Exh. SEM-1T
Docket UE-21____
Witness: Shelley E. McCoy

BEFORE THE WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP dba PACIFIC POWER & LIGHT COMPANY Respondent.	Docket UE-21____

PACIFICORP

DIRECT TESTIMONY OF SHELLEY E. MCCOY

June 2021

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name, business address, and present position with PacifiCorp.

A. My name is Shelley E. McCoy and my business address is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232. I am currently employed as Director, Regulation. I am testifying for PacifiCorp dba Pacific Power & Light Company (PacifiCorp or Company).

Q. Briefly describe your education and professional experience.

A. I earned my Bachelor of Science degree in Accounting from Portland State University. In addition to my formal education, I have attended several utility accounting, ratemaking, and leadership seminars and courses. I have been employed by the Company since November of 1996. My past responsibilities have included general and regulatory accounting, budgeting, forecasting, and reporting. I also previously oversaw the calculation of the Company's revenue requirement and the preparation of various regulatory filings in Washington, Oregon, and California.

Q. Have you testified in previous regulatory proceedings?

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

II. PURPOSE OF TESTIMONY

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

A. I provide an overview of PacifiCorp's current filing and support the Company's policy positions throughout this filing. Among other things, I give context for this limited-issue rate filing (LIRF).

In accordance with the Commission-approved settlement stipulation in the Company's last filed general rate case, docket UE-191024 (2021 Rate Case),[1] this LIRF includes the Company's support for the prudency and actual costs of the following capital projects: the Ekola Flats, TB Flats, Cedar Springs II, and Pryor Mountain new wind projects (collectively, New Wind Projects); the Dunlap and Foote Creek I wind repowering projects (collectively, Repowering Projects), and the Aeolus to Bridger/Anticline 500 kilovolt (kV) Transmission Line Sequence 4 project and the associated 230 kV network upgrades.

As supported by the testimony submitted in this LIRF, the Company is requesting a decrease in rates of approximately $616,600. In addition, the Company is proposing to refund approximately $2.1 million to customers.

Q. How is your direct testimony structured?

A. In Section III, I describe why the Company is making a LIRF at this time. In Section IV, I provide an overview of the LIRF. In Section V, I provide background related to the Company's Washington Inter-Jurisdictional Allocation Methodology (WIJAM) and explain why an adjustment is required related to certain transmission investments under the WIJAM. In Section VI, I introduce other Company witnesses submitting testimony in support of the Company's filing.

Q. Please summarize the recommendations you make in your direct testimony.

A. I recommend that the Commission:

[1] *WUTC v. Pac. Power & Light Co*., Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981, UE-180778 (cons.), Order 09 / 07/ 12 (Dec. 14. 2020).

- Authorize a decrease of $616,600, for the reasons set forth in my testimony and the testimony of the other Company witnesses;
- Approve as prudent the Company's investment in the New Wind Projects; the Repowering Projects, and the Aeolus to Bridger/Anticline 500 kV Transmission Line Sequence 4 project and the associated 230 kV network upgrades, as discussed in the testimony of various witnesses in this LIRF;
- Approve the calculated refund to customers of $2.1 million for the difference between actual and forecasted in-service dates and amounts for the projects included in this filing.

III. PURPOSE OF LIMITED-ISSUE RATE FILING

Q. What is the purpose of this section of your direct testimony?

A. The purpose of this section is to explain that the filing of this LIRF is rooted in the Commission-approved settlement stipulation in the Company's 2021 Rate Case.

Q. Please discuss PacifiCorp's 2021 Rate Case and its outcome.

A. Because of its efficient management of costs, for the first time in over four years, PacifiCorp requested an increase in rates in December 2019.[2] On December 13, 2019, PacifiCorp filed its 2021 Rate Case, requesting an increase in revenue requirement of $3.1 million; however, offsetting the increase the Company proposed to refund to customers the remaining deferred tax benefits associated with the Tax Cuts and Jobs Act (TCJA) of approximately $7.1 million. The net result was a

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[2] On May 1, 2014, the Company filed a full general rate case. On November 25, 2015, the Company filed a limited-issue rate case. *See WUTC v. Pac. Power & Light Co*., Docket No. UE-140762, Order 08 ¶ 307 (Mar. 25, 2015) and *WUTC v. Pac. Power & Light Co*., Docket No. UE-152253, Order 15 ¶ 42 (Sep. 30, 2016), respectively.

proposed decrease to rates of approximately $4.0 million.[3] In its Final Order issued on December 14, 2020, the Commission approved and adopted a settlement stipulation resolving the issues in the 2021 Rate Case subject to conditions. Specifically, the Commission approved an immediate overall revenue decrease of $4.15 million, which incorporated a decrease in depreciation rates agreed to in docket UE-180778, the refund of TCJA deferred tax benefits to customers, and a three-year rate case stayout providing rate stability to the Company's customers.[4]

Q. Why is the Company now filing a LIRF just six months after receiving a Commission Order in the 2021 Rate Case?

A. In accordance with the Commission-approved settlement stipulation in the 2021 Rate Case, the Company is filing a LIRF in 2021 for review of major capital additions included in the case that were placed in service after May 1, 2020. Specifically, in this filing, the Company is supporting the prudency and actual costs of the following capital projects: the New Wind projects; the Repowering Projects, and the Aeolus to Bridger/Anticline 500 kV Transmission Line Sequence 4 project and the associated 230 kV network upgrades. The forecasted costs of these projects were included in rates in the 2021 Rate Case subject to refund pending the review in this proceeding. In this LIRF, the Commission will set final rates based on its review of prudence and costs of these projects.

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[3] Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981, UE-180778 (cons.), Order 09 / 07/ 12 (Dec. 14, 2020).
[4] Id.

Q. What adjustments is the Company proposing in this proceeding?

A. The Company is proposing an adjustment for the amount of revenues subject to refund based on differences between updated inputs quantified in this filing and approved rates from the 2021 Rate Case. Additionally, the Company is putting forth an adjustment that excludes from rate base the transmission-voltage, radial lines connecting resources not otherwise included in Washington rates to PacifiCorp's interconnected, network transmission system. I provide background later in my testimony to explain why this adjustment is necessary under the WIJAM.

Ms. Sherona L. Cheung provides further description of each adjustment.

Q. How are currently approved rates impacted by the Company's proposal in this LIRF?

A. The Company is proposing a rate decrease from currently approved rates in this LIRF. Mr. Robert M. Meredith presents the proposed rate spread and rate design in this proceeding.

Q. On June 1, 2021, PacifiCorp filed its Power Cost Only Rate Case (June 1 PCORC).[5] On June 15, 2021, PacifiCorp filed its 2020 Power Cost Adjustment Mechanism (June 15 PCAM).[6] Can you explain how these two recent filing relate to this LIRF, if at all?

A. Yes. The Commission-approved settlement stipulation in the 2021 Rate Case established the baseline level of net power costs (NPC) to be included in rates. As

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[5] *WUTC v. PacifiCorp dba Pac. Power & Light Co*., Docket No. UE-210402, Application, direct testimony, and tariffs filed June 1, 2021.

[6] *WUTC v.* PacifiCorp *dba Pac. Power & Light Co*., Docket No. UE-210447, direct testimony filed June 15, 2021.

part of this stipulation, the Company agreed to file a PCORC to update baseline NPC for 2022 using the newly implemented AURORA model from Energy Exemplar to forecast NPC. The June 1 PCORC filing requests that the Commission approve this new, adjusted baseline for NPC based upon projected normalized power costs for calendar year 2022 for the proposed rate year beginning January 2022. The PCAM allows the Company to track unexpected variations in power costs in the PCAM deferral account. The June 15 PCAM calculates the PCAM for the 12-month period from January 1, 2020, through December 31, 2020. There are no proposed impacts on customer rates as a result of the June 15 PCAM. As I explained above, this LIRF allows the Commission to review certain projects that were included in rates established in the 2021 Rate Case but were placed in service after May 1, 2020, for prudency. While there is a common requested effective date for the June 1 PCORC and this LIRF, there is no overlap between the three proceedings.

IV. OVERVIEW OF LIMITED-ISSUE RATE FILING

Q. What is the purpose of this section of your direct testimony?

A. In this section of my testimony, I provide an overview of the Company's LIRF.

Q. Please describe the projects under review in this filing.

A. There are seven projects under review in this proceeding: the Ekola Flats, TB Flats, Cedar Springs II, and Pryor Mountain new wind projects; the Dunlap and Foote Creek I wind repowering projects, and the Aeolus to Bridger/Anticline 500 kV Transmission Line Sequence 4 project and the associated 230 kV network upgrades. All but two of the projects, the Pryor Mountain Wind Project and the Foote Creek I

Wind Repowering Project, were part of the Company's energy resource strategy, Energy Vision 2020.[7]

Q. Please describe PacifiCorp's Repowering Projects.

A. As explained in the testimony of Mr. Timothy J. Hemstreet, wind repowering involves upgrading PacifiCorp's existing wind facilities to increase the amount of zero fuel-cost energy they produce. By complying with federal tax requirements for wind repowering and completing the work by the end of 2021, PacifiCorp is also able to renew the federal production tax credits (PTCs) on the Repowering Projects for another 10 years. The Dunlap Wind Repowering Project and the Foote Creek I Wind Repowering Projects were placed in service on September 7, 2020, and March 24, 2021, respectively.

Q. Do the Repowering Projects provide quantifiable benefits to customers?

A. Yes. As described in the testimony of Mr. Hemstreet and Mr. Rick T. Link, the Repowering Projects produce net customer benefits across a range of price-policy scenarios.

Q. Please describe the New Wind Projects.

A. As a result of its Energy Vision 2020 resource strategy, PacifiCorp will have added 1,150 megawatts (MW) of new wind resources in Wyoming. These resources are two facilities built by the Company, the 250 MW Ekola Flats project and the 500 MW TB

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[7] Energy Vision 2020 consisted of two major components: (1) wind repowering, including the Dunlap Wind Repowering Project; and (2) investments in new wind and transmission, including Ekola, TB Flats, Cedar Springs II Wind Projects. PacifiCorp identified and presented its Energy Vision 2020 strategy in its 2017 Integrated Resource Plan (2017 IRP), which was acknowledged by the Commission. *See PacifiCorp's 2017 Electric Integrated Resource Plan*, Docket No. UE-160353, Letter from Mark Johnson (May 7, 2018) (Letter acknowledging PacifiCorp's IRP meets the requirements of Washington law and regulations).

Flats facilities, and one facility that is a combined build-own transfer and purchase power agreement, the 400 MW Cedar Springs facility. As Mr. Hemstreet explains, because "safe harbor" wind turbines purchased in 2016 will be used to construct these facilities, each will be eligible for full PTCs if they are in service by the end of 2021. As explained by Mr. Link, these facilities were carefully selected to maximize value to customers in the 2017 Renewable request for proposals, which was monitored by independent evaluators from both Oregon and Utah.

Q. Please describe the new transmission investment.

A. PacifiCorp has also built a new, 140-mile Gateway West transmission segment—the 500 kV Aeolus-to-Bridger/Anticline transmission line, plus network upgrades—in Wyoming to enable the new Energy Vision 2020 wind generation. As explained by Mr. Richard A. Vail, regional and Company transmission plans called for building the Aeolus-to-Bridger/Anticline line by 2024, but by accelerating the construction date, the Company can use PTC benefits from wind facilities to offset costs.

Q. What is the status of the construction of the new wind and transmission facilities?

A. Except for TB Flats, which is expected to be in service this summer, the new wind and transmission facilities are all in service, ensuring that the new wind facilities qualify for PTCs. Mr. Hemstreet and Mr. Vail provide more information on the construction of these projects.

Q. Do the combined wind and transmission investments provide quantifiable net benefits to customers?

A. Yes. As Mr. Link explains in his testimony, the investments are a unique opportunity for customers to add needed and valuable renewable generation and transmission resources and reduce overall costs in the process.

Q. Please describe the Pryor Mountain Wind Project.

A. As explained by Mr. Robert Van Engelenhoven, the Pryor Mountain Wind Project has a nameplate capacity of 240 MW. The facility is located on a site in Carbon County, Montana, approximately 60 miles south of Billings, Montana. Further, with respect to this project, PacifiCorp and Vitesse, LLC (a wholly-owned subsidiary of Facebook, Inc.) executed an agreement for the purchase of all renewable energy credits generated by the Pryor Mountain Wind Project over a 25-year period under the Company's Oregon Schedule 272 – Renewable Energy Rider Optional Bulk Purchase Option.

Q. Does the Pryor Mountain Wind Project provide quantifiable benefits to customers?

A. Yes. As described in the testimony of Mr. Link, the Pryor Mountain Wind Project produces net customer benefits across a range of price-policy scenarios.

Q. What is the status of the construction of the Pryor Mountain Wind Project?

A. The Pryor Mountain Wind Project was placed in service on April 1, 2021. Mr. Van Engelenhoven provides more information regarding the construction of this project.

Q. How has PacifiCorp reflected capital expenditures in this case?

A. With the exception of TB Flats, capital expenditures are reflected at their actual amounts through May 2021. As TB Flats is expected to be in service during the Summer 2021, capital expenditures for this project are included at the projected amount through July 2021.

Q. What is PacifiCorp's proposal as it relates to the investment for TB Flats?

A. As stated above, the TB Flats project is anticipated to be online Summer 2021. This project is included in this filing on an estimated basis. The Company proposes updating the capital expenditures with actual costs as of the in-service date.

Q. Do the actual costs included in this proceeding represent final project costs?

A. No, the actual costs presented in this proceeding do not necessarily mean that they are final project costs. Generally, as with all large capital investments, even though the assets are in service, projects often have ongoing capital work to complete small items and additional costs may be incurred. For further discussion of the actual costs of these projects, please see the direct testimony of Messrs. Hemstreet, Van Engelenhoven, and Vail.

V. THE WASHINGTON INTER-JURISDICTIONAL ALLOCATION METHODOLOGY

Q. What is the purpose of this section of your direct testimony?

A. In this section of my testimony, I provide background related to the WIJAM and explain why an adjustment is required related to certain transmission investments under the WIJAM.

Q. What is the WIJAM?

A. The WIJAM is the inter-jurisdictional cost allocation methodology that was approved by the Commission in the 2021 Rate Case that replaced the West Control Area Inter-Jurisdictional Allocation Methodology (WCA). Replacing the WCA with the WIJAM was necessary in response to changing energy policies across PacifiCorp's service territories, including the passage of the Clean Energy Transformation Act.

Q. Please describe the WIJAM.

A. The WIJAM has four primary components:

- Costs and benefits associated with PacifiCorp's entire transmission system will use a system allocation.
- Costs and benefits associated with PacifiCorp's existing and new non-emitting, non-qualifying facility (QF) resources will use a system allocation. Non-emitting, non-QF resources include all wind, solar, hydro, and geothermal generating resources.
- NPC will be allocated using a spreadsheet method that reflects assets included in Washington rates, including the allocation of Energy Imbalance Market benefits.
- Jim Bridger and Colstrip Unit 4 will be depreciated by December 31, 2023, in Washington rates.

Q. What does "system allocation" mean in the context of the WIJAM?

A. In the context of the WIJAM, system allocation refers to a proportionate share of PacifiCorp's total system costs. Washington's proportionate share of allocation factors is based on Washington's share of the system monthly coincident peaks and system load.

Q. Is the cost allocation of all costs and benefits addressed in the WIJAM memorandum of understanding (MOU)?

A. Yes. Attachment 1 to the MOU sets forth the allocation factors that will be used for all costs and benefits by Federal Energy Regulatory Commission account and identifies which allocation factors have changed between the WCA and the WIJAM.

Q. How are PacifiCorp's transmission costs and benefits allocated to Washington customers under the WIJAM?

A. Under the WIJAM, transmission costs and benefits are allocated on a system basis, regardless of physical location of the transmission assets.

Q. What are the transmission costs and benefits that are allocated to Washington?

A. The transmission costs of owned transmission include depreciation expense, operations and maintenance, and a return on the assets.

Q. Are there any transmission costs and benefits that are not allocated to Washington?

A. Yes. Under the WIJAM, Washington customers will not be allocated the costs and benefits of all transmission-voltage radial lines if the sole purpose is connecting resources not otherwise included in Washington rates to PacifiCorp's interconnected, network transmission system.

Q. How will the transition to a system allocation of the transmission costs and benefits occur?

A. As agreed to in the Commission-approved settlement stipulation, Washington transitioned to a system allocation of transmission costs and benefits effective with the 2021 Rate Case on January 1, 2021. However, as stated in the stipulation, before

December 31, 2023, the Company is required to present a method for excluding the costs and benefits of the transmission-voltage radial lines connecting resources not included in Washington rates.

Q. Is the Company proposing an adjustment in this proceeding related to these transmission-voltage radial lines?

A. Yes. In accordance with WIJAM, the Company has included an adjustment that excludes from rate base the transmission-voltage, radial lines connecting resources not otherwise included in Washington rates to PacifiCorp's interconnected, network transmission system. Additionally, the Company has calculated a refund for the amount included in rates for 2021 for these assets. Ms. Cheung provides further details regarding this adjustment in her direct testimony.

VI. INTRODUCTION OF COMPANY WITNESSES

Q. How is PacifiCorp presenting this case?

A. PacifiCorp is presenting the following direct testimony in support of its rate case filing:

- In Exhibit No. RTL-1CT, Rick T. Link, Vice President of Resource Planning and Acquisition, provides the economic analysis supporting the wind repowering and the new wind and transmission projects. This testimony also includes analyses of the Pryor Mountain Wind Project.

- In Exhibit No. TJH-1T, Timothy J. Hemstreet, Managing Director of Renewable Energy and Business Development, supports the Company's investments in the New Wind Projects and the Repowering Projects.

- In Exhibit No. RV-1T, Robert Van Engelenhoven, Director of Resource Development, supports the Company's investment in the Pryor Mountain Wind Project.

- In Exhibit No. RAV-1T, Richard A. Vail, Vice President of Transmission Services supports the construction of the 500 kV Aeolus-to-Bridger/Anticline transmission line, and associated system upgrades.

- In Exhibit No. SLC-1T, Sherona L. Cheung, Revenue Requirement Manager, summarizes the revisions to the Company's Washington-allocated revenue requirement approved in the 2021 Rate Case as a result of the updated project costs in this proceeding.

- In Exhibit No. RMM-1T, Robert M. Meredith, Director of Pricing and Cost of Service, presents and supports the Company's proposed rate spread and rate design for this LIRF.

Q. Does this conclude your direct testimony?

A. Yes, it does.