PACIFIC POWER
A DIVISION OF PACIFICORP

Multi-Year Rate Plan Annual Report

Introduction

The settlement resolving PacifiCorp's first Multi-Year Rate Plan was approved by the Commission on March 19, 2024.[1] As part of the settlement, an annual provisional pro-forma capital review process was agreed to. This annual report provides the information required under that stipulation for capital amounts place in service in 2023 and included in rates for 2024 under the Multi-Year Rate Plan.

2023 Capital Investment Review

A. *Portfolio Approach to the Provisional Capital Review Process*

The Capital Investment Review Process was identified in the testimony of PacifiCorp witness Sherona L. Cheung. Specifically, this is an annual retrospective review of capital investment provisionally included in rates through the approval of a Multi-Year Rate Plan on a portfolio basis. This allows for a review where costs for individual projects may be above or below their estimated amounts provisionally included in rates, and accepted if they were prudently incurred, provided that if on a portfolio basis, their combined costs are within reason compared to what was used to set rates.[2] This concept is further explained in footnote 15 of the settlement:

> For the purpose of this settlement, performing the annual, provisional pro-forma capital reviews "at the portfolio level" means, when determining whether refunds are warranted, comparing the actual, overall level ($ amount) of used and useful plant placed in service to the overall level of plant included in rates on a provisional basis. This entails that neither the individual projects nor the ultimate cost of each project needs to match precisely with what was included provisionally in rates. For example, if a $10 million dollar project that was included in rates as provisional pro forma is cancelled, but the utility prudently spends $10 million dollars on a different project that was not included in provisional rates, that will not result in a reduction to used and useful pro forma plant during that rate year, and therefore would not trigger the need for a refund in the annual review process. However, all plant placed in service during the "provisional pro forma period" is subject to a prudence examination, including those projects placed in service that were not identified in the general rate proceeding.[3]

[1] *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-230172, Order 08/06 (Mar. 19, 2024).
[2] *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-230172, Exhibit SLC-1T at 21:2-8 (Mar. 17, 2023).
[3] *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-230172, Order 08/06, Attachment A at 11, FN 15 (Mar. 19, 2024).

As identified in the settlement this filing covers the investment period of January 1, 2023, to December 31, 2023.[4] Through testimony, the Company agreed to provide the following information:[5]

1. Total Washington-allocated capital rate base for reporting period.
2. Actual project totals (on a Washington-allocated basis) placed in-service for reporting period by plant function.
3. Actual placed in-service amounts (on a Washington-allocated basis) for significant specific projects placed in-service during the reporting period.
4. Narrative explanation for significant deviations between actual and forecasted investments for specific projects placed in-service during the reporting period.
5. A proposal for the treatment of any deviations from the provisional rate base.

For more specific information on where items 1 through 3 can be found in this report, please refer to *Section B, subsection 3 – Description of Attached Exhibits and Workpapers* below. Item 4 is provided in *Section B, subsection 2 – Explanation of Specific Significant Projects* below and item 5 is provided in *Section C – MYRP Earnings Test Deferral*.

B. Results of the Provisional Capital Review Process

Consistent with the Provisional Capital Review Process outlined above, PacifiCorp has identified that the 2023 Washington rate base being provisionally collected in rates is less than Washington rate base placed in-service in 2023 serving customers. As a result, PacifiCorp has not identified any need for a refund. Specifically, $78,541,060 of 2023 provisional capital is in rates as compared to $83,783,323 that was placed in-service in 2023. Table 1 below contains a summary comparison of Washington allocated plant placed in-service compared to plant in-rates.

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[4] *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-230172, Order 08/06, Attachment A at ¶30 (Mar. 19, 2024).
[5] *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-230172, Exhibit SLC-1T at 24-25:10-5 (Mar. 17, 2023).

Table 1 – Comparison of 2023 Plant Placed In-service to Provisional Plant In-rates

		Washington Allocated - 2023 In-Rates EOP		
		Gross EPIS	Accumulated	Net Plant
	Code	Projected Additions	Reserves	Projected Additions
Production				
Steam	STMP	2,998,258	(8,631)	2,989,626
Hydro	HYDP	5,709,206	(16,400)	5,692,806
Other	OTHP	8,866,262	(63,372)	8,802,890
Production - Total		17,573,725	(88,403)	17,485,322
Transmission	TRNP	23,461,722	(127,411)	23,334,311
Distribution	DSTP	28,314,435	(299,546)	28,014,889
General	GNLP	5,872,418	(92,372)	5,780,046
Intangible	INTP	4,039,345	(112,854)	3,926,492
		79,261,646	(720,586)	78,541,060
				-
		Washington Allocated - 2023 In-Service EOP		
		Gross EPIS	Accumulated	Net Plant
	Code	Projected Additions	Reserves	Projected Additions
Production				
Steam	STMP	13,037,525	(982,512)	12,055,012
Hydro	HYDP	1,257,948	(14,253)	1,243,695
Other	OTHP	8,914,477	(48,692)	8,865,785
Production - Total		23,209,949	(1,045,457)	22,164,492
Transmission	TRNP	15,368,195	(95,022)	15,273,173
Distribution	DSTP	35,620,739	(366,751)	35,253,988
General	GNLP	8,875,951	(182,212)	8,693,739
Intangible	INTP	2,469,197	(71,265)	2,397,931
		85,544,031	(1,760,708)	83,783,323
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In-Rates vs. In-Service 2023				**(5,242,264)**

1. *Explanation of Variance by Function*

Production:

Steam production plant (specifically coal resources) reflected in-rates reflect an agreed upon pro-ration which results in Washington customers paying for only a fraction of the costs, while receiving the full benefit of the investments. For this reason, "in-rates" steam plant (representing amount that Washington customer is paying for) is naturally lower than reported actual steam production plant in calendar year 2023 that was placed in-service and serving Washington customers.

Hydro production plant is reporting as lower in calendar year 2023 actual placed in-service balances compared to provisional 2023 "in-rates" hydro plant balances because some projects anticipated to be placed in-service by December 2023 in the Company's most recently concluded Multi-Year Rate Plan, were delayed in to 2024.

Transmission:

Various project differences have been identified. Differences are a result of, but are not limited to, the following reasons: manufacturing delays, resequencing delays and scope modification that shifted project completion into 2024.

Distribution:

Storm & Casualty, Poles & Line Replacements, and Feeder Improvement projects were greater than planned (incomplete planned work from 2022 was carried over to 2023 due to resource & material delay impacts during COVID). Additionally, Residential & Commercial volumes were greater than planned (forecasted economic downturn did not materialize).

General:

No significant variances were identified.

Intangibles:

No significant variances identified.

2. *Explanation of Specific Significant Projects*

In the settlement stipulation in the Company's most recently concluded Multi-Year Rate Plan, the Company agreed that information for Energy Gateway transmission projects, and new wind generation resources placed in-service in the provisional capital review period would be submitted with project-level detail, in addition to the portfolio-approach review agreed upon.[6] Additionally, the Company will also supplement the portfolio review with project-level information on "significant specific" projects placed in-service in the review period.

The Company defines "significant specific" projects as projects that were identified with "Investment Type" of "Specific" in its most recently concluded Multi-Year Rate Plan, with Washington-allocated project costs above $5 million. Based on this definition, below is a summary of in-rates provisional capital project costs compared to actual placed in-service capital project costs for significant specific projects placed in-service in the reporting period of calendar year 2023:

		Washington-Allocated		
Project Description	**Function**	**Provisional Costs in Rates**	**Actual Costs in-Service**	**Variance**
Foote Creek II-IV Acquire-Repower	OTHP	6,508,974	6,024,809	(484,165)
CCR Jim Bridger FGD Pond 3	STMP	8,802,108	8,768,256	(33,852)

[6] *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-230172, Order 08/06, Attachment A at ¶29 (Mar. 19, 2024).

Significant Specific Project	Description of Deviation
Foote Creek II-IV Acquire-Repower	Reduction in project costs as a result of favorable construction conditions and contract management. Site restoration, grading, lighting controls, communications upgrades, and substation improvements were not completed in 2023, resulting in reduced 2023 plant in service amounts but continuing expenditures after 2023 to complete the project as scoped.
CCR Jim Bridger FGD Pond 3	Project costs delayed in to 2024.

3. *Description of Attached Exhibits and Workpapers*

Attachment A – Electronic Workpapers Supporting Table 1:

This attachment provides an electronic version, and further details supporting the calculation, of Table 1 outlined above. More specifically, specific tabs of this electronic workpaper provides detail as follows:

- Tab "In-Rates vs. Actual_Summary" is an electronic copy of Table 1 above;
- Tab "2023 WA-Alloc Projected In-Rate" is a summary of 2023 projected plant in-service, and corresponding depreciation information, on a Washington-allocated basis assumed in the Company's most recently approved Multi-Year Rate Plan with functional level detail;
- Tab "Significant Specific Projects" is an electronic copy of the table above providing project details for significant specific projects;
- Tab "2023 TC Projected (UE-230172)" is a summary of 2023 projected plant in-service, and corresponding depreciation information, on a system basis assumed in the Company's most recently approved Multi-Year Rate Plan with functional level detail;
- Tab "2023 WA-Alloc Actual In-Service" is a summary of 2023 actual plant in-service, and corresponding depreciation information, on a Washington-allocated basis as reported in the Company's Commission Basis Report for the reporting period with functional level detail;
- Tab "2023 TC Actual Additions" is a summary of 2023 projected plant in-service, and corresponding depreciation information, on a system as reported in the Company's Commission Basis Report for the reporting period with functional level detail;
- Tab "UE-230172 Alloc. Factors" provides a summary of allocation factor percentages as approved in the most recently concluded Multi-Year Rate Plan;
- Tab "Composite Rates" provides a summary of composite depreciation rates used in the Company's most recently approved Multi-Year Rate Plan.

Attachment B – Washington 2023 Commission Basis Report Summary of Results:

> This attachment provides a copy of the results of operation summary as filed in the Company's 2023 Commission Basis Report. Specifically, in Column (3), Line 33 (Electric Plant In Service) provides the Total Washington-allocated capital rate base for the reporting period. Line 59 in the same column provides the restated actual rate of return for calendar year 2023. While the MYRP earnings test is not applicable to 2023, the Company is providing the information for illustrative purposes.

Attachment C – IRA/IIJA Report:

> This attachment provides an overview of PacifiCorp's efforts in 2023 related to the federal government's Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA) opportunities. Please note that portions of the report are redacted to protect competitively sensitive information.

C. *MYRP Earnings Test Deferral*

Paragraph 30 of the approved settlement from the MYRP proceeding provides that: After the determination of any refund under the capital review process, the Company's revised rate of return will be compared against the authorized rate of return to determine if any deferral under RCW 80.28.425(6) is necessary (MYRP Earnings Test Deferral). All refunds and deferrals will accrue interest at the FERC interest rate.

As identified in the stipulation the Company's authorized rate of return was 7.29 percent,[7] and the Company's actual rate of return was -1.08 percent as identified in the Company's most recently filed Commission Basis Report. While not applicable to 20223 earnings, under this result, there would be no deferral under the MYRP Earnings Test.

Conclusion

The Company placed in-service more capital investment than what was currently included in rates and as result there is no refund identified in this provisional capital review process. Additionally, the Company significantly under-earned in 2023, so there would be no deferral under the MYRP Earnings Test, even if applicable.

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[7] *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-230172, Order 08/06, Attachment A at ¶10 (Mar. 19, 2024).