

Exh. RMM-12T

Docket UE-230172

Witness: Robert M. Meredith

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-230172
(Consolidated)

In the Matter of

ALLIANCE OF WESTERN ENERGY
CONSUMERS'

Docket UE-210852
(Consolidated)

Petition for Order Approving Deferral of
Increased Fly Ash Revenues

PACIFICORP

REBUTTAL TESTIMONY OF ROBERT M. MEREDITH

October 2023

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ATTACHED EXHIBITS

Exhibit No. RMM-13—Cost of Service by Rate Schedule – Summaries
Exhibit No. RMM-14—Cost of Service by Rate Schedule – All Functions
Exhibit No. RMM-15—Cost of Service Study
Exhibit No. RMM-16—Proposed Rate Spread, Rate Design, and Billing Comparisons
Exhibit No. RMM-17—Calculation of Updated Low Income Bill Assistance Discounts
Exhibit No. RMM-18—UE-170002 Cost of Service Methodology Presentation

1 **I. PURPOSE AND SUMMARY OF TESTIMONY**

2 **Q. Are you the same Robert M. Meredith who previously submitted direct**
3 **testimony in this proceeding on behalf of PacifiCorp dba Pacific Power & Light**
4 **Company (PacifiCorp or the Company)?**

5 A. Yes.

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

7 A. The purpose of my rebuttal is to present the Company's class cost of service (COS)
8 study results, rate spread, and rate design proposals reflecting the Company's revised
9 revenue requirement. I also respond to the issues raised by Washington Utilities and
10 Transportation Commission Staff (Staff) witnesses Kristen M. Hillstead,
11 Alex M. Tellez, and Chris R. McGuire, Public Counsel (Public Counsel) witnesses
12 David E. Dismukes and Corey J. Dahl, Alliance of Western Energy Consumers
13 (AWEC) witness Lance D. Kaufman, The Energy Project (TEP) witness
14 Shaylee N. Strokes, and Northwest Energy Coalition witnesses Charlee Thompson
15 and Lauren McCloy. My response to the testimony of each witness is organized by
16 topic.

17 **II. REBUTTAL EXHIBITS**

18 **Q. What is the Company's updated requested price change?**

19 A. As explained in the rebuttal testimony of witness Cheung, the Company now requests
20 a base revenue requirement increase of \$18.7 million, or 4.6 percent, in rates effective
21 March 1, 2024, and \$22.0 million, or 5.2 percent, in rates effective March 1, 2025.¹

¹ Cheung, Exh. SLC-8T at 1:15-2:8.

1 **Q. Have you prepared exhibits showing the Company's revised class COS results,**
2 **rate spread, and rate design based on the revised revenue requirement proposed**
3 **by witness Cheung in this rebuttal filing?**

4 A. Yes. Exhibit No. RMM-13, Exhibit No. RMM-14, and Exhibit No. RMM-15 present
5 the Company's updated cost of service study in the same format as Exhibit
6 No. RMM-2, Exhibit No. RMM-3, and Exhibit No. RMM-4 presented in direct.
7 Exhibit No. RMM-16 shows the Company's updated rate spread and rate design in
8 the same format as Exhibit No. RMM-6 presented in direct. Exhibit No. RMM-17
9 shows the Company's updated calculation of Schedule 17 low income bill assistance
10 discounts in the same format as Exhibit No. RMM-9 presented in direct.

11 **Q. What changes were made to the COS study relative to the one filed in direct**
12 **testimony?**

13 A. The Company updated its cost of service study to incorporate the updated revenue
14 requirement. The Company also made a handful of minor changes to its cost of
15 service study in response to testimony from AWEC Witness Kaufman that I discuss
16 later in my testimony.

17 **Q. Did the Company make any changes to the proposed rate spread and rate design**
18 **from the initial filing?**

19 A. Yes. The Company's rate spread and rate design incorporate the updated cost of
20 service. In response to intervener testimony, the Company proposes a more muted
21 rate spread that has less severe impacts for classes whose cost of service results
22 indicate they would need an increase greater than the average. I go into further detail
23 about the Company's proposed rate spread later in my testimony.

1 **III. COST OF SERVICE**

2 **Q. Please summarize AWEC’s testimony related to the allocation of FERC accounts**
3 **407 and 926.**

4 A. First, witness Kaufman states FERC account 407 is amounts credited to extraordinary
5 property losses, unrecovered plant and regulatory study costs. Witness Kaufman
6 recommends allocating FERC account 407 to the Company’s F102D factor which is
7 related to the system gross distribution plant and argues that this factor is better fit to
8 allocate property losses than the Company’s F110 factor, which is related to
9 intangible plant.² Second, witness Kaufman recommends that FERC account 926
10 Pensions and Benefits should be allocated exclusively based on labor costs. Witness
11 Kaufman introduces a new labor factor that would be more directly related to FERC
12 account 926 than the Company’s F138CO factor, which includes some non-labor
13 related costs.³

14 **Q. Do you agree with Kaufman’s recommendation on how to allocate FERC**
15 **accounts 407?**

16 A. Yes. The Company has reallocated FERC account 407 using the Company’s F102D
17 factor.

18 **Q. Do you agree with creating an additional labor factor to allocate FERC account**
19 **926?**

20 A. Yes. The Company has created a new factor, F111, using the same methodology that
21 witness Kaufman recommends and allocates FERC account 926 using this new factor.

22 **Q. Please summarize AWEC’s testimony regarding FERC account 904.**

² Kaufman, Exh. LDK-1CT at 36.

³ *Id.*, at 41:10-42:12.

1 A. Witness Kaufman recommends allocating FERC account 904 using the Company's
2 weighted customer factor, F136, rather than the F80 factor, which allocates each
3 schedule's share of costs using write-offs and recoveries.⁴

4 **Q. Do you agree with witness Kaufman's recommendation on how to allocate**
5 **FERC accounts 904?**

6 A. No. The Company's practice has been to allocate uncollectible expense upon each
7 class's share of revenue class (residential, commercial, industrial, irrigation, and
8 public street and highway lighting) revenue as applied to net write-offs by revenue
9 class. This appropriately assigns write-offs to classes based upon their revenue and
10 the volume of write-offs that are occurring within the revenue category/categories to
11 which they belong. Witness Kaufman does point out that WAC 480-85-060
12 prescribes allocating this FERC account to "weighted customer counts." To be in
13 compliance, the Company has restructured its allocation to be based upon customers
14 weighted by the net write-offs assigned to their share of revenue class revenue. I note
15 that this restricting does not change the actual allocation factors.

16 **Q. Please summarize AWEC's testimony related to FERC accounts 561 and 581.**

17 A. Witness Kaufman introduces a new allocation factor that is based on each schedule's
18 share of inter-hour load changes. Witness Kaufman states that FERC accounts 561
19 and 581 are related to the cost to monitor load dispatching and argues that a load
20 complexity factor better reflects the cost drives of these FERC accounts than the
21 Company's F12 allocation factor which uses the 12 coincident peaks and the F20
22 allocation factor which uses the maximum schedule peak.⁵

⁴ *Id.*, at 38:8-39:13.

⁵ *Id.*, at 37:2-38:6.

1 **Q. Do you agree with the addition of a load complexity factor to allocate FERC**
2 **accounts 561 and 581?**

3 A. No. The Company's allocation of FERC account 561 and 581 comply with the WAC
4 480-85-060 requirement to allocate FERC account 561 using 12 coincident peaks and
5 FERC account 581 using the average of each schedule's relative shares of the
6 summer and winter distribution system coincident peaks. The burden of proof rests
7 with any party recommending an exception from this methodology and, in my
8 opinion, AWEC has not adequately supported its proposal. These FERC accounts are
9 for transmission and distribution load dispatching expenses. AWEC has not
10 demonstrated that these expenses are primarily driven by load variability and not by
11 other factors. More evidence would be needed for such a departure from the approved
12 methodology.

13 **Q. Please summarize AWEC's testimony regarding the Company's allocation**
14 **factor F102CO.**

15 A. Witness Kaufman explains that the Company's F102CO allocation factor defaults to
16 the F102 allocation factor if a calculation error occurs. Witness Kaufman argues that
17 an average of the plant investment factor, F102, the customer costs factor, F136, and
18 his load complexity and labor factors would better reflect the administrative burden
19 than the F102 allocation factor alone.⁶

20 **Q. Do you agree that the alternative calculation for F102CO should be an average**
21 **of these four factors rather than using the F102 factor?**

⁶ *Id.*, at 39:15-41:8.

1 A. No. Incorporating AWEC's recommendation would overly complicate the
2 Company's model without providing any real benefit to its accuracy. The Common
3 function captures costs that do not neatly fall into other buckets such as
4 administrative and general expenses, as well cash working capital and factor F102 is
5 based upon system gross plant. It therefore is not unreasonable for the system gross
6 plant factor for this function to default to the system gross plant factor for all
7 functions. When considered on its own, this recommendation likely has an
8 unsubstantial impact on the results of the study.

9 **Q. Please summarize Public Counsel witness Dismukes' testimony regarding the**
10 **allocation of generation plant.**

11 A. Witness Dismukes explains that the renewable future peak credit method the
12 Company used to allocate generation plant is an updated version of the formerly used
13 thermal peak credit method. Witness Dismukes then describes the thermal peak credit
14 method and the formulas used to determine both the demand and energy components.
15 Witness Dismukes argues that the renewable future peak credit method should use the
16 same formula as the thermal peak credit method:

$$17 \quad Demand = \frac{1}{2} CT Fixed + O\&M/kW CT / (CCT Fixed + O\&M) * CF/kW CT$$

18 The witness claims the Company's formula is illogical and is used to inflate
19 the capacity component within the calculation. Using the formula witness Dismukes
20 recommends, the demand component would be 65 percent rather than 74 percent and
21 the energy component would be 35 percent rather than 26 percent.⁷

22 **Q. Do you agree with the formula that witness Dismukes recommends?**

⁷ Dismukes, Exh. DED-1T at 15-17.

1 A. No. The demand and energy resources that the Company uses in the renewable future
2 peak credit method have different functionality than the combustion turbine and
3 combined cycle turbine used in the thermal peak credit method. Both a combustion
4 turbine and a combined cycle turbine generate energy. A combustion turbine is less
5 efficient than a combined cycle turbine so it will only be used when the combined
6 cycle turbine cannot meet the level of demand. The additional cost of a combined
7 cycle turbine compared to a combustion turbine is classified as energy-related
8 because its efficiency functions to lower energy-related costs such as fuel. The
9 Company uses a lithium-ion battery and a wind turbine in the renewable future peak
10 credit method. A lithium-ion battery only functions as storage and a wind turbine
11 primarily functions as energy generation, so both are required to reliably serve
12 customers, unlike the combustion turbine or combined cycle turbine which could each
13 on their own provide continuous service in isolation. The Company considers the
14 entire cost of the lithium-ion battery to be demand related because it does not
15 generate energy. In the renewable future peak credit method, the marginal cost of
16 serving a kW of customer load with a renewable resource and a storage resource is
17 examined. By dividing the cost of the battery by the total cost of serving this
18 incremental kW of load, the Company is reflecting the difference in functionality of
19 the chosen resources. Further, the calculation that the Company used for the
20 renewable future peak credit method in this proceeding is the same as what it first
21 presented during the rulemaking proceeding⁸ that resulted in the codification of cost

⁸ See *In the Matter of Amending WAC 480-07-510 and Adopting Chapter 480-85 WAC Relating to Cost of Service Studies for Electric and Natural Gas Investor-Owned Utilities*, Docket No. UE-170002 et al., General Order R-599 at ¶ 43 (Jul. 7, 2020).

1 of service methodology requirements in WAC 480-85-060. Please refer Exhibit
2 No. RMM-18 for the presentation that the Company made in the cost of service
3 rulemaking docket on February 21, 2019. Pages five and six of Exhibit No. RMM-18
4 present the methodology. The Commission should reject the alternative calculation
5 recommended by Witness Dismukes.

6 IV. RATE SPREAD

7 **Q. Please summarize the rate spread testimony from Public Counsel and AWEC.**

8 A. Public Counsel witness Dismukes references guidance that the Commission gave the
9 Company in an order in its 2015 limited issues rate filing where it affirmed that cost
10 of service study results within the range of 0.95 to 1.05 are considered within the
11 precision of the cost of service study.⁹ Witness Dismukes criticizes the Company's
12 proposed rate spread as arbitrary, since it results in an increase for the residential
13 class that is 1.38 times the average increase when the class at present rates is covering
14 99 percent of costs, which witness Kaufman views as arbitrary and inconsistent with
15 the principle of gradualism.¹⁰ Witness Kaufman recommends an alternative rate
16 spread under which no class receives more than 1.15 times the average increase in the
17 first year of the rate plan and under which only one class would be outside of a parity
18 ratio between 0.95 and 1.05.¹¹ AWEC witness Kaufman states that "Commission
19 Staff has previously recommended treating parity ratios within 5 percent of parity, or
20 1, as within the margin of error for cost studies, and parity ratios within 10 percent of
21 parity as reasonable."¹² Witness Kaufman then recommends an equal percentage

⁹ Dismukes, Exh. DED-1T at 21:1-4.

¹⁰ *Id.*, at 23:8-16.

¹¹ *Id.*, at 23:18-24:9.

¹² Kaufman, Exh. LDK-1CT at 43:9-44:2.

1 increase for all classes, except street and area lighting which his cost of service study
2 shows as having a parity ratio of 0.865. For the street and area lighting class, witness
3 Kaufman recommends an increase that is 125 percent of the average.

4 **Q. How do you respond to the rate spread testimony of other parties?**

5 A. While it is important for customer classes to make progress towards cost of service so
6 that cross-subsidization is limited, I appreciate the considerations raised by Public
7 Counsel and AWEC concerning the principle of gradualism in the context of the
8 current rate increase. In light of this consideration, the Company revises the rate
9 spread logic it proposes in this its rebuttal filing as follows:

- 10 • First, the revised cost of service study presented in rebuttal shows that Schedule
11 48T needs an increase that is close to the average (4.8 percent for Schedule 48T
12 relative to a 4.6 percent average increase). The Company proposes that the
13 Schedule 48T class receive the average increase.
- 14 • Second, the residential, Schedule 48T – dedicated facilities, Schedule 40, and
15 Street and Area Lighting classes require increases that are at least three percent
16 higher than the average. The Company recommends that these classes receive an
17 increase that is one percent higher than the average increase, so that they can
18 make movement towards cost of service.
- 19 • Finally, the Company proposes increasing Schedule 24 and Schedule 36 by the
20 remaining amount required on an equal percentage basis.

21 The Company believes this approach reasonably balances rate impacts with closer
22 alignment with cost of service results. Table 1 below shows the price change by class
23 compared to adjusted cost of service:

Table 1. Proposed Rate Spread Relative to Adjusted Cost of Service Results

A	B	C	D	E	F
Schedule	Description	Change Required per Adjusted Target Cost of Service	Present Revenue as a Percent of of Earned Cost of Service	Proposed Price Change	Proposed Revenue as a Percent of Adjusted Target Cost of Service
16,17,19	Residential	13.3%	97.5%	11.1%	98.1%
24	General - Small	3.9%	106.0%	8.5%	104.4%
29,36	General	4.2%	105.2%	8.4%	104.1%
47,48T	General - Large	10.2%	99.5%	10.0%	99.8%
48T-DF*	General - Large	14.1%	95.8%	11.1%	97.3%
40	Agricultural Pumping	18.2%	93.3%	11.1%	94.0%
15,51,53,54	Lighting	23.5%	90.0%	11.1%	90.0%
All		10.1%	100.0%	10.1%	100.0%

*Dedicated Facilities (DF)

1 **V. RESIDENTIAL RATE DESIGN**

2 **Q. Please summarize Staff witness Hillstead’s testimony.**

3 A. Witness Hillstead recommends that the residential Basic Charge be raised by \$0.50.
 4 To justify this level, witness Hillstead took the components that the Company
 5 included for the Basic Charge, removed the line transformer component, and arrived
 6 at a cost of \$10.10 per month. In support of the principle of gradualism, witness
 7 Hillstead recommends the current charge of \$7.75 be increased to \$8.25. Witness
 8 Hillstead provided no support or justification for why Staff removed the line
 9 transformer component.¹³

10 For the residential energy charge, Staff recommends rejecting the Company’s
 11 proposal to replace tiered energy charges with seasonal energy charges. Witness
 12 Hillstead references the data requests Staff submitted for very specific analyses or
 13 studies on this topic where the Company’s response was that it had not prepared that
 14 information beyond what it had presented in its direct filing. Witness Hillstead does
 15 not address the evidence that was provided in my direct testimony, but rather

¹³ Hillstead, Exh. KMH-1T at 6:10-8:3.

1 concludes that the Company’s support is based upon “estimates or assumptions.”
2 Witness Hillstead then states that “Staff does not believe it is wise to rush into
3 implementing seasonal rates without having actual customer impact or usage data.”¹⁴
4 Witness Hillstead offers up the idea of a seasonal rate pricing pilot to study those
5 impacts.

6 **Q. What positions does Public Counsel witness Dismukes take regarding the**
7 **Company’s proposed residential rate design?**

8 A. Witness Dismukes recommends that an increase to the Basic Charge be rejected. As
9 support for this recommendation witness Kaufman claims that the Commission
10 rejected the same methodology in the Company’s 2014 general rate case, Docket
11 No. UE-140762 (2014 Rate Case), and gave guidance that the Basic Charge should
12 only reflect “direct customer costs.”¹⁵ Witness Dismukes also claims that a survey of
13 Basic Charges for other investor-owned utilities is a better comparison than the one
14 prepared by the Company which includes publicly-owned utilities.¹⁶ Finally, witness
15 Kaufman claims that the Company’s increase to the Basic Charge will discourage
16 energy efficiency and raise costs for lower usage customers, which witness Kaufman
17 argues “have been shown to be consistently associated with lower-income households
18 in empirical research.”¹⁷

19 Witness Dismukes recommends that the Commission approve the Company’s
20 proposal to transition tiered energy charges to seasonal energy charges, since they are
21 fairer, more economically justified, and will do a better job of facilitating progress

¹⁴ *Id.*, at 11:4-6.

¹⁵ Dismukes, Exh. DED-1T at 28:5-9.

¹⁶ *Id.*, at 29:1-30:2.

¹⁷ *Id.*, at 32:16-17.

1 towards Washington’s decarbonization goals.¹⁸

2 **Q. What positions does NWECC witness McCloy take on the Company’s proposed**
3 **residential rate design?**

4 A. Witness McCloy recommends that the Commission reject the Company’s proposed
5 Basic Charge for three reasons. First, witness McCloy argues that transformers should
6 not be in the Basic Charge, because they are sized for a specific capacity,¹⁹ serve
7 more than one customer on average,²⁰ and their inclusion in the Basic Charge was
8 rejected in a Puget Sound Energy (PSE) proceeding.²¹ Second, witness McCloy
9 reasons that raising the Basic Charge will lower the energy charge, which could
10 reduce the incentive customers have for energy efficiency.²² Finally, witness McCloy
11 contends that a higher Basic Charge would adversely impact low-income customers.²³

12 Regarding energy charges, witness McCloy reasons that tiered rates are still
13 appropriate, because they send a price signal that reflects “that increased energy
14 usage in the aggregate for the month will be more expensive.”²⁴ Witness McCloy
15 does concede that tiered rates may disincentivize electrification, but argues that other
16 factors like the upfront cost to switch to natural gas or the cost of gasoline are more
17 significant.²⁵ Witness McCloy states that “we may indeed be approaching the time
18 when simply designed tiered block rates are not justified,” but expresses a belief that
19 a replacement structure should continue to send a strong conservation price signal,

¹⁸ *Id.*, at 36:16-20.

¹⁹ McCloy, Exh. LM-1T at 29:3-11.

²⁰ *Id.*, at 30:1-5.

²¹ *Id.*, at 30:6-31:7.

²² *Id.*, at 31:9-33:18.

²³ *Id.*, at 34:2-35:11.

²⁴ *Id.*, at 36:11-12.

²⁵ *Id.*, at 36:15-38:2.

1 which Witness McCloy believes the Company’s proposal does not accomplish.²⁶

2 **Q. What positions does TEP Witness Stokes take on the Company’s proposed**
3 **residential rate design?**

4 A. Witness Stokes opposes the Company’s proposed Basic Charge because witness
5 Stokes believes that an increase in the Basic Charge reduces the ability of customers
6 to control their electric bills, disproportionately burdens low-volume customers, and
7 runs counter to state policies that encourage energy efficiency. Witness Stokes
8 expresses their view that bifurcating the Basic Charge for single-family and
9 multi-family customers does not alleviate the witness’s concerns, since vulnerable
10 customers may also live in single-family homes.²⁷

11 **Q. What is your general reaction to the positions taken by parties in this rate case**
12 **with respect to residential rate design?**

13 A. It is disappointing that several parties oppose the innovations to residential rate design
14 proposed by the Company, since they have several benefits. A common theme of the
15 opposition is a concern that the Company’s proposal could undermine energy
16 efficiency. While the Company agrees that it should promote conservation, it also
17 believes that rate design should balance this with the state’s broader decarbonization
18 and equity goals. The Company’s proposal to modestly raise the single-family
19 household Basic Charge and transition tiered rates to seasonal rates achieves this
20 balance by taking a cost-based approach to removing barriers to electrification and
21 equity. It is also more equitable, since it eliminates tiered rates which artificially

²⁶ *Id.*, 38:5-11.

²⁷ Stokes, Exh. SNS-1T at 29:9-30:14.

1 penalize customers for factors reasonably outside of their control,²⁸ and recognizes
2 factors that actually make a difference to the Company's costs.²⁹

3 **Q. Have the benefits of the types of changes the Company is proposing been**
4 **recognized in other jurisdictions resulting in a movement away from legacy rate**
5 **designs originally intended to support energy efficiency?**

6 A. Yes. In the Company's 2020 general rate case in Oregon, the Commission approved a
7 40 percent flattening of tiered rates and the creation of a lower basic charge for
8 multi-family customers.³⁰ In the Company's 2022 general rate case in Oregon, the
9 Commission approved the elimination of tiered rates along with increasing the
10 single-family residential basic charge from \$9.50 to \$11.00.³¹ In California, the
11 legislature recently passed Assembly Bill 205, which among other things, eliminated
12 a cap on fixed charges and recognized that recovery of fixed costs through volumetric
13 charges contributes to potential inequities among customers.

14 **Q. Please quantify how the Company's proposed changes to residential rate design**
15 **would affect the economics of efficient heating electrification.**

16 A. Table 2 below shows how the cost of operating an efficient heat pump under the
17 Company's flat winter season prices proposed in its direct filing and under the second
18 tier block price if the status quo were continued for residential rate design for the
19 proposed rate increase in the Company's direct filing compared to operating an
20 efficient natural gas furnace with service from Cascade Natural Gas under their rates

²⁸ For example, household size or heating fuel type.

²⁹ These factors are the time of year when energy is consumed and the dwelling type that is connected to the grid.

³⁰ *In the Matter of PacifiCorp, dba Pacific Power, Request for a General Rate Revision*, Oregon Public Utility Commission Docket No. UE 374, Order No. 20-473 at 137 (Dec. 18, 2020).

³¹ *In the Matter of PacifiCorp, dba Pacific Power, Request for a General Revision*, Docket No. UE 399 et al., Order No. 22-491, App. C at 11:17-18 (Dec. 16, 2022).

1 currently in effect:

Table 2. Comparison of Residential Cost to Operate Heating Equipment

Appliance	Efficiency	Price	\$ Per		Savings
			kWh	Therm ¹	
Gas Furnace	96% AFUE	Present		1.35	
Electric Heat Pump	300% COP	2nd Tier Non-Seasonal	0.1296	1.27	7%
Electric Heat Pump	300% COP	Winter Season Flat	0.1096	1.07	21%
Electric Baseboard	100%	Winter Season Flat	0.1096	3.21	-137%

Assumptions:

Cascade Natural Gas Prices effective March 1, 2023

1 therm = 29.3 kWh

Adjustment to \$ Per Therm for Appliance Efficiency

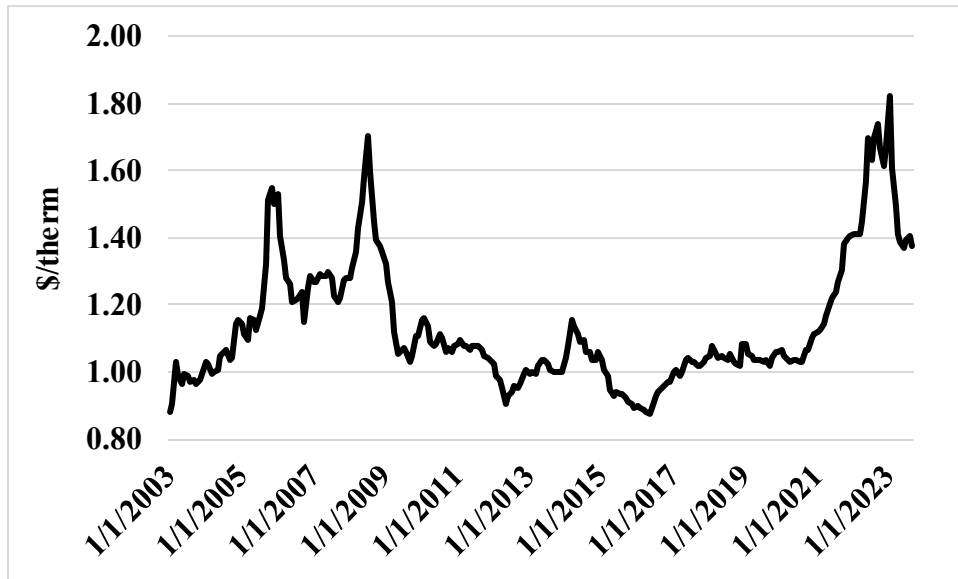
(COP = Coefficient of Performance; AFUE = Annualized Fuel Utilization Efficiency)

2 Table 2 shows that a PacifiCorp customer in the second block would pay
3 about seven percent less to operate an efficient heat pump than natural gas if the
4 Company's residential rate design were not approved. Under the proposed winter
5 season price, a PacifiCorp customer would pay about 21 percent less to efficiently
6 heat with electricity relative to natural gas. Significantly, a strong conservation price
7 signal is preserved since the cost for a PacifiCorp customer paying the proposed
8 winter price would still pay much more to operate an inefficient baseboard heater.

9 **Q. If heating efficiently with electricity is already cheaper than natural gas, then why**
10 **does moving from tiered rates to seasonal rates matter?**

11 A. While heating efficiently with electricity is cheaper under tiered rates now, the price
12 for natural gas can be volatile over time and is presently at a historically elevated
13 level. Figure 1 below shows how piped utility gas prices have changed over the past
14 20 years:

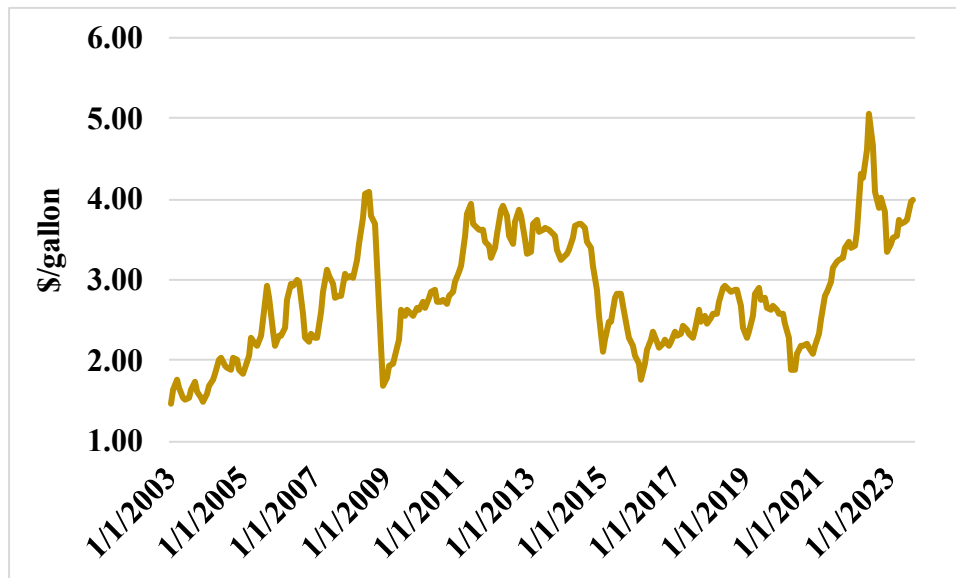
Figure 1. Utility Natural Gas Price over Time



Source - Bureau of Labor Statistics. CPI Average Price Data, U.S. city average (AP) Utility (piped) gas per therm in U.S. city average, average price, not seasonally adjusted
<https://beta.bls.gov/dataViewer/view/timeseries/APU000072620>

1 Similarly, the cost to fuel an electric vehicle is presently much cheaper than fueling
 2 an internal combustion engine vehicle, but the price of gasoline is also volatile over
 3 time. Figure 2 below shows how gasoline prices have changed over the past twenty
 4 years:

Figure 2. Gasoline Price over Time



Source - Bureau of Labor Statistics. CPI Average Price Data, U.S. city average (AP)
Gasoline, unleaded regular, per gallon/3.785 liters in U.S. city average, average price,
not seasonally adjusted
<https://beta.bls.gov/dataViewer/view/timeseries/APU000074714>

1 Purchasing a vehicle or replacing household heating equipment is a major
2 expense. When a customer purchases new heating equipment for their home, they will
3 be locked into that decision for many years. Similarly, when a customer buys a car, it
4 is unlikely that they will replace that car soon. Sending accurate price signals to
5 customers about the cost of their energy usage is important, so that they can make
6 well-informed decisions about these major purchases. Tiered rates artificially inflate
7 the incremental cost of energy for consumers which can skew the energy-related
8 decisions that they make. Differentiating price by season gives consumers more
9 accurate information about the cost of their energy usage.

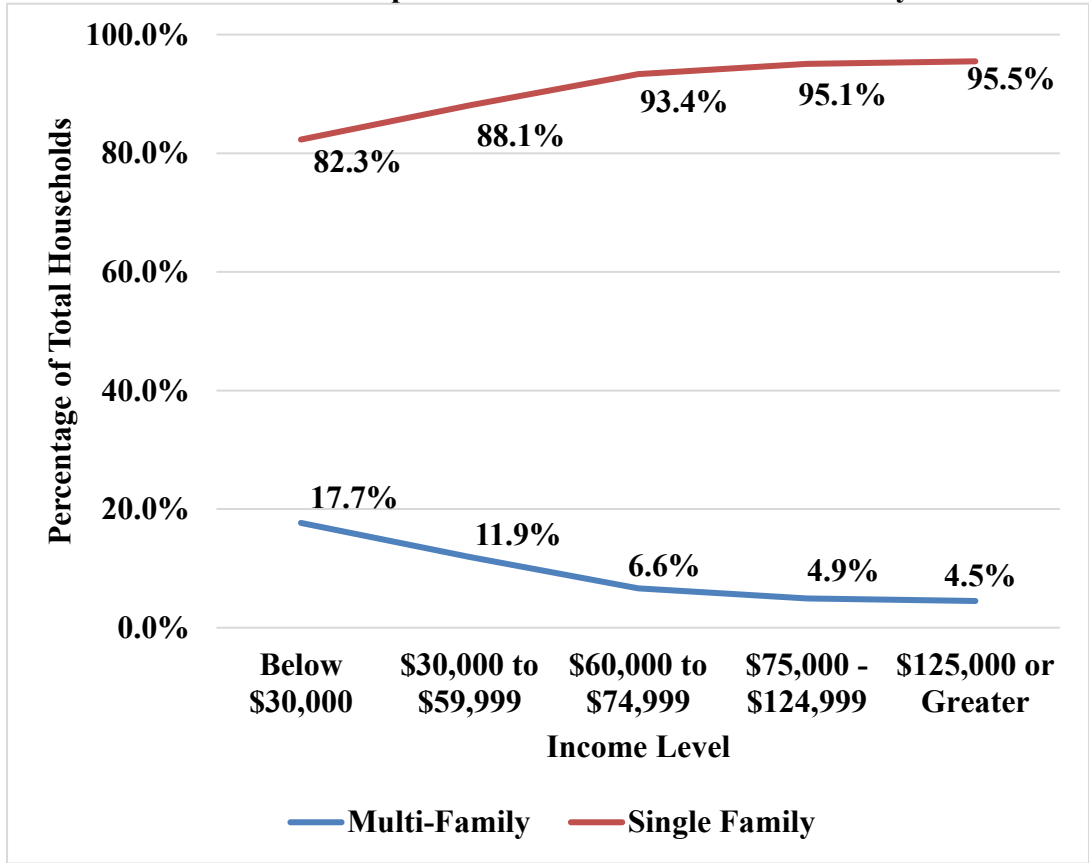
1 **Q. A common theme of the testimony from some parties has been a view that**
2 **eliminating tiers and/or raising the basic charge harms low-income customers.**

3 **Please comment.**

4 A. While in general usage does tend to increase with income, this is a broad generality.
5 Lower income does not always mean low energy usage nor does high income always
6 mean high energy usage. Also viewing the Company's proposed rate design as
7 punishing lower users while rewarding higher users is overly simplistic. Incorporated
8 into the Company's proposal are two new considerations that would affect a
9 customer's bill – time of year energy is consumed and dwelling type. As discussed in
10 my direct testimony, the combination of changes proposed by the Company results in
11 a lower than average increase for Schedule 17 low income bill assistance
12 participants.³² Several factors make the Company's proposed residential rate structure
13 more equitable than the status quo. First, customers in multi-family dwellings are
14 more likely to have lower incomes. Figure 3 below which uses 2021 residential
15 customer survey shows how the split between single family and multi-family varies
16 by income:

³² Meredith, Exh. RMM-1T at 26:4-10.

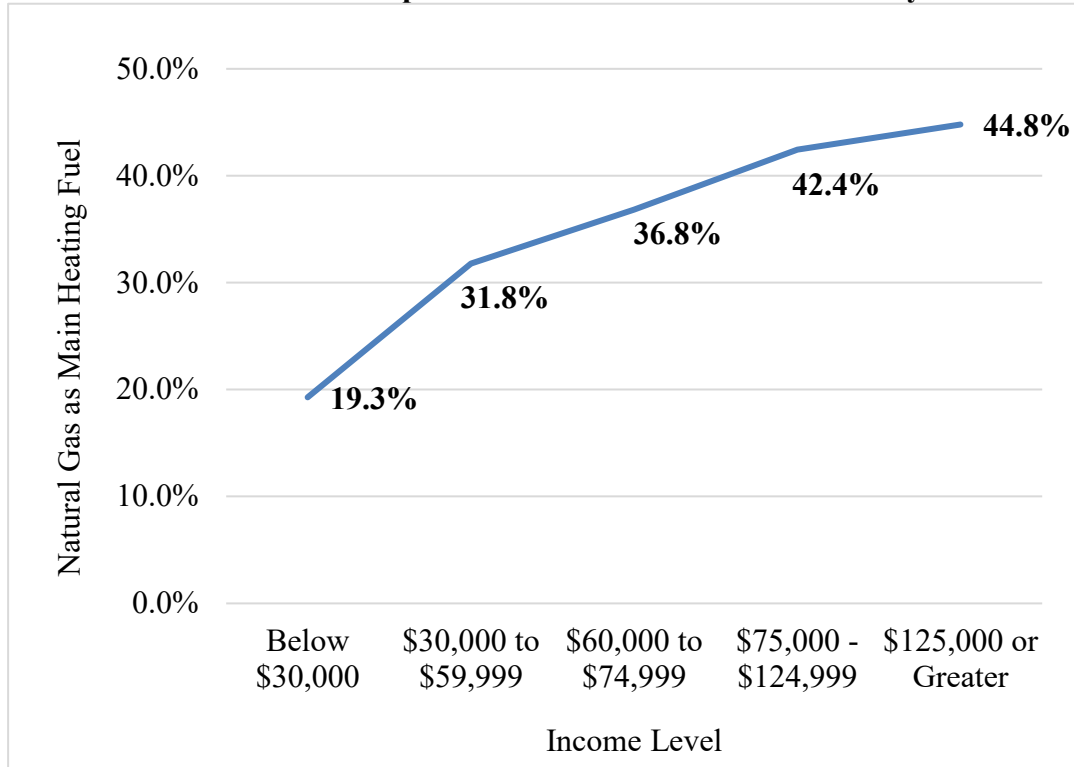
**Figure 3. Dwelling Type by Income
from PacifiCorp's 2021 Residential Customer Survey**



1 Under the Company's proposal, customers living in multi-family dwellings,
 2 who are more likely to have a lower household income, will pay a lower fixed charge.
 3 This lower fixed charge appropriately captures the economies of scale that are
 4 achieved for line transformers, since a transformer can on average serve many more
 5 residential customers living in denser multi-family configurations.

6 Next, customers who heat their homes with natural gas tend to be higher
 7 income. Using the 2021 residential survey, Figure 4 below shows how use of natural
 8 gas as the main heating fuel increases with income:

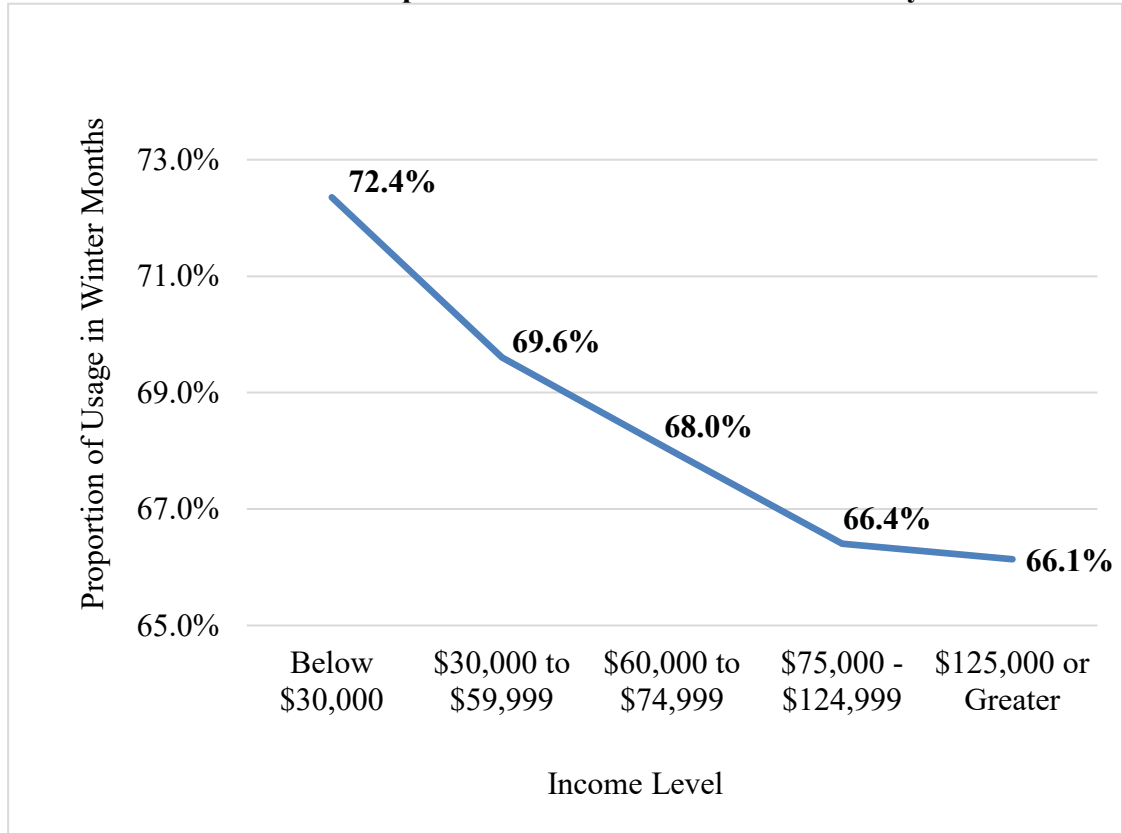
**Figure 4. Natural Gas Use by Income
from PacifiCorp's 2021 Residential Customer Survey**



1 Since lower income customers are more likely to heat their homes with
 2 electricity, a flat seasonal energy price as the Company proposes will be relatively
 3 more affordable than tiered rates which arbitrarily punish electric space heating.

4 Finally, the proportion of a customer's energy usage that occurs in the winter
 5 tends to be higher for lower income customers. Figure 5 below shows how winter
 6 usage as a percentage of total energy consumption varies across income levels:

Figure 5. Proportion of Winter Usage by Income from PacifiCorp's 2021 Residential Customer Survey



1 The higher proportion of energy that is consumed during winter months for
2 lower income customers further demonstrates that the proposed seasonal pricing,
3 which makes winter energy lower, will be more equitable.

4 **Q. Do you agree with Witness Hillstead that the Company has not conducted**
5 **sufficient studies or analyses for tiered rates to be replaced with seasonal rates?**

6 A. No. In its direct filing, the Company provided clear evidence that its proposed
7 residential energy charges are based upon cost and that legacy tiered rates artificially
8 harm customers for reasons outside of their control. The Company also showed that
9 Schedule 17 Low Income Bill Assistance participants would be better off under the
10 Company's proposal relative to the status quo.

1 **Q. Does Witness Hillstead address the analysis that the Company provided?**

2 A. No. Witness Hillstead does not address or provide any discussion of the analysis that
3 the Company did present in its filing beyond a simple statement that “Staff does not
4 find the information provided to be persuasive and is not convinced that seasonal
5 rates would benefit Washington rate payers.”³³

6 **Q. Would a seasonal pricing pilot be useful for better understanding?**

7 A. No. A seasonal pricing pilot would not be useful. While the Company does have
8 pilots for opt-in time-of-use programs, those are very different from seasonal rates.
9 A customer can respond to a time-of-use price signal right away by shifting loads to
10 off-peak periods. Seasonal rates send more of a long-term price signal as customers
11 consider the appliances and equipment that they install in their homes, which
12 typically have very long lives. A seasonal pricing pilot would also likely have
13 significant free-ridership issues as homes that heat with electricity would adopt it,
14 while homes that heat with natural gas and have central air conditioning would not.
15 Sending an appropriate price signal about the economics of different decisions like
16 whether to switch to natural gas or get a heat pump should not be held up by a lengthy
17 study process that would not be informative. The Commission should accept a
18 transition from tiered rates to seasonal pricing now and should reject a pilot.

19 **Q. Do you agree with Witness Hillstead’s recommendation to raise the Basic Charge**
20 **by only \$0.50?**

21 A. No. Witness Hillstead’s position is that a level of \$10.10 for the residential Basic
22 Charge is supported, but that in support of gradualism, the Commission should limit

³³ Hillstead, Exh. KMM-1T at 11:20-22.

1 the increase to \$0.50.³⁴ Increasing the Basic Charge by \$0.50 would only represent a
2 6.5 percent increase, which is almost half the total 11.1 percent overall residential
3 increase proposed by the Company for the two years of the rate plan. If the
4 Commission were to approve only a \$0.50 increase to the Basic Charge, residential
5 recovery of costs from fixed charges would decline from 6.0 percent to 5.8 percent,
6 so that, in relative terms, the significance of the Basic Charge would actually be less.
7 The Company’s proposal to raise the Basic Charge to \$10 for single family customers
8 and keep it at \$7.75 for multi-family would be in line with gradualism, since recovery
9 of costs from fixed charges would only modestly increase, from 6.0 percent to
10 6.7 percent.

11 **Q. Is any of the testimony from parties arguing against the appropriateness of**
12 **including line transformers in the Basic Charge compelling?**

13 A. No. Witness Hillstead simply removes the line transformer category from the
14 calculation of what should be included in a residential Basic Charge. Besides a
15 footnote referring to a rule about cost of service methodology and a Commission
16 order from 2015, witness Hillstead provides no further explanation for its removal nor
17 does witness Hillstead address any of the reasons I provided in direct testimony for its
18 inclusion.³⁵

19 Witness Dismukes references the 2014 Rate Case Order and recommends that
20 the inclusion of line transformers in the Basic Charge be rejected, since in his view
21 they do not reflect “direct customer costs” such as meter reading and billing.³⁶ Like

³⁴ *Id.*, at 6:5-8.

³⁵ *See id.*, at 4.

³⁶ Dismukes, Exh. DED-1T at 28:5-6.

1 witness Hillstead, witness Kaufman does not address the reasons for including
2 transformers in the Basic Charge that were provided with my direct testimony.

3 Witness McCloy provides a few reasons why they believe line transformers
4 should not be included in the Basic Charge. First, witness McCloy references a
5 definition within the document entitled “Electric Cost Allocation for a New Era: A
6 Manual” published by the Regulatory Assistance Project (RAP) that states that a
7 Customer Charge is “(a) fixed charge to consumers each billing period, typically to
8 cover metering, meter reading and billing costs that do not vary with size or usage.”
9 Witness McCloy then argues that line transformers do not fit within this definition.³⁷

10 I think it’s important to consider though that there are experts other than RAP who
11 have different views. For example, in a report from Lawrence Berkeley National
12 Laboratory that examines different perspectives on recovery of utility fixed costs, the
13 authors discuss the merits of raising fix charges to a level where they cover the cost of
14 grid services.³⁸

15 Next witness McCloy cites my direct testimony which states the fact that
16 transformers are designed to provide a sufficient level of capacity and reaches the
17 conclusion that demand is the critical driver of their cost for residential customers.³⁹

18 Witness McCloy does not however address or dispute some of the facts presented in
19 my direct testimony⁴⁰ that demonstrate that the cost of line transformers for smaller

³⁷ McCloy, Exh. LM-1T at 28:10-17.

³⁸ Lisa Wood, et al., *Recovery of Utility Fixed Costs: Utility, Consumer, Environmental and Economist Perspectives*, Future Electric Utility Regulation Report No. 5, Lawrence Berkeley National Laboratory (June 2016) <https://eta-publications.lbl.gov/sites/default/files/lbnl-1005742.pdf>.

³⁹ McCloy, Exh. LM-1T at 29.

⁴⁰ For example, a pole mounted 25 KVA transformer costs about \$3,713 to install. A pole mounted 50 KVA transformer that has twice the capacity costs about \$4,494 to install, an increase of only approximately 21 percent. Meredith, Exh. RMM-1T at 15:7-9.

1 customers like residential is almost entirely a fixed cost that does not change after
2 installation. Finally, witness McCloy references the fact that a transformer serves on
3 average about three single-family residential customers as support for excluding their
4 cost from the Basic Charge. Witness McCloy affirms that in rural locations having a
5 dedicated transformer for one customer “is not atypical.”⁴¹ However, simply because
6 they serve more than one customer should not on its face invalidate the inclusion of
7 transformers in the Basic Charge. While transformers often do provide service to
8 more than one customer, they are different than other components of the distribution
9 system such as substations, poles, and conductor since they typically serve only a
10 very small number of customers. As I discussed in my direct testimony, there are
11 significant economies of scale for line transformers. These economies of scale mean
12 that a key driver of their cost is the number of total transformers deployed, which is
13 driven by the number of customers and their geographic dispersion across the
14 Company’s service territory.

15 **Q. What information have you presented in your direct testimony about the**
16 **characteristics of line transformers that parties have not disputed?**

17 A. I presented the following information in my direct testimony about line transformers:

- 18 • Transformers are usually set at the time of construction.
- 19 • Transformers are designed to provide a sufficient level of capacity for the needs
20 of a small group of customers that are located close-by.
- 21 • Transformers come in standard sizes and are not available in a continuous and
22 granular range of capacities.

⁴¹ McCloy, Exh. LM-1T at 30:2-3.

- 1 ○ The smallest sized transformer is 10 KVA.
- 2 ○ The next largest size is 25 KVA.
- 3 ○ The next largest single-phase transformer is 50 KVA.
- 4 ● For residential customers, transformers are appropriately sized to ensure that
- 5 ample capacity is available to serve the different customers connected to them
- 6 including some level of potential load growth.
- 7 ● Customer conservation efforts do not lower the Company's cost of line
- 8 transformers.
- 9 ● The cost of a transformer does not increase proportionately to overall size.
- 10 ○ A pole mounted 25 KVA transformer costs about \$3,713 to install.
- 11 ○ A pole mounted 50 KVA transformer that has twice the capacity costs about
- 12 \$4,494 to install, an increase of only approximately 21 percent.
- 13 ● For a very large residential customer who requires a much larger than average
- 14 transformer, that customer would likely not have had a sufficiently large line
- 15 extension allowance and would have paid for the incremental cost of the larger
- 16 transformer serving it upfront.
- 17 ● Unlike generation, transmission and upstream distribution costs, line transformers
- 18 are inflexible and cannot be easily redeployed to other customers as loads
- 19 fluctuate.
- 20 None of the parties disputed this information in their opening testimony.

1 **Q. Witness Dismukes cites an order from the Commission in the 2014 Rate Case**
2 **where an increase in the Basic Charge was rejected⁴² and Witness McCloy**
3 **references an order from a PSE rate case where inclusion of line transformers**
4 **was rejected.⁴³ Please comment.**

5 A. I have reviewed the evidence presented in both the Company's 2014 Rate Case as
6 well as the PSE rate case⁴⁴ that was referenced in witness McCloy's testimony. While
7 the Commission issued orders in those proceedings rejecting proposed increases to
8 the residential Basic Charge, much of the arguments and evidence that I have
9 presented in my direct testimony was not a part of the record in those cases. Further,
10 the Company is proposing bifurcated basic charges for single family and multi-family
11 customers, which is a feature that simultaneously advances greater equity in pricing
12 and better alignment with cost causation. To my knowledge, the Commission has
13 never ruled on a multi-family basic charge. Despite past rulings, the Commission
14 should weigh the evidence before it now in the instant proceeding and in light of the
15 new equity requirement.

16 **Q. Witness Dismukes argues that the Company's survey of the Basic Charges of**
17 **other utilities is dubious, since it includes mostly publicly owned utilities.**
18 **Witness Dismukes then offers an alternative survey that only includes**
19 **investor-owned utilities.⁴⁵ Please comment.**

20 A. Witness Dismukes provides no evidence why it is inappropriate to include publicly
21 owned utilities in a survey of residential basic charges. While consumer-owned

⁴² Dismukes, Exh. DED-1T at 27:15-28:2.

⁴³ McCloy, Exh. LM-1T at 30:8-20.

⁴⁴ See generally *WUTC v. Puget Sound Energy*, Docket No. UE-170033, Order 08 (Dec. 5, 2017).

⁴⁵ Dismukes, Exh. DED-1T at 29:1-30:2.

1 utilities are not regulated by the Commission, these are the prices they charge to their
2 customers and those prices have been approved by their governing bodies who are
3 commissioned with acting in the interest of their customers. The survey of residential
4 basic charges that witness Dismukes prepared included utilities in Oregon, Idaho, and
5 California and many of them are located in densely populated urban areas. The
6 Company's survey primarily included utilities that were geographically close to the
7 Company's service area. Given these differences, I think that it is more likely for the
8 customer and service territory characteristics of the utilities included in the
9 Company's survey to resemble those of Pacific Power in Washington than for those
10 utilities included in Public Counsel's survey. There is therefore no reason why Public
11 Counsel's survey is more valid than the Company's.

12 VI. NON-RESIDENTIAL RATE DESIGN

13 **Q. Please summarize AWEC witness Kaufman's testimony regarding rate design.**

14 A. Witness Kaufman agrees with the creation of transmission voltage pricing for
15 Schedule 48T, language clarification in the Schedule 48T tariff, and the treatment of
16 Schedule 47T. Witness Kaufman gives five reasons for not supporting the recovery of
17 generation and transmission costs within the load size charge. First, witness Kaufman
18 argues that operating reserve margins must be held every hour and are a cost of
19 serving load every hour of the year as opposed to the cost of meeting peak demand.
20 Second, witness Kaufman argues that there is no evidence that a customer's
21 individual maximum peak correlates to system outages or unexpected system stresses.
22 Third, witness Kaufman believes that since a load size charge is a persistent measure,
23 any excess demand could be used to sell into the market and that persistence of the

1 charge could result in a customer paying for a cost the Company does not incur.
2 Lastly, witness Kaufman reasons that if the Company's rationale were accurate, then
3 system costs could be allocated on the basis of facility size, which would likely result
4 in costs being shifted away from the Schedule 48T class. Witness Kaufman supports
5 moving rates closer to cost of service, but capping their movement at a 10 percent
6 change from the current price as opposed to a 10 percent change towards cost of
7 service as was proposed by the Company.⁴⁶

8 **Q. Why is it appropriate to recover some generation and transmission costs from a**
9 **load size charge for Schedule 48T customers?**

10 A. In the Company's last rate case, the Company proposed, and the Commission
11 approved, differentiating energy prices based upon time of use period for large
12 customers as well as limiting the on-peak window under which demand charges were
13 assessed from a 16-hour window to an eight to ten hour window depending upon
14 season. This provides large customers with an opportunity to save on their bills by
15 shifting load to off-peak periods. Setting the load size charge for large customers at a
16 level where it recovers some generation and transmission costs balances the
17 opportunity for a large customer to shift load away from on-peak times with greater
18 stability of fixed cost recovery. While a customer that shifts all its load to off-peak
19 times is less costly to serve, that customer should still pay a fair share of the diverse,
20 interconnected system that enables it to access low-cost, reliable off-peak energy.

⁴⁶ Kaufman, Exh. LDK-1CT at 45-47.

1 **Q. Do you agree with witness Kaufman that the movement to alignment of rate**
2 **design with cost of service should be capped at a 10 percent increase per year for**
3 **each individual billing component?**

4 A. No. Witness Kaufman uses the example of the 1,058 percent change in price for the
5 load size charge for the Schedule 48T dedicated facilities class and concludes that
6 such a change is unreasonable.⁴⁷ It is important to consider though that movement
7 towards a greater alignment with cost of service means that some billing components
8 will go up more and others will go up less or even go down. Looking at the
9 Company's proposed change to different pricing components for Schedule 48T
10 dedicated facilities illustrates this. Table 3 below shows the proposed change in prices
11 for Schedule 48T – dedicated facilities:

⁴⁷ *Id.*, at 47:4-6.

**Table 3. Proposed Change to Prices for Schedule 48T –
Dedicated Facilities from the Company’s Direct Filing**

Billing Component	Present Price	Proposed Price (Second Year)	Change	Change (%)
Basic Charge (\$/month)	2,999.00	4,199.93	1,200.93	40.0%
Load Size Charge (\$/kW)	0.26	3.01	2.75	1,057.7%
Demand Charge (\$/kW)	8.93	9.53	0.60	6.7%
Overall Demand-Based Charge (\$/kW)	9.19	12.54	3.35	36.5%
On-Peak Energy Charge (¢/kWh)	6.197	6.846	0.649	10.5%
Off-Peak Energy Charge (¢/kWh)	5.264	5.913	0.649	12.3%
Reactive Power Charge (\$/kVAR)	0.55	0.51	-0.04	-7.3%

1 While the load size charge would go up 1,058 percent, a Schedule 48T
2 dedicated facilities customer pays both the load size charge and the demand charge as
3 part of the overall demand-related charges it pays. The demand charge itself has a
4 6.7 percent increase and the increase for both the demand charge and load size charge
5 in combination is 36.5 percent. The load size charge has what appears to be a very
6 large proposed increase in percentage terms, but it is starting at a level that is very
7 small (\$0.26) and its significance should be viewed in light of the requested change to
8 overall demand-based charges.

9 Further, the Company is proposing a very modest 10 percent movement per
10 rate year towards cost of service for non-residential rate schedules. Even if the
11 Company were to be in back-to-back rate cases for the foreseeable future, it would

1 still take 10 years or more for rate design to be aligned with cost service under this
2 approach. If specific rate elements were capped, as AWEC recommends, at
3 10 percent of their current rate, achieving that alignment could take far longer. The
4 Company's proposal balances gradualism with movement towards more accurate
5 price signals. A similar 10 percent movement towards cost of service by rate
6 component took effect in the Company's 2019 Rate Case.

7 VII. RATE CHANGE EQUITY ANALYSIS

8 **Q. Please summarize Public Counsel witness Dahl's testimony concerning a rate
9 change equity analysis.**

10 A. Witness Dahl recommends that an equity analysis should be conducted that
11 determines whether Named Communities bear a disproportionate share of the
12 proposed rate increase compared to the general customer population.⁴⁸ He
13 recommends that the Commission order any rates provisional until the Company has
14 satisfactorily complied with equity requirements.⁴⁹

15 **Q. Do you agree that such analysis should be a requirement for the Company to
16 increase its rates?**

17 A. No. As discussed in the rebuttal testimony of Company witness Matthew McVee, the
18 Commission has not issued specific policy guidance on equity requirements for
19 ratemaking proceedings and therefore such a requirement would be premature and
20 inappropriate.

⁴⁸ Dahl, Exh. CED-1T at 22:12-23:17.

⁴⁹ *Id.*, at 20:14-18.

1 **Q. Has the Company prepared an analysis of how the Company’s proposed price**
2 **change would affect Named Communities compared to the general population of**
3 **customers?**

4 A. While the Company disagrees with the imposition of such a requirement at this time,
5 it did prepare an analysis of how the proposed rate change would impact different
6 customers. My understanding from the Company’s Clean Energy Implementation
7 Plan is that Named Communities include customers in Highly Impacted Communities
8 and Vulnerable Populations. Identifying customers in Highly Impacted Communities
9 is relatively straight-forward, but Vulnerable Populations is still a concept that has not
10 been fully defined. As a proxy for Vulnerable Populations, the Company used
11 participants in the Company’s Low-Income Bill Assistance program. The Company
12 applied the proposed changes to tariffed rates from its direct filing to the bills during
13 the test period for residential customers in Highly Impacted Communities and who
14 participate in the Low-Income Bill Assistance program and did the same for all other
15 residential customers. Table 4 below shows the results of this analysis:

Table 4. Impact to Average Bills for Residential Customers in Highly Impacted Communities and Low Income Bill Assistance Participants Compared to Impact of Average Bills for All Other Residential Customers

	Present Bill (\$)	Proposed Bill (\$)	Change (\$)	Change (%)
Highly Impacted Communities and Low-Income Bill Assistance Participants	113.09	129.94	16.85	14.9%
All Other Residential Customers	131.28	153.27	21.99	16.7%

16 The analysis demonstrates that the rate impact of the Company’s proposed
17 price change is equitable, since customers in Highly Impacted Communities and who
18 participate in the Low Income Bill Assistance program would experience a lesser bill

1 increase than other residential customers. While the Company does not agree with
2 this requirement, to the extent that the Commission agrees with Public Counsel and
3 imposes it, it should find that the Company's above referenced analysis satisfies the
4 spirit of the recommendation, given the information currently available and the status
5 of the Commission's policy guidance on this issue..

6 VIII. SUCCESSOR TARIFF FOR NET METERING

7 **Q. Please summarize Staff witness McGuire's testimony regarding the Company's**
8 **proposed successor tariff for net metering.**

9 A. Witness McGuire explains Staff's position that the Commission should reject the
10 Company's alternate Schedule 138, Net Billing program and instead suggests that
11 Schedule 135, Net Metering be revised to remove the four percent cap. Staff contends
12 that RCW 80.60.020 does not place a hard cap on net metering capacity connected to
13 the system. Witness McGuire argues that the Company has not made a compelling
14 case for eliminating Schedule 135 but would not oppose PacifiCorp offering a net
15 billing proposal as a pilot program to collect data on how time-of-use rates would
16 impact the behavior of customer-generators.⁵⁰

17 **Q. Please summarize NWECA witness Thompson's testimony regarding the**
18 **Company's proposed successor tariff for net metering.**

19 A. Witness Thompson states that RCW 80.60.020 does not require that electric utilities
20 propose successor programs once the four percent cap is reached and that the
21 Company has not demonstrated that the cap will be reached in the next two years.
22 Further, witness Thompson contends that the Company's proposed Net Billing

⁵⁰ McGuire, Exh. CRM-1T at 66-70.

1 program is not necessary and will potentially cause confusion for customer-generators
2 and should only be considered after the conclusion of an exported energy study.
3 Witness Thompson also argues that the Company's proposed Net Billing program
4 doesn't provide sufficient stability for customer-generators to make informed
5 decisions on and that the Company's Schedule 19 is in a pilot phase and not ready for
6 the application of net metering customers.⁵¹

7 **Q. How do you respond to the position taken by parties in this rate case with**
8 **respect to replacing Schedule 135, Net Metering with Schedule 138, Net Billing?**

9 A. The Company's proposed interim successor net billing program was designed to be a
10 temporary solution to the Company's existing Schedule 135 enrollment cap of four
11 percent of the utility's peak demand during 1996, or 37.2 megawatts of capacity. The
12 Company still believes that providing credits for exported energy at 100 percent of
13 full retail energy charges is not sustainable long-term and a more detailed study of
14 exported energy should be conducted to inform a future export credit rate.
15 PacifiCorp's proposed Schedule 138 was designed to allow applications for a
16 two-year period, which would allow continued participation in customer-generation
17 while allowing time for an exported energy study to conclude and for parties to
18 discuss the future of a net billing program in Washington following the Company's
19 proposed interim Schedule 138 program.

⁵¹ Thompson, Exh. CT-1T at 5-21.

1 **Q. What is your recommendation regarding the Company’s proposed elimination**
2 **of Schedule 135, Net Metering and proposed successor Schedule 135, Net**
3 **Billing?**

4 A. In light of the parties’ comments and further review of the timing for the utility to
5 reach the current cap in Schedule 135, PacifiCorp withdraws its proposal to modify
6 Schedule 135 and implement Schedule 138 as its successor. Even though the
7 Company estimates that it will reach the four percent cap in the next two years, given
8 the feedback received by the parties, the Company feels that there is still time to have
9 further discussion with stakeholders before transitioning to a successor customer
10 generation program.

11 **IX. LOW INCOME PROGRAM**

12 **Q. Please summarize Public Counsel witness Dahl’s testimony regarding the**
13 **Company’s bill-discount rate program.**

14 A. Witness Dahl explains Public Counsel’s position that PacifiCorp should work with
15 low-income advisory group members to consider additional discount tiers,
16 self-attestation of income for enrollment, arrearage management, and other features
17 included in peer utility programs.⁵²

18 **Q. Please summarize TEP witness Stokes’s testimony regarding the Company’s**
19 **bill-discount rate program.**

20 A. Witness Stokes explains TEP’s position that PacifiCorp should work with the
21 Low-Income Advisory Group to develop enhancements to the Company’s LIBA
22 program, specifically the number of tiers, enrollment procedures, enrollment terms,

⁵² Dahl, Exh. CJD-1T at 20:11-23:17.

1 implementation of an arrearage management program, and key performance
2 indicators for measuring program effectiveness. Witness Stokes recommends changes
3 to the LIBA be filed by July 1, 2025, effective October 1, 2025, and an interim
4 arrearage forgiveness program be implemented by October 1, 2024.⁵³

5 **Q. Do you agree with the parties' comments regarding collaboration with the**
6 **Low-Income Advisory Group to effectively change the Company's LIBA**
7 **program?**

8 A. Yes. PacifiCorp agrees that the Commission should defer to the Company's
9 Low-Income Advisory Group on changes proposed to the Company's LIBA program.
10 Any discussion regarding a change to the existing LIBA program or the creation of an
11 arrearage management plan should be conducted with the Low-Income Advisory
12 Group and not within this general rate case.

13 **Q. Please respond to the position taken by the parties to make changes to**
14 **PacifiCorp's LIBA program similar to the Company's utility peers in**
15 **Washington.**

16 A. It would be inappropriate to assume that PacifiCorp's low-income discount rate or the
17 Company's approach towards arrearage management should follow suit with the
18 other peer utilities. Each utility and its customers are unique. The Company will only
19 be able to implement program details that are best suited for the Company's energy
20 burdened customers by working collaboratively with the Low-Income Advisory
21 Group specific to PacifiCorp.

22 With respect to witness Stokes's request to have filing and effective dates for

⁵³ Stokes, SNS-1T at 3:16-13:11.

1 program changes and an arrearage management plan in 2024 and 2025, PacifiCorp
2 disagrees that the Commission needs to order a required date for either action,
3 particularly since it is unclear if the Low-Income Advisory Group will support the
4 changes being proposed by the parties in this docket. If the Company and the Low-
5 Income Advisory Group reach an agreement on any changes to the program, it would
6 then be appropriate to determine the timing for any filing with the Commission for
7 approval.

8 **Q. How do you respond to parties' recommendations to increase the number of**
9 **tiers in the Company's LIBA program?**

10 A. The Company's proposal to increase the LIBA discount is a significant step in
11 helping reduce the energy burden of low-income customers. The proposed changes to
12 Schedule 17 increase the discount in each year of the rate plan by double the increase
13 for residential customers. Both Public Counsel and TEP suggest that more tiers are
14 necessary to reduce energy burden but do not specify how additional tiers for
15 PacifiCorp's LIBA program would need to be sized to be beneficial.

16 Witness Stokes points to the Company's energy burden study performed by
17 Empower Dataworks (Empower) demonstrating that there is a need for approximately
18 \$15 million to bring all residential electricity bills below the high burden threshold of
19 6% and insinuates that to provide more adequate assistance that additional tiers for
20 the Company's LIBA program might be necessary.⁵⁴ The Company believes that the
21 existing LIBA design does a very good job of targeting benefits to higher burden
22 customers and its tiers are appropriate. PacifiCorp's belief is supported in witness

⁵⁴ Stokes, Exh. SNS-1T at 5:9-17.

1 Stokes’s Exhibit SNS-4, the 2022 Energy Burden Assessment (WA), Findings and
2 Recommendations, where Empower notes that PacifiCorp’s “LIBA discount tiers
3 appear appropriate from an energy burden reduction perspective.”⁵⁵

4 **Q. How do you respond to the parties’ recommendation to allow self-attestation for**
5 **customers to enroll in the Company’s LIBA program?**

6 A. PacifiCorp does not agree with allowing self-attestation of income directly to the
7 Company for enrollment in the Company’s LIBA program. The current process of
8 customers working with their local energy assistance agency allows them to access
9 additional funding in the form of energy assistance, not to mention the potential to
10 receive weatherization and other services. However, in recognition that some low-
11 income customers do not have traditional forms of income documentation, and to
12 help get customers the help they need, the Company has collaborated with energy
13 assistance agencies and the Low-Income Advisory Committee to allow customers to
14 self-attest by filling out a Declaration of No Income form. Agencies use this form to
15 enroll customers on LIBA. The Company is working right now to include the form on
16 the Company’s website to allow customers to submit it to their local energy
17 assistance agency. Utilizing this form and having access to a universal application on
18 the Company website is an effort to respond to recommendations to make
19 applications easier to access.

20 Witness Stokes requests that PacifiCorp revise its program to ensure that more
21 customers in need receive energy assistance.⁵⁶ PacifiCorp has implemented program
22 changes and customer referrals to energy assistance agencies that have provided

⁵⁵ Stokes, Exh. SNS-4 (Energy Burden Assessment) at 32.

⁵⁶ Stokes, Exh. SNS-1T at 9:13-10:20.

1 excellent results in increased participation in the LIBA program. In 2021, PacifiCorp
2 removed the cap for Schedule 17 allowing more customer participation in the
3 program.⁵⁷ Since removing the cap, PacifiCorp has seen a 50 percent increase in
4 program participation from the implementation date in October 2021, when it had
5 5,457 participants, through September 2023, when the program reached 8,132
6 participants. PacifiCorp has also put in place a successful referral process with the
7 local energy assistance agencies to provide them with customer information (with
8 customer consent) that allows the agencies to perform direct outreach to customers
9 seeking help.

10 Customers who go through the energy assistance agency to be placed on the
11 Company's LIBA program are receiving more benefit than a customer who simply
12 self-attests to being low-income. The existing process of working with local agencies
13 provides a one-stop shop, allowing the customer access to additional services and
14 funding streams, including energy assistance and weatherization, which further helps
15 reduce a customer's energy burden and federal funding. To reduce energy burden, the
16 Company's LIBA program should be viewed as part of a portfolio of solutions.
17 Additionally, if the Company were to allow self-attestation outside of the local energy
18 assistance agencies, the administrative process for the customer and the Company
19 would be greater. Post-certification of the customer's income and placing the
20 customer on the most accurate tier would increase the burden on the customer. Rather
21 than focusing solely on getting more customers on the bill discount rate with

⁵⁷ See *In the Matter of the Request of PacifiCorp dba Pacific Power & Light Co., Petitioner, To Approve Tariff Revisions Regarding the Company's Low Income Bill Assistance Program*, Docket No. UE-210533, Order 01 at ¶¶ 18-19 (July 29, 2021).

1 self-attestation, PacifiCorp believes that by removing the cap, providing additional
2 focused outreach, and continuing referrals to our local agencies, the Company will
3 not only see increased participation on the bill discount rate, but will also see
4 customers receive additional funding and services according to their appropriate
5 income tier. This will result in these customers gaining increased assistance to
6 adequately reduce their energy burden.

7 **Q. What additional, focused outreach is the Company conducting to help raise**
8 **enrollment in the LIBA program?**

9 A. Please see the rebuttal Testimony of Company witness Christina M. Medina for a
10 detailed list of marketing and outreach campaigns utilized to promote participation in
11 the Company's LIBA program.⁵⁸

12 **Q. What is your reaction to witness Stokes's position that program enrollment for**
13 **all customers on the Company's LIBA program be expanded?**

14 A. PacifiCorp agrees that it would be beneficial to expand enrollment duration for all
15 customers. The enrollment duration is not addressed in the Company's tariff, but
16 rather in the contracts with energy assistance agencies. PacifiCorp agrees to work
17 with the agencies to amend the contracts to allow all participants to be enrolled for
18 two years, not just customers on fixed income. This would alleviate burden on our
19 customers and reduces administrative cost.

20 **Q. What is your opinion of witness Stokes's recommendation that bill discounts**
21 **should only be applied to customers after LIHEAP funds are applied?**⁵⁹

22 A. I think that it is an interesting idea that the Company needs to explore further. The

⁵⁸ Medina, Exh. CMM-2T at 7:19-8:17.

⁵⁹ Stokes, Exh. SNS-1T at 11:2-10.

1 Company agrees to bring this issue before its Low-Income Advisory Committee.

2 **Q. What is your recommendation for the Company's LIBA program?**

3 A. Both PC and TEP point to the bill discount programs and arrearage management
4 plans of peer utilities in the state as evidence that PacifiCorp's LIBA program must
5 undergo changes. However, they do not provide sufficient support for the changes,
6 nor is it clear that the proposed changes are universally supported by the Company's
7 Low-Income Advisory Group. PacifiCorp contends that there is not a one-size-fits-all
8 solution to reducing energy burden and recommends that the parties' suggested
9 recommendations to the program be deferred to the Low-Income Advisory Group for
10 further discussion and analysis.

11 **X. COLLECTIONS PRACTICES**

12 **Q. Please summarize TEP witness Stokes's testimony regarding the Company's**
13 **collections practices.**

14 A. Witness Stokes explains TEP's position that the Company's disconnection practices
15 may have equity implications, specifically the dollar threshold for residential
16 disconnection for non-payment, the Company's internal system of prioritizing
17 disconnection for non-payment, and the Company's policy regarding the cancellation
18 of a disconnection for non-payment when the customer has an energy assistance
19 appointment. Witness Stokes also raises concern with customer information being
20 provided to credit bureaus from the Company's third-party collection agencies.⁶⁰

⁶⁰ *Id.*, at 13:13-21:6.

1 **Q. What is your response to the position taken by TEP in this rate case with respect**
2 **to the Company’s collection practices?**

3 A. The Company believes that the concerns raised by witness Stokes regarding its
4 collection practices warrant further discussion with its Low-Income Advisory Group
5 and Equity Advisory Group.

6 PacifiCorp and TEP are active participants in Docket No. U-210800, the
7 Commission’s open investigation regarding potential changes to customer notices,
8 credit and collection rules, late fees, disconnection fees, reconnection fees, and
9 deposits. Any changes considered for the Company’s internal policies and procedures
10 regarding disconnection would best be conducted after the conclusion of the
11 rulemaking, as changes to the rules could very well inform the Company’s
12 non-regulated, internal policy and procedures conducted when attempting to collect
13 unpaid balances. The Commission should not bypass these important advisory groups
14 to order a change to the Company’s internal policies and procedures, particularly
15 while rulemaking to address credit and collections is currently ongoing.

16 **XI. DECOUPLING**

17 **Q. Please summarize NWECA witness McCloy’s testimony regarding decoupling.**

18 A. Witness McCloy describes the theoretical basis for revenue decoupling, enumerates
19 its history in Washington and for the Company in particular, and argues that it is still
20 needed for PacifiCorp.⁶¹ Witness McCloy argues that decoupling supports
21 electrification by returning surplus revenues quicker to customers.⁶² Witness McCloy
22 also discusses how energy efficiency creates more “headroom” for electrifying

⁶¹ McCloy, Exh. LM-1T at 5:9-6:2.

⁶² *Id.*, at 13:7-14:2.

1 vehicles and buildings.⁶³ Witness McCloy estimates that the Company would lose
2 significant margin with energy efficiency without a decoupling mechanism. Witness
3 McCloy posits that this results in a “‘throughput addiction’ that creates a conflict of
4 interest between utility stakeholders and customers.”⁶⁴ Witness McCloy concludes
5 that decoupling is still needed in the age of performance-based ratemaking and
6 multiyear rate plans. With respect to the multiyear rate plan requirement to refund
7 earnings in excess of 0.5 percent above the authorized rate of return, witness McCloy
8 concludes that the Company would still have an incentive to maximize throughput up
9 to the 0.5 percent cap and to the extent it was over that cap “the utility can just
10 increase expenses to pull the ROR back down so that it can minimize refunds to
11 customers while maximizing revenues and profit.”⁶⁵

12 **Q. Please summarize Staff Witness Tellez’s testimony regarding decoupling.**

13 A. Witness Tellez explains Staff’s position that the earnings test from the decoupling
14 mechanism should be eliminated, since it would be duplicative with the earnings test
15 for multiyear rate plans. Witness Tellez argues that the Company has not made a
16 compelling case for eliminating its decoupling mechanism and eliminating it should
17 not be considered until after the conclusion of the performance based ratemaking
18 policy proceeding in Docket No. U-210590.⁶⁶

19 **Q. Please respond to the criticism of PacifiCorp’s proposal to eliminate decoupling.**

20 A. The arguments put forward for keeping a decoupling mechanism in place for
21 PacifiCorp are based upon a theory that utilities will undermine or otherwise impede

⁶³ *Id.*, at 17:3.

⁶⁴ *Id.*, at 18:11-19:15.

⁶⁵ *Id.*, at 26:2-5.

⁶⁶ Tellez, Exh. AMT-1CT at 13-23.

1 energy efficiency if the linkage between energy sales and profitability is not severed.
2 This is a theory for which I have not seen support. To the contrary, I do not think that
3 the presence of a decoupling mechanism has the ability to make any difference to the
4 decisions PacifiCorp makes or the actions it takes. Washington's energy and
5 regulatory policies have already established mandates and incentives that make
6 decoupling unnecessary and potentially punitive.⁶⁷ This is exacerbated by
7 PacifiCorp's multi-state operations and allocations.

8 **Q. Does PacifiCorp have decoupling mechanisms in any of its other five**
9 **jurisdictions?**

10 A. No. Washington is the only state where PacifiCorp has a decoupling mechanism.

11 **Q. In your experience, does PacifiCorp's decoupling mechanism in Washington**
12 **influence its behavior?**

13 A. No. In my experience with the Company, PacifiCorp, as a subsidiary of Berkshire
14 Hathaway Energy, is chiefly concerned with creating long-term value, rather than
15 influencing short-term stock price. Consequently, its leadership is very focused on
16 providing, low-cost, reliable, increasingly clean service to its customers equitably. A
17 significant component of meeting its customers' needs in the future at the lowest
18 risk-adjusted cost is acquiring cost effective demand-side resources across its six-state
19 service territory. A decoupling mechanism in one of its states does not result in the
20 Company acquiring more energy efficiency in that state than it would otherwise

⁶⁷ As explained in my direct testimony, the Company is already required to pursue all cost-effective conservation measures per I-937 and must meet biennial goal or face penalties. Meredith, Exh. RMM-1T at 39:10-40:5; *see also* WAC 480-109-070(1) ("A utility that fails to achieve either its conservation target or its renewable resource target must pay an administrative penalty for each megawatt-hour of shortfall in the amount of fifty dollars adjusted annually, beginning in 2007, to reflect changes in the gross domestic product-implicit price deflator, as published by the Bureau of Economic Analysis of the United States Department of Commerce or its successor.").

1 pursue, nor does the lack of a decoupling mechanism in its other five states mean that
2 the Company targets less conservation in those states.

3 **Q. How do you think decoupling has affected the Company?**

4 A. The decoupling mechanism creates work for the Company each month to determine
5 the correct deferral amount, and work annually to change the adjustment schedule
6 (Schedule 93) prices. It also creates complexity and uncertainty for the Company's
7 accounting and finance departments. After sales and revenue come in for a particular
8 month, there is still uncertainty about what the decoupling mechanism will do until
9 my team completes its work to determine the monthly deferral. These deferrals can be
10 multi-million dollar and cause unexpected swings to financial results. The earnings
11 test has further exacerbated this uncertainty as load changes and dynamic allocations
12 factors can result in over-earnings to the Washington jurisdiction that the Company
13 did not expect. I appreciate that Staff has expressed its support for at least eliminating
14 the earnings test associated with decoupling, so that the Company will not be subject
15 to two different earnings mechanisms.

16 **Q. Please summarize the Company's position on its decoupling mechanism.**

17 A. The idea that a decoupling mechanism removes a disincentive to pursue cost-effective
18 demand-side resources is nice theory, but the uncertainty that I describe earlier makes
19 decoupling ineffective as a performance driver for PacifiCorp. No party presents
20 compelling evidence that decoupling has indeed provided value for PacifiCorp or
21 customers. The only impact that I have observed is added financial uncertainty and
22 administrative burden. I recommend the Commission accept the Company's proposal
23 to end decoupling for PacifiCorp.

1 **XII. CONCLUSION**

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

3 A. I recommend that the Commission approve the Company's cost of service study,
4 proposed rate spread, and proposed rate design. I also recommend that the
5 Commission accept the Company's proposal to end decoupling and decline to require
6 changes for the Company's low-income program and collection processes.

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

8 A. Yes.