rates provisionally as subject to review (and possible refund) in**  
11 **the annual capital reports?**

12 A. Except for the specific capital additions Staff contests in PacifiCorp's Adjustments  
13 10.6, 10.7, 14.7, and 14.8,<sup>62</sup> Staff recommends that the Commission treat all of the  
14 post-test year plant additions PacifiCorp includes in its case as provisional. This  
15 includes post-test year plant additions in 2022, 2023, 2024, and (for RY2) 2025.

16  
17 **Q. Which plant additions did PacifiCorp request be included in base rates**  
18 **provisionally and subject to review in its annual retrospective capital report?**

19 A. It's unclear what PacifiCorp is proposing, particularly with respect to post-test year  
20 plant additions that were placed in service in 2022. PacifiCorp at times suggests all  
21 of the post-test year plant that is placed in service prior to rates going into effect

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<sup>61</sup> *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy Inc.*, Dockets UE 220066 & UG 220067, Ball, Exh. JLB-1T at 48:4-21 (filed July 28, 2022).

<sup>62</sup> I address these plant additions in, *supra*, Sections V.A.1. and V.A.2., above.

1 (which necessarily would include the post-test year plant additions in 2022) would  
2 be provisional and subject to refund,<sup>63</sup> but at other times identifies only investments  
3 made in calendar year 2023 as subject to review in the initial capital report.<sup>64</sup>  
4

5 **Q. Does PacifiCorp’s presentation of its pro forma plant adjustments allow for the**  
6 **post-test year plant additions in 2022 to be included in rates permanently, and**  
7 **not subject to refund?**

8 A. No. As the Commission explained in its Used and Useful Policy Statement, the  
9 Commission requires utilities to propose provisional pro forma adjustments  
10 separately from traditional pro forma adjustments.<sup>65</sup> PacifiCorp, however, did not  
11 provide separate provisional versus traditional pro forma adjustments. Rather, the  
12 Company includes plant transfers from July 2022 through June 2023 – which the  
13 Company could have included in a traditional pro forma adjustment – in the same  
14 pro forma adjustments as plant transfers projected for July 2023 through December  
15 2025.  
16

17 **Q. Is there anything else about PacifiCorp’s pro forma plant adjustments that**  
18 **makes it challenging to separately identify plant that otherwise could have been**  
19 **considered for traditional pro forma treatment?**  
20

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<sup>63</sup> McVee, Exh. MDM-1T at 25:5-8.

<sup>64</sup> *Id.* at 26, Table 2.

<sup>65</sup> *Used and Useful Policy Statement* at 11-12, ¶ 34 (“Companies must then propose rate-effective period investments identified through a GRC separately from traditional pro forma rate-base adjustments through the use of a provisional pro forma adjustment, and then must state whether they are seeking recovery through base rates or a separate tariff schedule.”).



1 A. Yes. While plant additions between January and June 2023 could have been  
2 considered for traditional pro forma treatment, the Company aggregated its  
3 investment by calendar year and, for many projects,<sup>66</sup> it is not possible to discern the  
4 plant transfers between January and June 2023 from the plant transfers between July  
5 and December 2023.

6

7 **Q. What does Staff conclude about PacifiCorp’s pro forma plant adjustments?**

8 A. Given that the Company did not separately identify traditional versus provisional pro  
9 forma adjustments as required by Commission policy<sup>67</sup> and did not present its post-  
10 test year capital additions in a manner that would otherwise make it possible to  
11 delineate between traditional versus provisional plant additions, Staff concludes that  
12 PacifiCorp’s pro forma plant adjustments must be considered provisional in their  
13 entirety.

14

15 **Q. What does Staff recommend regarding which pro forma plant additions should**  
16 **be considered provisional and subject to review and refund in the annual**  
17 **capital reports?**

18 A. Staff recommends that the Commission determine that PacifiCorp’s pro forma plant  
19 adjustments should be considered provisional pro forma adjustments in their entirety,  
20 and all of the post-test year plant additions PacifiCorp includes in its case be subject  
21 to refund in the annual capital reviews.

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<sup>66</sup> Especially for projects where the Company identifies the anticipated in-service date as “various.” E.g.,  
Cheung, Exh. SLC-4 at 305.

<sup>67</sup> Used and Useful Policy Statement at 11-12, ¶ 34.

1 **Q. What implications does Staff’s recommendation have on prudence**  
2 **determinations in this case?**

3 A. Given that PacifiCorp did not separately identify its “traditional” pro forma plant  
4 additions, it is not possible to identify a clear delineation between the projects that  
5 are ripe for full prudency consideration and those that are not. Moreover,  
6 PacifiCorp’s failure to separately identify “traditional” pro forma plant adjustments  
7 requires that the Company’s pro forma plant adjustments be considered provisional  
8 in their entirety which, in turn, means that none of the pro forma plant additions  
9 presented in this case pertain to “permanent” (versus provisional) rates. Therefore,  
10 absent a request by the Company to include specific investments in rates on  
11 permanent basis, there is no need for the Commission to make final prudency  
12 determinations in this proceeding. Determinations with respect to prudency of plant  
13 included in rates provisionally should be made within the context of the annual  
14 retrospective capital reviews.

15  
16 **Q. Did PacifiCorp request formal prudency determinations in its direct case?**

17 A. Yes. PacifiCorp requested that the Commission make prudency determinations with  
18 respect to certain of the Company’s investments in distribution and transmission  
19 infrastructure,<sup>68</sup> wind repowering projects,<sup>69</sup> hydro projects,<sup>70</sup> wildfire mitigation,<sup>71</sup>  
20 and a new customer service system.<sup>72</sup>

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<sup>68</sup> Vail, Exh. RAV-1T, 1:19-2:7.

<sup>69</sup> Hemstreet, Exh. TJH-1CTr, 27:13-18; Burns, Exh. TRB-1CTr, 41:6-7.

<sup>70</sup> Hemstreet, Exh. TJH-1CTr, 27:13-18.

<sup>71</sup> Berreth, Exh. ALB-1T, 1:24-2:2.

<sup>72</sup> Comeau, Exh. WJC-1T, 6:23-7:5.

1 **Q. Should the Commission grant PacifiCorp’s request to make prudence**  
2 **determinations for these investments?**

3 A. No. As I explained above, all of PacifiCorp’s plant additions are included in pro  
4 forma adjustments that must be considered provisional. Accordingly, all of the post-  
5 test year plant additions PacifiCorp includes in its case – including the plant  
6 additions for which the Company has requested determinations of prudence – must  
7 be part of the annual capital review. And given that determinations with respect to  
8 the prudence of plant provisionally included in rates should be made within the  
9 context of the annual capital reviews, the Commission should not make prudence  
10 determinations in this proceeding.

11 Additionally, many of the projects for which PacifiCorp seeks a  
12 determination of prudence are not yet complete and, thus, are not ripe for  
13 consideration at this time. For example, the Company requests a prudency finding  
14 for the Foote Creek II-IV and Rock River I wind repowering projects,<sup>73</sup> yet the  
15 Company does not expect those projects to be completed until July 2024 and July  
16 2025, respectively.<sup>74</sup> The Company also requests a prudency finding for certain of its  
17 transmission and distribution projects,<sup>75</sup> but four of the five projects listed in Table 1  
18 of Company witness Vail’s testimony are not scheduled to be in service until at least  
19 October of 2024.<sup>76</sup>

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<sup>73</sup> Hemstreet, Exh. TJH-1T at 27:14-18.

<sup>74</sup> Hemstreet, Exh. TJH-1CTr at 12:20 and 13:5.

<sup>75</sup> Vail, Exh. RAV-1T at 27:13-14.

<sup>76</sup> *Id.* at 13:2, Table 1.

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c. **Duration of Review Period**

**Q. What does PacifiCorp propose with respect to the duration of the review period for the retrospective examination of the provisional plant?**

A. PacifiCorp proposes to file its capital report on July 15 of each year of the MYRP with a 105-day period for review.<sup>77</sup>

**Q. Does Staff support PacifiCorp’s proposed period for review?**

A. Yes, but only with the understanding that for more complicated or controversial plant reviews it could be necessary to set the matter for hearing and establish a procedural schedule that substantially extends the period for review. Staff views the 105-day review period proposed by PacifiCorp as only the *initial* review period wherein parties would assess whether the review can be completed without formal adjudication.

**Q. Does Staff expect the review of PacifiCorp’s 2024 and 2025 capital reports to be completed within the initial 105-day review period?**

A. No. The annual capital review is the venue where parties examine and make recommendations to the Commission regarding prudence, and prudence examinations are complicated and time-consuming exercises. The annual capital reviews for PacifiCorp will be particularly complicated and time consuming given that (a) due to PacifiCorp’s presentation of its pro forma plant adjustments in this

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<sup>77</sup> McVee, Exh. MDM-1T at 25:5-10.

1 case, the full spectrum of the Company’s post-test year plant additions (from July  
2 2022 forward) must be considered provisional and subject to review and refund,<sup>78</sup>  
3 and (b) PacifiCorp is seeking formal findings of prudence for several major projects  
4 that it expects to place in service in 2024 and 2025.<sup>79</sup> The 2024 and 2025 capital  
5 reviews thus will consider investments placed in service over an unusually long time  
6 period and likely will require a developed evidentiary record upon which the  
7 Commission can render decisions on PacifiCorp’s formal requests for findings of  
8 prudence.

## 9

## 10 2. Performance Measures

11

12 **Q. Please summarize Staff’s position with respect to establishing performance**  
13 **measures for PacifiCorp.**

14 A. Staff recommends that the Commission order PacifiCorp to report on the eight  
15 performance measures proposed by the Company, plus an additional two measures  
16 for affordability and energy burden, consistent with the affordability and energy  
17 burden measures the Commission established for PSE and Avista.<sup>80</sup> The Commission  
18 should reject PacifiCorp’s proposal to omit the census tract-level performance  
19 measures for affordability and energy burden. Specifically, Staff recommends that  
20 the Commission order PacifiCorp to report on the following ten measures:

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<sup>78</sup> Discussed in further detail, above.

<sup>79</sup> Discussed in further detail, above.

<sup>80</sup> PSE GRC Order at 33, Table 4; Avista GRC Order at 70, Table 8.

- 1           • Operational efficiency – (1) O&M divided by operating revenue, (2)  
2           operating revenue divided by AMA rate base, (3) operating revenue divided  
3           by EOP rate base, and (4) current assets divided by current liabilities.
- 4           • Earnings – (1) operating revenues for return divided by total rate base, and  
5           (2) retained earnings divided by total equity.
- 6           • Affordability – (1) average annual bill impacts by census tract, and (2)  
7           average annual bill impacts by zip code.
- 8           • Energy burden – (1) average annual bill divided by average median income  
9           by census tract, and (2) average annual bill divided by average median  
10          income by zip code.

11

12   **Q. Does PacifiCorp propose any modifications to the set of performance measures**  
13   **established for PSE and Avista?**

14   A. Yes. PacifiCorp proposes three modifications to the list of measures the Commission  
15   established for PSE and Avista. First, PacifiCorp proposes to replace net income  
16   divided by operating revenue as an earnings measure with operating revenues for  
17   return divided by total rate base. Second, the Company proposes reporting current  
18   assets divided by current liabilities (operational efficiency metric) and retained  
19   earnings divided by total equity (earnings metric) on a total-company basis rather  
20   than on a Washington-specific basis. Third, PacifiCorp proposes to eliminate the  
21   census tract-level performance measures for affordability and energy burden (but  
22   retain the zip code-level reporting for those measures).<sup>81</sup>

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<sup>81</sup> McVee, Exh. MDM-1T at 30:15-31:1.

1 **Q. Does Staff have concerns with any of PacifiCorp’s proposed modifications to the**  
2 **list of performance measures?**

3 A. Yes. Staff does not support PacifiCorp’s proposal to eliminate the census tract-level  
4 reporting for the affordability and energy burden metrics. Staff does not contest the  
5 other modifications PacifiCorp proposes.

6

7 **Q. What reason did PacifiCorp provide for omitting the census tract-level**  
8 **performance measures for affordability and energy burden?**

9 A. The Company states that it does not readily track this information and it would have  
10 to hire an outside contractor and incur additional expense in order to report on these  
11 measures.<sup>82</sup>

12

13 **Q. Does Staff agree with PacifiCorp’s rationale for omitting the census tract-level**  
14 **affordability and energy burden metrics?**

15 A. No. While it is possible PacifiCorp would incur additional expense if it were  
16 required to report on affordability and energy burden metrics at the census tract  
17 level, the fact that there are likely to be incremental costs associated with new  
18 reporting requirements is neither surprising nor a compelling reason to eliminate  
19 important performance metrics. Staff does not find PacifiCorp’s argument regarding  
20 incremental expenses particularly persuasive here.

21 Moreover, the Company has already begun collecting relevant customer data  
22 at the census tract level. For example, PacifiCorp’s Washington Energy Burden

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<sup>82</sup> McVee, Exh. MDM 1-T at 30:10-12.

1 Assessment that was completed in June 2022, mapped customers to census tract and  
2 matched customers to census tract average statistics.<sup>83</sup>

3  
4 **Q. What does Staff recommend with respect to establishing performance metrics  
5 for affordability and energy burden?**

6 A. Staff recommends that the Commission require PacifiCorp to report affordability and  
7 energy burden metrics – namely, average annual bill and average annual bill divided  
8 by median income – at the census tract level as well as at the zip code level,  
9 consistent with what the Commission required of PSE and Avista.<sup>84</sup>

10  
11 **Q. Why does Staff believe the Commission should require the Company to report  
12 on the affordability and energy burden measures at the census tract level?**

13 A. The Commission has identified affordability and energy burden measures, reported  
14 at the census tract level, as important performance measures that it would like to  
15 track. The Commission already has established census tract level affordability and  
16 energy burden measures for both PSE and Avista, and within its PBR policy  
17 proceeding has included metrics proposed to be reported at the census tract level.<sup>85</sup>

18 Furthermore, PacifiCorp’s argument that the census level data are not readily  
19 available falls flat since, as its June 2022 Washington Energy Burden Assessment  
20 indicates, the Company has already begun mapping customers to census tract and  
21 compiling energy burden statistics at the census tract level.

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<sup>83</sup> McGuire, Exh. CRM-4 at 12.

<sup>84</sup> PSE GRC Order at 33, Table 4; Avista GRC Order at 70, Table 8.

<sup>85</sup> For example, *Phase 1-Proposed Metrics*, Docket U-210590, Notice of Opportunity to Comment, 3 (issued Nov. 30, 2022).



1 **Q. Does Staff recommend that the Commission require PacifiCorp to report on**  
2 **any additional performance metrics, such as the metrics PSE and Avista agreed**  
3 **to report on part of the settlements of those companies' most recent GRCs?**

4 A. No. The PSE and Avista settlements require those companies to report at minimum  
5 92 additional metrics,<sup>86</sup> which Staff now believes may be beyond what is necessary  
6 at this stage of the Commission's adoption of PBR. Furthermore, in its final order in  
7 the PSE GRC, the Commission noted that many of the metrics in the settlement  
8 stipulation "are not necessarily measures for evaluating PSE's operations under  
9 law."<sup>87</sup> Given the Commission's comments regarding the metrics identified in the  
10 PSE settlement, as well as the limited set of performance measures that the  
11 Commission ultimately established for PSE and Avista, Staff does not believe that  
12 establishing additional performance metrics for PacifiCorp is warranted at this time.  
13 Staff believes that the Commission's PBR policy proceeding, Docket U-210590, is a  
14 more appropriate venue for considering additional performance metrics.

15 Despite Staff's reluctance to endorse additional performance metrics for  
16 PacifiCorp at this time, Staff is open to requiring the Company to report on  
17 additional performance-based metrics recommended by other parties to this case,  
18 particularly if those parties are able to clearly articulate how the proposed metric will  
19 be used to measure utility performance.

20

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<sup>86</sup> *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-220053, UG-220054, & UE-21085, Settlement Stipulation Attachment B, 4 (June 28, 2022).

<sup>87</sup> PSE GRC Order at 32, ¶ 108.

1                   **3.       Rate “Update” on January 1, 2026, to Remove Coal**

2  
3   **Q.     How does PacifiCorp propose to eliminate coal from rates by December 31,**  
4           **2025, as required by CETA?**

5   A.     Given the timing of PacifiCorp’s rate case, year two of the Company’s multiyear rate  
6           plan proposal overlaps the December 31, 2025, deadline for removing coal from  
7           rates. Therefore, in addition to the proposed rate revisions effective March 1, 2024  
8           for RY1 and March 1, 2025 for RY2, PacifiCorp proposes a third rate revision  
9           effective January 1, 2026, to eliminate coal from the year two rates that went into  
10          effect 9 months prior.

11  
12   **Q.     Does Staff support PacifiCorp’s proposed January 1, 2026, update of its**  
13           **authorized year two rates?**

14   A.     No. It is not realistic to assume that coal costs can be removed from rates with a  
15           simple “update” to rates effective January 1, 2026. Removing coal from rates will be  
16           a complicated exercise, and parties need to be afforded an opportunity to examine  
17           not only the costs that were (or were not) not removed from base rates, but also the  
18           new costs for replacement power the Company likely would seek to include in such a  
19           rate update, which could be substantial.

20  
21   **Q.     What does Staff recommend with respect to PacifiCorp’s proposed January 1,**  
22           **2026, rate “update?”**

1 A. Staff recommends that the Commission reject PacifiCorp’s proposal to simply  
2 “update” rates on January 1, 2026. Instead, Staff recommends the Commission order  
3 PacifiCorp to remove coal from rates by (a) revising the rates for the Colstrip 4/  
4 Bridger 3-4 tracker established through this GRC, and (b) filing a power cost only  
5 rate case in April of 2025, and with rates effective January 1, 2026, for both filings.

6

7 **Q. How does Staff’s proposed approach simplify the removal of coal from rates by**  
8 **December 31, 2025, while affording parties due process?**

9 A. First, Staff’s proposal to establish a coal facility tracker would allow PacifiCorp to  
10 remove plant-related coal costs from rates through the revision of a dedicated tariff  
11 tracker schedule rather than through the revision of base rates. Second, with moving  
12 plant-related costs over to a tracker, the only coal-related costs remaining in base  
13 rates are power costs and, therefore, the remaining coal-related costs can be removed  
14 – and the replacement power costs can be added – through a narrowly scoped  
15 PCORC.

16

17 **Q. When does Staff envision PacifiCorp would file the proposed rate revisions**  
18 **removing coal from rates?**

19 A. With respect to the PCORC, Staff envisions PacifiCorp filing a tariff revision to  
20 remove coal-related power costs and to add replacement power costs on May 1,  
21 2025, or nine months prior to the rates going into effect on January 1, 2026. The  
22 additional time is needed for the PCORC to accommodate the procedural

1 requirements of adjudication as well as to provide parties with sufficient time to  
2 examine the new costs associated with replacement power.

3 With respect to the tracker schedule, Staff envisions PacifiCorp filing a tariff  
4 revision to remove plant-related costs at the same time it files its PCORC (i.e., also  
5 on May 1, 2025), which would ensure that the removal of coal from PacifiCorp's  
6 rates could be examined comprehensively over a defined timeline.

7  
8 **C. Other Issues Not Impacting Revenue Requirement**

9  
10 **1. PCAM Deadbands and Sharing Bands**

11  
12 **Q. What does Staff Recommend?**

13 A. Staff recommends that the Commission reject PacifiCorp's request to eliminate its  
14 PCAM deadbands and sharing bands. However, as discussed in further detail by  
15 Staff witness Wilson, Staff recommends eliminating the deadbands and adopting a  
16 90/10 risk sharing mechanism.<sup>88</sup>

17  
18 **Q. On what basis does PacifiCorp argue that the PCAM deadbands and sharing  
19 bands should be eliminated?**

20 A. PacifiCorp argues that it has little to no control over its power cost variances and,  
21 therefore, the bands cannot serve the intended purpose of incentivizing the Company  
22 to control its costs.<sup>89</sup> To support its argument, PacifiCorp cites difficulty in

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<sup>88</sup> Wilson, Exh. JDW-1CT at 36:13-38:14.

<sup>89</sup> Painter, Exh. JP-1T at 6:1-5.

1 accurately forecasting power costs as well as the Company's pending participation in  
2 an independent system operator type organized market, which takes the economic  
3 dispatch of resources out of the Company's direct control.<sup>90</sup>  
4

5 **Q. Is PacifiCorp's argument convincing to Staff?**

6 A. No. While there is some merit to PacifiCorp's claim that it is unable to exert much  
7 control over actual rate year power costs, incentivizing cost control is not the only  
8 purpose of power cost sharing mechanisms. Importantly, the Commission has  
9 established that one of the key purposes of power cost sharing mechanisms is to  
10 ensure an equitable sharing of variance risk between ratepayers and shareholders.<sup>91</sup>  
11 Eliminating the PCAM deadbands and sharing bands would place 100 percent of the  
12 power cost variance risk on ratepayers, which is as inconsistent with an equitable  
13 sharing of risk as possible. PacifiCorp does not explain why it believes the  
14 Commission should abandon equitable risk sharing as an objective of the Company's  
15 PCAM.

16  
17 **Q. How does PacifiCorp address the objective of equitable sharing of risk between**  
18 **ratepayers and shareholders?**

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<sup>90</sup> *Id.* at 5-6.

<sup>91</sup> *In re Petition of Avista Corp. for Continuation of the Company's Energy Recovery Mechanism, with Certain Modifications*, Docket UE-060181, Order 03, 9, ¶ 23 (June 16, 2006) ("The proposed modification to the deadband previously established as part of Avista's ERM and the proposed sharing bands are useful mechanisms that allocate appropriately between shareholders and ratepayers the risk of power cost variability the ERM is meant to address and should motivate Avista to effectively manage or even reduce its power costs."); *see also Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-011570 & UG-011571, Twelfth Supplemental Order, 11, ¶ 22 (June 20, 2002); *Wash. Utils. & Transp. Comm'n v. Avista*, Docket UE-011595, Fifth Suppl. Order, 4, ¶ 8 (June 18, 2002).

1 A. It doesn't. In fact. PacifiCorp appears to not understand what the term "equitable"  
2 means in this context. The Company argues that eliminating the bands "will  
3 eliminate the possibility of inequitable sharing of power cost variances,"<sup>92</sup> indicating  
4 that, in PacifiCorp's view, equity is achieved by allocating 100 percent of the risk to  
5 ratepayers and zero percent to the Company.

6 PacifiCorp's position is made even more confusing by the fact that the  
7 Company points to increasing difficulty in projecting power costs – that is, the  
8 increasing *risk* of power cost variances – and then somehow concludes that  
9 increasing variance risk justifies eliminating risk sharing altogether.

10

11 **Q. Has the Commission recently affirmed that risk sharing between ratepayers  
12 and utilities continues to be appropriate in circumstances where future costs  
13 (and cost variances) are uncertain?**

14 A. Yes. On August 3, 2023, the Commission ordered PSE to work with parties to  
15 develop a risk-sharing mechanism to appropriately balance CCA compliance cost  
16 risk between PSE and its customers.<sup>93</sup> Much like the PCAM, PSE's CCA tracker  
17 establishes rates based on projected costs, and then variances of actual costs from the  
18 baseline are tracked over time and considered for refund/surcharge at the end of each  
19 rate year. Thus, in ordering PSE to develop a risk-sharing mechanism for CCA  
20 compliance costs, the Commission affirmed that in circumstances where future costs  
21 are uncertain, risk-sharing mechanisms continue to be important regulatory tools.

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<sup>92</sup> Painter, Exh. JP-1T at 18:10-12.

<sup>93</sup> *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Docket UG-230470, Order 01, 6, ¶ 22 (Aug. 3, 2023).

1 Given that power cost variance risk continues to persist – indeed, PacifiCorp argues  
2 that power cost variance risk is increasing – a risk-sharing mechanism continues to  
3 be an important component of PacifiCorp’s PCAM.  
4

5 **Q. Is there any other reason why the Commission should reject PacifiCorp’s**  
6 **proposal to eliminate the PCAM deadbands and sharing bands?**

7 A. Yes. In PacifiCorp’s most recent power cost only rate case (PCORC), the  
8 Commission once again expressed serious concern with PacifiCorp’s risk  
9 management practices, particularly with respect to the Company’s net power costs in  
10 Washington.<sup>94</sup> In that case, the Commission shared AWEC’s concern that  
11 PacifiCorp’s Washington customers “may be faced with significant, increased power  
12 costs and that PacifiCorp has not appropriately managed risk for its Washington  
13 portfolio.”<sup>95</sup> As a result of that concern, the Commission ordered PacifiCorp in its  
14 next PCAM filing to address the prudence of the Company’s risk management  
15 practices.<sup>96</sup>

16 Given the Commission’s ongoing concern with PacifiCorp’s risk  
17 management practices, particularly with respect to power costs, and given that the  
18 Commission has not yet rendered a decision on PacifiCorp’s 2022 PCAM filing<sup>97</sup>  
19 (and the required demonstration therein of the prudence of PacifiCorp’s risk

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<sup>94</sup> See *Wash. Utils. & Transp. Comm’n v. PacifiCorp*, Docket UE-210402, Order 06, 37, ¶ 140-42, ¶ 154 (March 29, 2022).

<sup>95</sup> *Id.* at 37, ¶ 140; 41, ¶ 152.

<sup>96</sup> *Id.* at 42, ¶ 154.

<sup>97</sup> *In re PacifiCorp’s 2022 Power Cost Adjustment Annual Report*, Docket UE-230482, Initial Filing (June. 15, 2023).

1 management practices), it is particularly inappropriate for PacifiCorp to seek to  
2 transfer 100 percent of power cost variance risk onto ratepayers at this time.

3  
4 **2. Depreciation Schedules for Colstrip Unit 4 and Jim Bridger**  
5 **Units 3-4**  
6

7 **Q. What does PacifiCorp request with respect to the depreciation schedules for**  
8 **Colstrip Unit 4 and Jim Bridger Units 3-4?**

9 A. PacifiCorp requests to extend the depreciation schedules for those facilities to  
10 December 31, 2025, from the end date of December 31, 2023, previously authorized  
11 by the Commission.<sup>98</sup>  
12

13 **Q. What is Staff's recommendation with respect to PacifiCorp's request to extend**  
14 **the depreciable lives of Colstrip Unit 4 and Jim Bridger Units 3-4 from 2023 to**  
15 **2025?**

16 A. Staff recommends that the Commission allow PacifiCorp to extend the depreciable  
17 lives of Colstrip Unit 4 and Jim Bridger Units 3-4 to 2025, thus allowing those  
18 facilities to remain in rates beyond 2023.  
19

20 **Q. Why does Staff recommend allowing PacifiCorp to extend the depreciable lives**  
21 **of Colstrip Unit 4 and Jim Bridger Units 3-4 to 2025?**

---

<sup>98</sup> 2019 PacifiCorp GRC Order at 37, ¶ 92.



1 A. Staff is concerned that removing those facilities from rates now would increase rates  
2 unnecessarily. Given that the WIJAM agreement explicitly allows for continued cost  
3 recovery beyond 2023,<sup>99</sup> and CETA requires only that coal to be eliminated from  
4 Washington rates by the end of 2025,<sup>100</sup> there is no legal requirement that PacifiCorp  
5 eliminate coal from rates now.

6

7 **Q. Why does PacifiCorp address the issue of including coal in rates beyond 2023**  
8 **given that neither the WIJAM agreement nor CETA require coal to be removed**  
9 **from rates by 2023?**

10 A. As part of the WIJAM agreement, PacifiCorp was required to set the terminal date  
11 for its depreciation schedules for Colstrip 4 and Bridger 3-4 to December 31, 2023.  
12 This term of the WIJAM could be interpreted to mean that, come 2024, the facilities  
13 will be fully depreciated and therefore there would be no more costs to recover from  
14 ratepayers beyond 2023. Indeed, the Commission’s order approving the WIJAM  
15 agreement indicated that the Commission may have believed it was approving early  
16 elimination of coal from PacifiCorp’s rates.<sup>101</sup> Given this context, Staff agrees that it  
17 was appropriate for PacifiCorp to address in its testimony its intention to continue to  
18 include the costs of coal in rates beyond 2023.

19

20

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<sup>99</sup> 2019 PacifiCorp GRC Order, Appendix B (Settlement Stipulation), 11, ¶ 27, *see also Id.* at 41-42, ¶ 104.  
<sup>100</sup> RCW 19.405.030(1)(a) (“On or before December 31, 2025, each electric utility must eliminate coal-fired resources from its allocation of electricity”).  
<sup>101</sup> 2019 PacifiCorp GRC Order at 45, ¶ 113.

1                   **3. Coal Facility Cost Tracker**

2

3   **Q. What does Staff recommend with respect to establishing a tracker for coal-**  
4   **related costs?**

5   A. Staff recommends that the Commission order PacifiCorp to establish a tracker for the  
6   recovery of costs related to its coal fired facilities (i.e., Colstrip Unit 4 and Jim  
7   Bridger Units 3-4), consistent with the Colstrip trackers established for Puget Sound  
8   Energy and Avista.

9

10 **Q. Can you please summarize the Colstrip 4/ Bridger 3-4 tracker Staff proposes in**  
11 **this case?**

12 A. Yes. Staff recommends that the Commission order PacifiCorp to establish a tracker  
13 that would capture – and allow PacifiCorp to recover – going-forward costs  
14 associated with Colstrip Unit 4 and Jim Bridger Units 3-4, except for variable power  
15 costs and transmission related costs. In addition to decommissioning and remediation  
16 (D&R) costs, Staff recommends that the tracker rates include ongoing expenses  
17 (including depreciation, O&M, and amortization of unrecovered plant balances),  
18 taxes (including EDIT and treasury grant amortization), and return on rate base. This  
19 is consistent with the components included in the Colstrip trackers established for  
20 PSE and Avista.

21

22 **Q. Are there any costs that should be excluded from the tracker?**

23 A. Yes. Consistent with Staff’s recommendation in Section V.A.1., above, that the

1 Commission exclude from rates the costs of investments made for the purpose of  
2 extending the lives of Colstrip Unit 4 and Jim Bridger Units 3-4, those costs should  
3 not be recovered through the tracker.  
4

5 **Q. Why does Staff recommend establishing a Colstrip/Bridger tracking mechanism**  
6 **for PacifiCorp?**

7 A. Staff believes that including all plant-related costs (and cost offsets) for PacifiCorp's  
8 coal-fired units in an annually updated tracker would allow for greater transparency  
9 into costs the Company incurs annually for the facility, a greater ability for parties to  
10 review those costs and bring concerns to the Commission's attention, and a greater  
11 degree of ratemaking flexibility if circumstances change at the facility. That last  
12 point is particularly relevant for PacifiCorp as coal will need to be removed from  
13 rates by December 31, 2025, which, if the Commission authorizes a multi-year rate  
14 plan for PacifiCorp, would be near the middle of RY2.

15 Furthermore, recovery of D&R costs through a tracking and true-up  
16 mechanism is consistent with the statutory language of CETA which states that "the  
17 Commission shall allow in electric rates all decommissioning and remediation costs  
18 prudently incurred by an investor-owned utility for a coal-fired resource."<sup>102</sup> Without  
19 a tracking and true-up mechanism it is not clear to Staff how the Commission would  
20 ensure that all D&R costs – and ultimately no more than the amount it deems prudent  
21 and no less than the amount the utility prudently incurs – are recovered through rates.  
22 The Commission recognized this need in the final order in PSE's 2019 general rate

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<sup>102</sup> RCW 19.405.030(1)(b).

1 case where it ordered PSE to propose a tracker for Colstrip D&R costs that complies  
2 with CETA.<sup>103</sup> Both PSE and Avista have trackers in place for the costs of their coal-  
3 fired facilities.<sup>104</sup>

4  
5 **Q. Is Staff’s proposal to include costs beyond D&R costs (such as depreciation**  
6 **expense and return on rate base) through a tracker consistent with the**  
7 **requirements of CETA?**

8 A. Yes. Although CETA does not necessitate use of a tracking and true-up mechanism  
9 for the recovery of costs beyond D&R, Staff nevertheless recommends that the  
10 Commission order PacifiCorp to establish a catch-all tracker. The necessity of a  
11 tracking and true-up mechanism for coal-fired D&R costs combined with the  
12 administrative convenience of having all coal-related costs and cost offsets tracked  
13 through a single tariff schedule with rates that can be revised to be CETA-compliant  
14 effective January 1, 2026, weighs in favor of ordering PacifiCorp to establish a  
15 catch-all tracking mechanism.

16  
17 **Q. Does Staff have a specific recommendation on revenue requirement for the**  
18 **proposed tracker?**

19 A. No. Given PacifiCorp’s treatment of the costs of the Company’s coal-fire facilities in  
20 its revenue requirement calculation, Staff was not confident it could  
21 comprehensively identify all of the cost items that would be appropriate to pull into

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<sup>103</sup> *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-190529, UE-190529, UG-190530, UE-190274, UG-190275, UE-171225, UG-171226, UE-190991 & UG-190992, Order 08/05/03, 123-125, ¶¶ 424-430 (July 8, 2020).

<sup>104</sup> Avista GRC Order at 21-24, ¶¶ 62-68; PSE GRC Order at 80-83, ¶¶ 271-284.

1 in a coal cost tracker-specific revenue requirement. Therefore, Staff’s overall  
2 revenue requirement recommendation, as presented by Staff witness Huang, includes  
3 the costs that would be moved into a coal cost tracker, were the Commission to order  
4 such a tracker.

5 Staff notes that PacifiCorp is in the best position to identify all of the non-  
6 NPC coal cost items and is hopeful that the Company will identify the revenue  
7 requirement associated with those costs in its response to Staff’s proposal. In the  
8 meantime, Staff intends to issue a data request to PacifiCorp to identify the coal-  
9 specific portions of the rate years one and two revenue requirements. With that  
10 information, if the Commission wishes to order PacifiCorp to establish a coal  
11 tracker, the Commission can simply subtract the coal-specific revenue requirement  
12 from overall revenue requirement and then consider the coal-specific portions  
13 separately.

#### 14

15 **4. Exit Orders for Jim Bridger Units 1-2**

16

17 **Q. What does PacifiCorp request with respect to the exit orders for Jim Bridger**  
18 **Units 1-2?**<sup>105</sup>

19 **A.** PacifiCorp requests that the Commission amend the Exit Orders as they pertain to  
20 Jim Bridger Units 1-2 to specify that they apply to those units only as coal-fired  
21 resources.

22

---

<sup>105</sup> 2019 PacifiCorp GRC Order at 41-42, ¶ 104; 45, ¶ 113.

1 **Q. Does Staff support PacifiCorp’s request to modify the exit orders to specify that**  
2 **they apply to Jim Bridger Units 1-2 only as coal-fired units?**

3 A. Yes. As currently written, the Exit Orders do not distinguish between Jim Bridger  
4 Units 1-2 as coal-fired units versus gas-fired units and, therefore, require PacifiCorp  
5 to exit those units by the specified dates, irrespective of fuel type. Specifically, the  
6 exit orders require PacifiCorp to exit Jim Bridger Unit 1 by 2023 and Unit 2 by  
7 2025.<sup>106</sup> Therefore, to allow PacifiCorp to operate Jim Bridger Units 1-2 as gas-fired  
8 units, Staff agrees that the Commission should amend the exit orders to specify that  
9 they apply to Jim Bridger Units 1-2 only as coal-fired resources.

10

11 **5. Net Metering and “Net Billing”**

12

13 **Q. What does PacifiCorp propose with respect to its existing net metering tariff**  
14 **Schedule 135?**

15 A. PacifiCorp proposes closing tariff Schedule 135 to new enrollment once the  
16 cumulative generation capacity of participating customer-generators reaches 37.2  
17 MW which is the cap specified in the Company’s existing tariff.<sup>107</sup>

18

19 **Q. Does Staff support PacifiCorp’s proposal to enforce the specified cap on net**  
20 **metering participation?**

---

<sup>106</sup> 2019 PacifiCorp GRC Order at 41-42, ¶ 104; 45, ¶ 113.

<sup>107</sup> Meredith, Exh. RMM-1T at 40:7-20.

1 A. No. New enrollment in net metering should continue until the policy parameters for  
2 a long-term successor to net metering is developed through a policy proceeding or  
3 legislative action.

4

5 **Q. Why did PacifiCorp propose closing the Company’s net metering tariff**  
6 **Schedule 135 to new participants?**

7 A. In PacifiCorp’s defense, in proposing to enforce the specified cap the Company is in  
8 fact following its currently effective tariff. While PacifiCorp could have proposed  
9 revising its tariff to raise the cap, the Company appears to interpret RCW 80.60.020  
10 as mandating a statutory hard cap on the net metering capacity connected to its  
11 system. RCW 80.60.020(1)(a) states that utilities “shall offer to make net metering,  
12 pursuant to RCW 80.60.030, available to eligible customer-generators on a first-  
13 come, first-served basis until the earlier of either: (i) June 30, 2029; or (ii) the first  
14 date upon which the cumulative generating capacity of net metering systems equals  
15 four percent of the utility's peak demand during 1996.”

16 PacifiCorp anticipates that the generating capacity of net metering on its  
17 system will exceed the 37.2 MW cap within the proposed two-year rate plan.<sup>108</sup>

18

19 **Q. Does Staff believe that RCW 80.60.020 establishes a hard cap on net metering**  
20 **participation?**

21 A. Not necessarily. The language of RCW 80.60.020(1) is sufficiently ambiguous to  
22 allow for multiple interpretations of what it mandates. While Staff agrees that RCW

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<sup>108</sup> *Id.*

1 80.60.020(1) could be interpreted to mandate a hard cap, Staff also believes the  
2 statute could be interpreted to require utilities to make net metering available to  
3 customer-generators *at least* until the cap is reached, but does not prohibit enrollment  
4 beyond the cap.<sup>109</sup>

5  
6 **Q. Do the Commission’s interconnection rules, WAC 480-108-040, cap net**  
7 **metering participation?**

8 A. It appears to interpret the statute as setting a cap on participation. WAC 480-108-  
9 040(16) states that “Chapter 80.60 RCW limits the total capacity of generation for  
10 net metering. However, the electrical company may restrict or prohibit new or  
11 expanded net metered systems on any feeder, circuit or network if engineering,  
12 safety, or reliability studies establish the need for a restriction or prohibition.” Given  
13 that this issue is a legal issue, Staff will address this issue in more depth in the post  
14 hearing brief.

15  
16 **Q. What is Staff’s recommendation on PacifiCorp’s proposal to discontinue new**  
17 **enrollment in the Company’s existing net metering tariff Schedule 135?**

---

<sup>109</sup> Staff notes that in previous instances, the Commission has not treated the language in RCW 80.60.020(1)(a) as a strict cap. *See* Docket UE-190575, Staff Open Meeting Memorandum, 2 (filed July 26, 2019) (“PSE indicated to staff that as of April 30, 2019, it had 62.112 MW (AC) capacity of net metering systems in Washington and all net metering systems were renewable energy generators. The company estimates that the current Washington net metering systems represents 1.4 percent of their 1996 peak load, which is more than the required 0.5 percent current level of net metering systems.”); *see also* Docket UE-190502, Staff Open Meeting Memorandum, 2 (filed July 26, 2019) (“Pacific Power indicated to staff that as of June 1, 2019, it had 12.874 MW(AC) capacity of net metering systems in Washington and all net metering systems were renewable energy generators. The company estimates that the current Washington net metering systems represents 1.38 percent of their 1996 peak load, which already exceeds the required 0.5 percent level of net metering systems. The revised net metering statute requires Pacific Power to allow 4 percent of their 1996 peak demand, nearly three times the current level of Pacific Power net metering systems in Washington.”).



1 A. Staff recommends that the Commission reject PacifiCorp’s proposal to enforce a cap  
2 on net metering participation at 37.2 MW of capacity and instead order PacifiCorp to  
3 revise Schedule 135 to remove the specified cap. If the Commission concludes that  
4 this recommendation would be contrary to the Commission’s interpretation of RCW  
5 80.60 as stated in Commission rule, then Staff requests that the Commission grant an  
6 exemption from that rule until a long-term replacement to net metering is identified.

7  
8 **Q. Does PacifiCorp propose to offer an alternative to net metering?**

9 A. Yes. PacifiCorp proposes a “Net Billing” program which it sees as an interim  
10 solution to allow for continued customer-generator participation once the cap is  
11 reached.<sup>110</sup> The Net Billing program would require residential and small commercial  
12 customer-generators to take time-of-use service and it would credit exported energy  
13 at 100 percent of the customer’s standard retail rate.

14  
15 **Q. Does Staff support PacifiCorp’s proposal to establish a “net billing” tariff**  
16 **Schedule 138?**

17 A. Not as a replacement for net metering. Consistent with Staff’s recommendation that  
18 PacifiCorp be required to continue enrolling customer-generators in its net metering  
19 Schedule 135, Staff at this time does not support establishing a net billing tariff  
20 schedule (or any tariff schedule) as a viable replacement for net metering, even in the  
21 interim. However, Staff would not be opposed to PacifiCorp offering a net billing

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<sup>110</sup> Meredith, Exh. RMM-1T at 40:18-20.

1 proposal as a pilot program to collect data on how time-of-use rates impact the  
2 energy consumption behavior of customer-generators.

3  
4 **6. IRA/IIJA**

5  
6 **Q. What does Staff recommend regarding the IIJA and IRA?**

7 A. Consistent with the IRA/IIJA reporting requirements the Commission recently  
8 established for Avista and PSE,<sup>111</sup> Staff recommends the Commission order  
9 PacifiCorp to file annual reports detailing the Company's pursuit of IRA and IIJA  
10 benefits on behalf of its customers. I provide additional detail on Staff's  
11 recommended reporting requirements, below.

12  
13 **Q. Please briefly describe the IIJA.**

14 A. The IIJA, also referred to as the Bipartisan Infrastructure Law or BIL, is a federal  
15 law signed November 15, 2021, that provides an opportunity to upgrade the nation's  
16 energy infrastructure for a clean, resilient, and secure energy future through hundreds  
17 of programs implemented by various federal agencies.<sup>112</sup>

18  
19 **Q. Please briefly describe the IRA.**

20 A. The IRA, signed August 16, 2022, represents the federal government's single largest  
21 investment to date to modernize its energy system.<sup>113</sup>

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<sup>111</sup> Avista GRC Order at 14, ¶ 45; 30, ¶ 85; 38, ¶ 106; 41, ¶ 112; PSE GRC Order at 10, ¶ 47; 52-3, ¶ 173; 73-4, ¶ 243; 78, ¶ 262; 79, ¶ 269; 138-9, ¶ 508.

<sup>112</sup> Infrastructure Investment and Jobs Act of 2021, Pub. L. No. 117-58, 135 Stat. 429 (2021).

<sup>113</sup> Inflation Reduction Act of 2022, Pub. L. No. 117-169, 136 Stat. 1818 (2022).

1 **Q. How are the IRA and IIJA relevant to the Commission’s jurisdictional utilities?**

2 A. The IIJA and IRA present an opportunity for utilities to leverage federal funds  
3 through grants and credits to offset the costs of an accelerated transition to clean  
4 energy. Many of the potential benefits of the IIJA and IRA cannot materialize for  
5 ratepayers unless PacifiCorp takes steps to pursue program funding.

6 **Q. What did the Commission require of PSE and Avista with respect to the IRA  
7 and IIJA?**

8 A. In Avista’s most recent general rate case, the Commission approved the Settlement  
9 subject to conditions related to the IIJA and IRA. These conditions required Avista  
10 to:

- 11 • demonstrate all offsetting benefits received or for which it has applied for  
12 through the IRA and IIJA for all retrospective review of provisional plant  
13 (capital projects);
- 14 • report all funding for which it has applied and the reasons justifying any  
15 decision not to pursue IRA and IIJA funding options for which it may be  
16 eligible;<sup>114</sup> and
- 17 • consider how funds through the IRA and IIJA might be used to support and  
18 promote low-income programs, projects, and interests and report in future  
19 low-income annual filings during the MYRP its actions to seek funding  
20 through the IRA and IIJA to support and promote low-income programs,  
21 projects, and interests.<sup>115</sup>

22 Similarly in PSE’s general rate case the Commission required PSE to:

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<sup>114</sup> Avista GRC Order at 30, ¶ 85.

<sup>115</sup> *Id.* at 41, ¶ 112.

- 1           • demonstrate all offsetting benefits received or for which it has applied  
2           through the IRA and IIJA when demonstrating the prudence of power costs;  
3           that PSE includes all funding, tax benefits, or any other benefits for which it  
4           has applied when seeking the recovery of power costs; and  
5           • report all funding, tax benefits, or any other benefit for which it has and has not  
6           applied and, if it has not, the reasons justifying its decision to not pursue the IRA  
7           and IIJA funding options.<sup>116</sup>

8           The Commission also laid out expectation that the utilities participate in a  
9           collaborative proceeding to discuss, address, and plan for benefits and opportunities  
10          resulting from the IRA and IIJA that may impact the companies' costs.<sup>117, 118</sup>

11

12   **Q. Did PacifiCorp address the IRA and the IIJA in its direct testimony?**

13   A. Yes, to an extent. Company witness Cheung touches on the credits available through  
14   the IIJA and IRA, asserting only that any credit that the Company's receives would  
15   be reflected as a lower actual rate base during the reporting period.<sup>119</sup> Witnesses  
16   McGraw, Burns, and Hemstreet, discuss how anticipated production tax credits  
17   (PTCs) from the IRA were included in in the Company's economic analyses for  
18   certain capital projects.<sup>120</sup>

19

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<sup>116</sup> PSE GRC Order at 73-4, ¶ 243.

<sup>117</sup> *Id.* at 73, ¶ 241.

<sup>118</sup> Avista GRC Order at 30, ¶ 83.

<sup>119</sup> Cheung, Exh. SLC-1T at 25:6-18 (Cheung stated that if an excess is large enough to result in the rate of return (ROR) being greater than 50 basis points above the authorized ROR, those amounts will be trued-up and refunded to customers).

<sup>120</sup> McGraw, Exh. RDM-1CTr; Burns, Exh. TRB-1CTr; and Hemstreet, Exh. TJH-1CTr.

1 **Q. Outside of including PTCs in capital project analysis, has PacifiCorp pursued**  
2 **additional benefits on behalf of its customers through the IIJA and IRA?**

3 A. It appears so. Through discovery, Staff learned that PacifiCorp has taken several  
4 actions to leverage federal dollars regarding the IIJA and IRA including submitting  
5 applications in the Grid Innovation Program and Hydroelectric Efficiency  
6 Improvement Incentives, letters of intent for Maintaining and Enhancing  
7 Hydroelectricity Incentives, and a concept paper for Smart Grid Grants.<sup>121</sup>

8

9 **Q. Are PacifiCorp's actions concerning available benefits under the IIJA and IRA**  
10 **sufficient?**

11 A. While Staff applauds PacifiCorp for the meaningful action it has taken to date to  
12 pursue benefits under the IIJA and IRA, there is potential for significant customer  
13 savings during the term of the MYRP that are not addressed by the Company. For  
14 example, among many other provisions, the IRA and IIJA provide \$5 billion through  
15 2026 to deploy projects that use innovative approaches to transmission, storage, and  
16 distribution infrastructure to enhance grid resilience and reliability,<sup>122</sup> and provide  
17 incentive payments to the owner or authorized operator of a qualified hydroelectric  
18 facility for capital improvements directly related to improving grid resilience  
19 (including the addition of energy storage such as reservoir capacity, pumped storage

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<sup>121</sup> McGuire, Exh. CRM-5.

<sup>122</sup> Infrastructure Investment and Jobs Act of 2021, Pub. L. No. 117-58, 135 Stat. 429 (2021) Section 40103(b);  
*See Grid Innovation Program*, Grid Deployment Office U.S. Department of Energy (Sept. 11, 2023, 3:26 PM).  
Available at: <https://www.energy.gov/gdo/grid-innovation-program>.

1 hydropower, and batteries), improving dam safety, and related to environmental  
2 improvements.<sup>123</sup>

3 Furthermore, within the context of a multi-year rate plan it is important that  
4 the Commission require PacifiCorp to demonstrate continued pursuit of benefits on  
5 behalf of its ratepayers. In its final orders in the Avista and PSE 2022 general rate  
6 cases, the Commission set clear expectations with respect to the IIJA and IRA,  
7 including demonstrating offsetting benefits, reporting on benefits pursued and not  
8 pursued, and participating in a collaborative process to help determine further  
9 treatment of programs and funds provided in these laws. The Commission should  
10 apply these same expectations to PacifiCorp.

11  
12 **Q. What does Staff specifically recommend concerning the IIJA and IRA?**

13 A. Staff recommends the Commission order PacifiCorp to:

- 14 1. Report annually, during the MYRP, all funding, tax benefits, or any other  
15 benefit for which it has and has not applied and, if it has not, the reasons  
16 justifying its decision to not pursue the IRA and IIJA funding options. This  
17 report should demonstrate the Company's efforts to maximize benefits from  
18 wage and apprenticeship requirement, domestic content minimums, and  
19 siting in energy or low-income communities, or any other benefits that could  
20 be distributed to vulnerable populations, highly impacted communities, or  
21 overburdened communities, as appropriate.

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<sup>123</sup> Infrastructure Investment and Jobs Act of 2021, Pub. L. No. 117-58, 135 Stat. 429 (2021) Section 40333; See *Hydroelectric Incentives Guide*, Grid Deployment Office U.S. Department of Energy. Available at: <https://www.energy.gov/gdo/hydroelectric-incentives-guide>.

- 1           2. Participate in a collaborative with other investor-owned utilities regarding the  
2           potential benefits of the IRA and IJJA, as described in UE-220066 Order 24  
3           paragraph 241, and document its consideration of, and application for,  
4           benefits provided pursuant to the IRA and IJJA in future filings.
- 5           3. Demonstrate in the annual capital review filings all offsetting benefits  
6           received or for which it has applied through the IRA and IJJA for any and all  
7           plant placed in service during the period subject to review.

8

9   **Q.    Does this conclude your testimony?**

10  **A.    Yes.**