

Exh. MDM-1T
Docket UE-210829
Witness: Matthew D. McVee

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-210829

**PACIFICORP
DIRECT TESTIMONY OF MATTHEW D. MCVEE**

June 2024

TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE OF TESTIMONY 1

II. OVERVIEW OF PACIFICORP 3

III. OVERVIEW OF PACIFICORP’S CEIP 5

IV. UPDATED INTERIM AND SPECIFIC RENEWABLE ENERGY TARGETS 11

 A. Resource Costs and Benefits Allocations15

 B. CEIP Biennial Update and Thermal Resource Assumptions.....20

 C. Near-Term Resource Availability.....21

 D. Changes to Retail Sales Forecasts.....24

V. CONCLUSION..... 24

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

2 **Q. Please state your name, business address, and present position with PacifiCorp**
3 **d/b/a Pacific Power & Light Company.**

4 A. My name is Matthew D. McVee and my business address is 825 NE Multnomah
5 Street, Suite 2000, Portland, Oregon 97232. I am currently employed as Vice
6 President, Regulatory Policy and Operations.

7 **Q. Please describe your education and professional experience.**

8 A. I have a Bachelor of Science Degree in Biology from Lewis and Clark College and a
9 Juris Doctorate Degree from Lewis and Clark Law School. I have provided legal
10 counsel to various clients in regulatory matters at both state regulatory commissions
11 and the Federal Energy Regulatory Commission (FERC), and acted as administrative
12 attorney to a commissioner at the Nevada Public Utilities Commission. I joined
13 PacifiCorp in 2005 as senior legal counsel for transmission. I became General
14 Counsel for the Western Electricity Coordinating Council in 2008, joined the law
15 firm Troutman Sanders P.C. as a partner in 2010, and rejoined the PacifiCorp legal
16 department in 2013. Before taking my current position in 2021, I was Chief
17 Regulatory Counsel for PacifiCorp. My current responsibilities include managing
18 regulatory relations with the California, Oregon, and Washington state regulatory
19 commissions, staffs, and stakeholders; developing regulatory policy strategies for
20 PacifiCorp; and managing PacifiCorp's regulatory discovery and filings group. I have
21 testified on various matters before state utility commissions in Oregon, California,
22 and Washington.

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

2 A. I provide a general overview of PacifiCorp, the 2023 Clean Energy Implementation
3 Plan (CEIP) Biennial Update (CEIP Biennial Update) and provide support for the
4 company's policy positions regarding its updated interim and specific renewable
5 energy targets, and energy equity and public participation plan. While the CEIP
6 Biennial Update also proposes minor adjustments to energy efficiency, customer
7 benefit indicators, public participation, and demand response specific actions and
8 targets, I do not provide detailed direct testimony on these proposals because the
9 CEIP Biennial Update adequately addresses each.

10 **Q. Is PacifiCorp's CEIP Biennial Update supported by other PacifiCorp witness**
11 **testimony?**

12 A. Yes. PacifiCorp witness Rohini Ghosh discusses the modeling and economic analyses
13 underlying the company's updated interim and specific targets and updated
14 incremental costs analyses.

15 **Q. What is your recommendation?**

16 A. I recommend the Washington Utilities and Transportation Commission (WUTC or
17 Commission) approve PacifiCorp's CEIP Biennial Update. Electric utilities are faced
18 with an increasingly dynamic environment and need to adjust to events to protect
19 customers, and the company to ensure continued reliable electric service. Approval
20 would recognize the changes since PacifiCorp's 2021 Clean Energy Implementation
21 Plan (2021 CEIP) was filed and allow the company and stakeholders to shift focus to
22 the upcoming 2025 Clean Energy Implementation Plan (2025 CEIP), applying the
23 lessons learned from the first round of CEIPs filed by Washington electric utilities.

1 **II. OVERVIEW OF PACIFICORP**

2 **Q. Please provide a brief description of PacifiCorp.**

3 A. As an investor-owned, multi-jurisdictional electric utility, PacifiCorp serves two
4 million customers in six western states including California, Idaho, Oregon, Utah,
5 Washington, and Wyoming.

6 PacifiCorp provides wholesale transmission service under its open access
7 transmission tariff approved by the FERC, and currently owns or has interests in
8 approximately 17,700 miles of transmission lines. PacifiCorp also currently owns, or
9 has interests in thermal, hydroelectric, wind-powered, solar, and geothermal
10 generating facilities, with a net-owned capacity of close to 12 gigawatts. PacifiCorp
11 operates two Balancing Authority Areas (PacifiCorp Balancing Authority Area East
12 and PacifiCorp Balancing Authority Area West) that comprise the largest privately
13 owned and operated grid in the western United States. PacifiCorp buys and sells
14 electricity on the wholesale market with other utilities, energy marketing companies,
15 financial institutions, and other market participants to balance and optimize the
16 economic benefits of electricity generation, retail customer loads, and existing
17 wholesale transactions.

18 **Q. What are the advantages of PacifiCorp's large regional footprint?**

19 A. PacifiCorp's integrated system allows Washington customers to receive low-cost
20 generation from some of the best renewable generation sites in the country. This
21 reduces power costs and emissions for customers and supports local economies and
22 communities throughout the west. As PacifiCorp looks to the future, there are even
23 more opportunities for customers to benefit from the connected west that PacifiCorp's

1 integrated system creates, for example, from participation in a regional resource
2 adequacy program, or expansion of markets that allow participants to more efficiently
3 operate their systems. PacifiCorp is and will remain actively engaged in creating
4 opportunities to leverage our vast, integrated system for the benefit of our customers.

5 **Q. Please describe PacifiCorp's Washington service area.**

6 A. In Washington, PacifiCorp serves approximately 140,000 customers throughout
7 Benton, Columbia, Garfield, Kittitas, Yakima, and Walla Walla Counties. The
8 company's Washington service area is largely non-urban, with some of the lowest
9 median income levels in the state. PacifiCorp's sales and revenues are distributed
10 among residential customers, small businesses, and large businesses served under
11 retail tariffs subject to the Commission's jurisdiction.

12 **Q. Please describe PacifiCorp's core customer service principle.**

13 A. PacifiCorp's core principle is to provide sustainable energy solutions and safe,
14 reliable, and affordable energy to customers in Washington and throughout the west.
15 The company has upheld this ideal for over 110 years and remains steadfast in this
16 commitment even as the electricity sector transforms through public policies,
17 emerging and maturing technologies, and the rise of regional energy markets.

18 PacifiCorp is at a pivotal moment as our system adapts to changing energy
19 market conditions, the effects of climate change, and new state energy mandates
20 including Washington's Clean Energy Transformation Act (CETA). However,
21 PacifiCorp is uniquely positioned to respond to these changes as the result of our
22 geographically diverse generation footprint, facilitated by our expansive transmission
23 system, and ongoing efforts to develop organized wholesale energy markets in the west.

1 **III. OVERVIEW OF PACIFICORP'S CEIP**

2 **Q. When did PacifiCorp file its CEIP?**

3 A. PacifiCorp filed its first ever CEIP on December 30, 2021.¹ The CEIP was based on
4 data from the company's 2021 Integrated Resource Plan that was filed with the
5 Commission in September 2021,² and which was the result of a several years-long
6 stakeholder process that began in early 2020.³

7 **Q. Did PacifiCorp file a Revised CEIP?**

8 A. Yes, on March 13, 2023.⁴ On June 6, 2022, the Commission issued a Complaint and
9 Notice of Prehearing Conference (Complaint) in docket UE-220376.⁵ The Complaint
10 alleged that PacifiCorp violated RCW 19.280.030 and Commission Order 01 in this
11 proceeding by failing to incorporate the social cost of greenhouse gases in the CEIP
12 portfolio, and failing to reflect the social cost of greenhouse gases in the incremental
13 cost calculation. The Complaint sought financial penalties. Parties reached a
14 settlement in that proceeding, and Staff filed a motion to withdraw the Complaint on
15 December 1, 2022.⁶ PacifiCorp's Revised CEIP used the 2021 Integrated Resource
16 Plan's (IRP) P02-SCGHG portfolio as the basis of the CEIP portfolio, and was the
17 alternative lowest reasonable cost portfolio in the Revised CEIP.

¹ *In re PacifiCorp, d/b/a Pac. Power & Light Co. Clean Energy Implementation Plan*, Docket No. UE-210829, Final 2021 CEIP (Dec. 30, 2021) (2021 CEIP).

² *In re PacifiCorp, d/b/a Pac. Power & Light Co., Regarding 2021 Integrated Resource Plan Compliance*, Docket No. UE-200420, 2021 Final IRP (Sept. 1, 2021).

³ *In re PacifiCorp, d/b/a Pac. Power & Light Co., Regarding 2021 Integrated Resource Plan Compliance*, Docket No. UE-200420, 2021 IRP Work Plan (Mar. 20, 2020).

⁴ *In re PacifiCorp, d/b/a Pac. Power & Light Co. Clean Energy Implementation Plan*, Docket No. UE-210829, Revised 2021 CEIP (Mar. 13, 2023) (Revised CEIP).

⁵ *WUTC v. PacifiCorp, d/b/a Pac. Power & Light Co.*, Docket No. UE-220376, Complaint and Notice of Prehearing Conference (Jun. 6, 2022).

⁶ *WUTC v. PacifiCorp, d/b/a Pac. Power & Light Co.*, Docket No. UE-220376, Order 06 (Feb. 10, 2023).

1 **Q. When was the Revised CEIP approved?**

2 A. The Commission approved a settlement among the parties and approved the Revised
3 CEIP, subject to conditions on October 25, 2023.⁷ Part of the settlement was a
4 recognition that PacifiCorp would be updating its interim targets in the biennial
5 update based on changed circumstances since the analysis used in the 2021
6 CEIP/Revised CEIP filings.⁸

7 **Q. When did PacifiCorp file the CEIP Biennial Update?**

8 A. PacifiCorp filed its CEIP Biennial Update on November 1, 2023.

9 **Q. Did PacifiCorp conduct stakeholder outreach before filing its CEIP Biennial
10 Update?**

11 A. Yes. PacifiCorp provided a draft CEIP Biennial Update to all members of its advisory
12 groups and invited each to two virtual public meetings. Meeting information was
13 emailed and shared with each advisory group leading up to the meetings, as well as
14 on PacifiCorp's CEIP webpage and on social media, to inform each advisory group of
15 the opportunities to participate. PacifiCorp solicited feedback from these
16 engagements, which is reflected in Appendix D to the CEIP Biennial Update.

17 **Q. What was the analytical basis for the CEIP Biennial Update?**

18 A. The CEIP Biennial Update was informed by PacifiCorp's modeling and economic
19 analyses from the 2021 IRP Two-Year Progress Report that was filed with the
20 Commission in March of 2023,⁹ as well as the Amended 2023 IRP that was filed on

⁷ *In re PacifiCorp, d/b/a Pac. Power & Light Co. Clean Energy Implementation Plan*, Docket No. UE-210829, Order 06 (Oct. 25, 2023).

⁸ *Id.* ¶ 30.

⁹ *In re PacifiCorp, d/b/a Pac. Power & Light Co., Regarding 2021 Integrated Resource Plan Compliance*, Docket No. UE-200420, 2021 IRP Two-Year Progress Report (Mar. 31, 2023).

1 May 31, 2023.¹⁰ Both were the result of a several years-long stakeholder process that
2 began in early 2022. PacifiCorp witness Ghosh discusses the modeling basis for the
3 CEIP Biennial Update in more detail.

4 **Q. In practical terms, what does this mean for the CEIP Biennial Update?**

5 A. This means that PacifiCorp's modeling and economic analyses for the CEIP Biennial
6 Update was finalized in May 2023. PacifiCorp has not updated its CEIP analyses
7 since that time. As such, neither the company's modeling of financing opportunities
8 from the Inflation Reduction Act, the litigation surrounding the Environmental
9 Protection Agency's Ozone Transport Rule, nor the company's suspension of the
10 2022 All-Source Request for Proposals are relevant to or contemplated by the CEIP
11 Biennial Update. These issues, if still relevant, will be addressed in the company's
12 2025 CEIP, along with any other developments as part of the company's typical
13 planning processes.

14 **Q. Does PacifiCorp have concerns with how its 2023 IRP Update, or future 2025
15 IRP and CEIPs, could impact the company's currently proposed interim targets
16 from the CEIP Biennial Update?**

17 A. PacifiCorp continues to revisit and update its planning processes based on then-
18 current planning environments. As I mentioned above, there has already been new
19 developments that may challenge underlying assumptions since the modeling used for
20 the CEIP Biennial Update was completed, and more are likely before the 2025 IRP
21 and 2025 CEIP are filed. This is the nature of resource planning.

¹⁰ *In re PacifiCorp, d/b/a Pac. Power & Light Co., Regarding 2021 Integrated Resource Plan Compliance*,
Docket No. UE-200420, Amended 2023 IRP (May 31, 2023).

1 **Q. What are the specific changes in the CEIP Biennial Update?**

2 A. The CEIP Biennial Update includes the following modifications to the 2021

3 CEIP/Revised CEIP:

- 4 • Lowered near-term interim targets for renewable energy;
- 5 • Lowered near-term specific targets for energy efficiency;
- 6 • The addition of directionality to our community benefit indicators (CBI),
7 clarifying metrics where necessary, and adding three additional metrics;
- 8 • Additional discussion on incremental energy efficiency and public
9 participation specific actions, as well as providing an update on
10 PacifiCorp's initially proposed demand response specific actions from
11 the 2021 CEIP; and
- 12 • A revised incremental cost analysis that incorporates the updated interim
13 and specific targets and actions, resulting in an average \$1.35 million
14 annual cost to implement PacifiCorp's CETA strategies.

15 **Q. Please provide an overview of PacifiCorp's renewable energy interim targets in**
16 **the CEIP Biennial Update.**

17 A. PacifiCorp forecasts that 33 percent of Washington retail sales will be met with
18 renewable and non-emitting energy by the end of 2025, with a four-year average of
19 29 percent.¹¹ Updates to the interim targets, particularly in the near-term, reflect
20 several key developments. These include: a delay in reaching agreement on a new
21 cost-allocation methodology in 2023; modification of the assumptions regarding
22 thermal resources after 2023 due to the current state of wholesale energy market
23 prices; repricing of bids and bid withdrawals in the 2020 All Source Request for
24 Proposals (2020 AS RFP) leading to the fewer than expected near-term resources
25 being online by 2025 and limited short-term contract options with the growing

¹¹ *In re PacifiCorp, d/b/a Pac. Power & Light Co. Clean Energy Implementation Plan*, Docket No. UE-210829, CEIP Biennial Update, at 5 (Nov. 1, 2023) (CEIP Biennial Update).

1 demand for CETA-qualifying resources; and, changing load and retail sales forecasts
2 for PacifiCorp’s Washington service area relative to the rest of the system. I discuss
3 each development in my testimony below.

4 **Q. PacifiCorp also lowered its interim targets for energy efficiency, correct?**

5 A. Yes. Since the 2021 CEIP, PacifiCorp has made three changes to its specific energy
6 efficiency targets.¹² First, we now characterize the energy efficiency targets for 2022-
7 2025 as megawatt-hours at the site instead of megawatt-hours at the generator,
8 consistent with the characterization of energy efficiency targets used to comply with
9 the Washington’s Energy Independence Act (EIA).¹³ Second, the energy efficiency
10 target for 2024-2025 reflects the 2024-2025 Biennial Conservation Plan (BCP). In the
11 2021 CEIP and Revised CEIP, PacifiCorp relied on the prior 2022-2023 BCP for
12 2024-2025 targets.¹⁴ Finally, the energy efficiency target now includes distribution
13 efficiency and production efficiency, consistent with the characterization of energy
14 efficiency targets used to comply with the EIA.¹⁵

15 **Q. Did PacifiCorp include revisions to the CBIs in its CEIP Biennial Update?**

16 A. Yes. PacifiCorp revised its CBIs to add directionality and clarified metric units in the
17 CEIP Biennial Update.¹⁶ PacifiCorp also added three metrics to the CBIs. PacifiCorp
18 does not consider these changes to constitute a material change to the intent of the
19 CBIs approved by the Commission in the Revised CEIP. PacifiCorp will continue to
20 track these CBIs, through incremental valuations of each metric, in future progress

¹² *Id.* at 12.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.* at 14.

1 reports. PacifiCorp also expects to revisit the current CBIs and metrics with its Equity
2 Advisory Group in preparation for the 2025 CEIP to assess whether more substantial
3 changes to this set of CBIs and metrics is warranted, based on the information
4 collected over the four-year period, and any changes in external factors.

5 **Q. What changes to specific actions are included in the CEIP Biennial Update?**

6 A. At the time PacifiCorp filed its 2021 CEIP, PacifiCorp had five existing demand-side
7 resource programs. The CEIP Biennial Update discusses PacifiCorp's incremental
8 energy efficiency actions for 2024-2025 consistent with the company's 2024-2025
9 DSM Business Plan.¹⁷

10 **Q. What is PacifiCorp's revised incremental cost for the CEIP Biennial Update?**

11 A. PacifiCorp continues to leverage its ability to economically develop clean energy
12 across its six-state service area. While achieving 100 percent clean energy for
13 Washington customers by 2045 is not without obstacles, PacifiCorp anticipates that
14 for the first compliance period through 2025 it will cost approximately \$1.35 million
15 annually to comply with CETA (including both supply and demand side resource
16 costs, as well as public engagement costs).¹⁸ This amounts to approximately a 0.4
17 percent annual increase in customer rates,¹⁹ and is materially below the two percent
18 threshold for alternative compliance. Based on forecasted Washington revenues,
19 alternative compliance would only become relevant if PacifiCorp's annual
20 incremental costs to comply with CETA exceeded \$17.696 million.²⁰

¹⁷ *Id.* at 17.

¹⁸ *Id.* at 36, Table 4.3.

¹⁹ *Id.* at 36.

²⁰ *Id.* at 37, Table 4.4.

1 The annual \$1.35 million incremental cost is from actions that PacifiCorp
2 would otherwise not have taken but for the requirements of CETA and is explained in
3 more detail by PacifiCorp witness Ghosh. While specific costs will be determined
4 based on how PacifiCorp's actual actions to comply with CETA diverge from the
5 proposed steps in the CEIP, and as decided by the Commission in future rate
6 proceedings, the CEIP Biennial Update indicates only modest impacts to customers
7 through 2025.

8 **IV. UPDATED INTERIM AND SPECIFIC RENEWABLE ENERGY TARGETS**

9 **Q. Are there any specific issues in the CEIP Biennial Update you would like to**
10 **highlight for the Commission's consideration?**

11 A. Yes, I would like to provide additional discussion on PacifiCorp's updated interim
12 clean energy targets.

13 **Q. What do PacifiCorp's interim clean energy targets represent?**

14 A. The interim targets represent the percentage or volume of PacifiCorp's projected
15 retail electric sales that the company anticipates will be served with renewable or
16 non-emitting energy each year on the path to meet CETA's 2030 and 2045
17 compliance requirements. These interim targets, proposed in each CEIP, are based on
18 then-current assumptions for various inputs, including: load growth, the mix of
19 resources that will be allocated to serve Washington customers, anticipated ability to
20 procure new resources (supply-side and demand-side, as well as transmission
21 resources), claims to the underlying non-power attributes of PacifiCorp's contracted
22 resources, what qualifies as renewable and non-emitting resources; and forecasted
23 market prices, to name a few.

1 **Q. What clean energy interim targets has the CEIP Biennial Update proposed,**
2 **compared to the targets from the Revised CEIP?**

3 A. For the period covered by the Revised CEIP and CEIP Biennial Update, the interim
4 targets, as a percentage of projected retail electric sales served with renewable and
5 non-emitting energy, were modified as follows:

Table 1: Revised CEIP and CEIP Biennial Update Interim Targets²¹

Year	Revised CEIP (%)	CEIP Biennial Update (%)
2022	31	31
2023	31	26
2024	40	25
2025	60	33

6 **Q. What implications do these updated interim targets have for PacifiCorp's**
7 **specific renewable energy target?**

8 A. PacifiCorp's CEIP Biennial Update interim targets result in approximately 1,862,000
9 megawatt-hours of lowered projected renewable energy that PacifiCorp will use to
10 serve Washington retail customers over the current four-year progress period.²² The
11 Revised CEIP projected 6,601,088 megawatt-hours, while the CEIP Biennial Update
12 projects 4,739,291 megawatt-hours over the same four-year period.²³

13 **Q. Does PacifiCorp continue to forecast that it will meet the CETA requirements in**
14 **2030?**

15 A. Yes. As discussed more fully by PacifiCorp witness Ghosh, the CEIP Biennial
16 Update continues to forecast that of all the energy used to serve the company's

²¹ *Id.* at 6, Table 1.1.

²² Exhibit RG-1T, Table 1 at 16.

²³ Compare Revised CEIP at 20, Table 1.4, with CEIP Biennial Update at 8-9, Table 1.2.

1 Washington customers, 82 percent will be from CETA-compliant resources in 2030.²⁴

2 This is only a slight reduction from the 84 percent identified in the Revised CEIP.²⁵

3 **Q. Do you believe that PacifiCorp’s assumptions when it filed the 2021 CEIP were**
4 **reasonable?**

5 A. Yes. PacifiCorp’s 2021 CEIP and Revised CEIP were based on then-current energy
6 market conditions; load forecasts; typical procurement timelines; and resource
7 allocation methodologies and assumptions. However, as PacifiCorp has previously
8 discussed with parties to this proceeding, stated in the CEIP Biennial Update,²⁶ and
9 represented publicly,²⁷ several of those assumptions are no longer reasonable, nor
10 reflect current operational realities.

11 As I mentioned above, these targets have been updated to reflect: (1) the delay
12 in reaching agreement on a new allocation methodology in 2023 to properly align
13 costs and benefits from PacifiCorp’s system resources; (2) assumptions around
14 thermal resources serving Washington customers in 2024-2025 to address higher
15 wholesale energy prices; (3) the Company’s actual procurement from the 2020 AS
16 RFP following the repricing from short-listed resources and limited short-term
17 options; and (4) the Company’s updated retail sales forecast that shows higher load
18 over the first CEIP four-year progress period.

²⁴ CEIP Biennial Update at 8, Figure 1.1.

²⁵ Exhibit No. RG-1T at 15.

²⁶ CEIP Biennial Update at 5-14.

²⁷ See *In re PacifiCorp, d/b/a Pac. Power & Light Co. Clean Energy Implementation Plan*, Docket No. UE-210829, Motion for Clarification or Review, ¶¶ 14-20 (May 30, 2023); and Clean Energy Implementation Plan Biennial Update Presentation (Mar. 21, 2024).

1 My testimony discusses the policy implications from these justifications,
2 while PacifiCorp witness Ghosh provides further analytical support and detail on the
3 impacts of these changed assumptions.

4 **Q. From a policy perspective, can you explain why it would be unreasonable for**
5 **PacifiCorp to ignore these changed assumptions, or not reflect operational**
6 **realities?**

7 A. Yes. PacifiCorp has an obligation to manage its operations and costs to serve its
8 customers. This requires that the utility act in a prudent manner by incorporating
9 current information into its analysis. Procurement decisions can have long-lasting
10 consequences for customers, so prudent decision making requires constant updating
11 of assumptions.

12 This means that at the time the Company prepared the Revised CEIP, it was
13 reasonable to anticipate a new allocation methodology would replace the Washington
14 Inter-Jurisdictional Allocation Methodology (WIJAM), based on both the terms of the
15 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol (the 2020 Protocol), as well
16 as momentum of party negotiations in 2021. It was also reasonable to expect bidders
17 in the 2020 AS RFP to maintain pricing and continue to participate so that
18 replacement resources would allow for an early exit from coal-fueled generation at
19 the end of 2023.

20 However, when faced with changes to those reasonable assumptions,
21 PacifiCorp is obligated to reassess the impacts to its plan and its customers. The
22 repricing and withdrawal of bids experienced in the 2020 AS RFP after identifying a
23 shortlist of preferred resources meant that PacifiCorp could not reasonably determine

1 if the new prices were truly competitive and lasting. Consequently, it was impossible
2 to determine whether executing a power purchase agreement would be prudent for
3 certain projects. PacifiCorp proceeded with all projects that provided a clear benefit
4 for customers and that demonstrated value relative to other proposals.

5 Likewise, if market conditions change, PacifiCorp should act to avoid
6 unnecessary net power cost increases, which it did by recommending the continued
7 use of Colstrip Unit 4 and Jim Bridger Units 1-4 through 2025, as PacifiCorp, Staff
8 and other parties contemplated in the company's general rate case in docket
9 UE-191024.

10 I provide additional detail on each of these issues below.

11 **A. Resource Costs and Benefits Allocations**

12 **Q. Please explain the changed allocation assumptions in the CEIP Biennial Update.**

13 A. For several decades PacifiCorp and the states where it operates have engaged in
14 multilateral negotiations to determine how to reasonably allocate the costs and
15 benefits from shared assets used to serve customers across all states. Generally, the
16 multi-state process (MSP) results in an allocation methodology that PacifiCorp
17 submits for approval by each of its state regulatory commissions, and once approved
18 govern PacifiCorp ratemaking proceedings.

19 PacifiCorp filed the 2020 Protocol with the Commission in 2019, which
20 included a separate allocation methodology for PacifiCorp's Washington customers:
21 the WIJAM.²⁸ The WIJAM modified the previous allocation methodology used in
22 Washington (the West Control Area Inter-Jurisdictional Allocation Methodology, or

²⁸ *WUTC v. PacifiCorp, d/b/a Pac. Power & Light Co.*, Docket Nos. UE-191024 et al, UE-180778 (cons.), Final Order 09/07/12, ¶ 105.

1 WCA), and relevant here, allowed for both the costs and benefits of non-emitting
2 resources from across PacifiCorp's system to be included in Washington customer
3 rates. This methodology significantly lessened the potential burden that would be
4 required to comply with CETA, and from PacifiCorp's perspective, more
5 appropriately aligned with its actual operations to serve Washington load.²⁹

6 The 2020 Protocol was signed by PacifiCorp and 19 stakeholder
7 organizations, including Staff. The WIJAM was separately negotiated and signed by
8 PacifiCorp, Staff, Public Counsel, and the Packaging Corporation of America. The
9 Commission acknowledged that the 2020 Protocol "creates a framework for
10 collaboration to resolve many cost allocation issues among PacifiCorp's service
11 areas."³⁰ That framework was the agreement on a set of issues that would be
12 discussed to develop a Post-Interim Period Methodology, that was contemplated to
13 include, among other things, fixed shares of PacifiCorp's resources being allocated to
14 each state for the life of the asset.

15 **Q. Why did the Revised CEIP rely on the Post-Interim Period Methodology after**
16 **2023?**

17 A. The 2020 Protocol was originally set to expire December 31, 2023, and it was
18 contemplated that a Post-Interim Period Methodology would be in effect January 1,
19 2024. The 2021 CEIP, and subsequently the Revised CEIP, reflected the then-current

²⁹ Revised CEIP, at 14, n. 16 ("The WIJAM and the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol (2020 Protocol) define how resources and costs are allocated to Washington customers through December 21, 2023. The Washington Utilities and Transportation Commission approved the WIJAM and 2020 Protocol in its Final Order 09/07/12 in Docket No. UE-191024 et. al., effective January 1, 2021. The company is in the process of negotiating a new cost allocation methodology with the state commission staffs and stakeholders in the six states it serves."); *Id.* at 15.

³⁰ *WUTC v. PacifiCorp, d/b/a Pac. Power & Light Co.*, Docket Nos. UE-191024 et al, Final Order, Docket Nos. UE-191024 et al, Order 09/07/12 ¶ 105.

1 proposed allocation methodology that was being developed by the Framework Issues
2 Workgroup (FIWG) under the 2020 Protocol. The FIWG—which includes Staff and
3 other signatories to the 2020 Protocol—has been meeting approximately six times per
4 year for several years.

5 **Q. What are the practical differences between the Revised CEIP and CEIP Biennial**
6 **Update resource allocation assumptions?**

7 A. The Revised CEIP assumed that Washington customers would be served with a
8 higher fixed allocation of new renewable or non-emitting energy and capacity
9 resources, as contemplated for the framework Post-Interim Period Methodology,
10 compared to what Washington customers would receive under the WIJAM. This
11 would increase the amount of CETA-compliant energy that would be used by
12 Washington retail customers compared to the WIJAM.

13 **Q. Did the FIWG ultimately agree on the Post-Interim Period Methodology?**

14 A. Not by the time PacifiCorp filed its 2023 IRP filings (which informed the CEIP
15 Biennial Update). During the course of these multi-year collaborations, participants
16 identified new issues, including organized market developments and additional
17 changes to energy and regulatory policies at the state and federal level. Concerns that
18 federal policies may drive early coal-fueled resource retirements and concern over
19 new, non-emitting technology risk led some participants to propose different
20 approaches. PacifiCorp has been responding to the requests and continues to study
21 these and other alternative options.

22 Because negotiations are ongoing, the company has been granted extensions
23 of the 2020 Protocol in Oregon, Wyoming, Utah, and Idaho for an additional two

1 years and maintain the current allocation methodology during that time. For
2 Washington specifically, the WIJAM did not require an extension because it was
3 intended to remain in place until the Commission approved a subsequent
4 methodology.

5 **Q. Does the CEIP Biennial Update reflect this reality?**

6 A. Yes. The CEIP Biennial Update no longer assumes that the Post-Interim Period
7 Methodology will apply after 2023. Instead, PacifiCorp assumes resources are
8 allocated to Washington customers consistent with the WIJAM/2020 Protocol
9 indefinitely.³¹ This change in resource allocation methodologies contributes to
10 PacifiCorp’s lowered interim renewable energy targets.

11 **Q. Do you believe PacifiCorp’s resource assumptions were reasonable in both the**
12 **Revised CEIP and CEIP Biennial Update?**

13 A. Yes. To my knowledge, the Commission does not require multi-state utilities to rely
14 on specific resource allocation assumptions when creating CEIP interim targets.
15 Because of this, PacifiCorp relied on then-current resource assumptions to inform the
16 Revised CEIP, and now-current assumptions to inform the CEIP Biennial Update. In
17 the Initial and Revised CEIPs, PacifiCorp noted that the post-2023 allocation
18 methodology was “currently being negotiated through the Multi-State Process” and
19 that in “the absence of an agreed-upon formulaic methodology to calculate annual

³¹ *In re PacifiCorp, d/b/a Pac. Power & Light Co., Regarding 2021 Integrated Resource Plan Compliance*, Docket No. UE-200420, Washington 2021 Integrated Resource Plan Two-Year Progress Report (Amended Final), Volume II at 409 (May 31, 2023) (for CETA purposes, the Company assumes that the WIJAM would “hold into the future in the absence of an agreed upon future allocation methodology.”).

1 assigned production (AP) factors, assumptions about the future of cost allocation
2 were made.”³²

3 **Q. Without an agreement on a future allocation methodology, and diverging state
4 energy policies, how will PacifiCorp meet the CETA requirements in 2030?**

5 A. PacifiCorp has a number of options. First, negotiations continue on a new allocation
6 methodology. Second, while PacifiCorp has historically procured resources on a
7 system basis, spreading costs and benefits to all customers along with the risk, it can
8 also procure resources on a state-specific basis. This has not been our preferred
9 approach because it puts more risk on customers in a particular state and can create
10 operational and inter-state fairness issues. It also would require specific reassessment
11 of the anticipated costs of these resources for Washington customers.

12 **Q. What do you mean by operational and inter-state fairness issues?**

13 A. PacifiCorp is a single utility serving six states, dispatching its system to serve all its
14 load and participating in markets as a single market participant. This has provided
15 benefits to customers because of the load and resource diversity. Once you introduce
16 a significant amount of situs resources (or resources solely allocated to one state),
17 new issues regarding priority in procurement, operational dispatch and transmission
18 rights begin to emerge. These are the issues PacifiCorp has been working through
19 with stakeholders from all of its states in its collaborative multi-state process.

³² *E.g.*, Initial CEIP at 14, n. 14.

1 **B. CEIP Biennial Update and Thermal Resource Assumptions**

2 **Q. Can you discuss how PacifiCorp’s assumptions regarding certain emitting**
3 **resources that serve Washington customers have changed between the Revised**
4 **CEIP and CEIP Biennial Update?**

5 A. Yes. The Revised CEIP: (1) assumed that PacifiCorp would remove coal-fueled
6 resources from the allocation of Washington retail rates by the end of 2023; (2) that
7 there would be no coal resources that were converted to operate on natural gas used to
8 serve Washington; and (3) that 100 percent of the Chehalis natural gas facility would
9 serve Washington from 2024 onwards.

10 This is contrasted with the Biennial Update, where: (1) Washington continues
11 to receive electricity from coal-fueled resources through the end of 2025 (this
12 includes electricity from Colstrip Unit 4, and Jim Bridger Units 3 and 4); (2) that
13 Washington continues to receive electricity from Jim Bridger Units 1 and 2 through
14 2029 after both are converted to run on natural gas in 2024; and (3) that Washington
15 retains a system share of Chehalis and Hermiston natural gas-fired plants.

16 **Q. What drove PacifiCorp’s decisions on the allocation of these emitting resources?**

17 A. These decisions were driven by the recent dramatic increases in wholesale market
18 purchase prices. By continuing to serve Washington with these existing resources (in
19 the case of Colstrip Unit 4, and Jim Bridger Units 3 and 4), or very inexpensively
20 converted existing resources (as in the case of Jim Bridger Units 1 and 2 after
21 conversion to natural gas), our customers would otherwise avoid the need to pay for
22 much higher volumes of market purchases at much higher prices. As noted in the
23 CEIP Biennial Update, these decisions were forecasted to result in savings of \$72

1 million for our Washington customers.³³ These decisions will directly save customers
2 tens of millions of dollars over the current four-year compliance period.

3 **Q. What is the practical result of these different assumptions?**

4 A. The use of coal and coal-to-gas resources through 2025 decreases the amount of
5 renewable and non-emitting electricity that PacifiCorp forecasts to serve Washington
6 customers through the first four-year compliance period. The CEIP Biennial Update
7 reflects these assumptions with lowered interim targets through 2030.

8 **Q. Did the Commission recently approve these emitting resource decisions?**

9 A. Yes. The Commission recently approved PacifiCorp's decisions to continue serving
10 customers with coal-powered generating facilities through 2025, and with converted
11 coal-to-natural gas resources in the company's 2023 general rate case.³⁴

12 **C. Near-Term Resource Availability**

13 **Q. You mentioned that near-term resource availability contributed to the reduced**
14 **interim targets, please explain.**

15 A. There have been significant impacts on near-term resource availability given
16 repricing and competition for CETA-qualified resources. Delays during the 2020 AS
17 RFP process and additional supply chain issues resulted in bid repricing and bid
18 withdrawals.³⁵ Consequently, there will be fewer new resources coming online in
19 2024 and 2025 relative to what was originally planned in the 2021 IRP and 2021
20 CEIP/Revised CEIP.

³³ CEIP Biennial Update, at 7.

³⁴ *WUTC v. PacifiCorp, d/b/a Pac. Power & Light Co.*, Docket Nos. UE-230172 and UE-210852 (Cons.), Order 08/06 (Mar. 19, 2024) (approving revenue requirement with coal resources serving Washington customers through 2025, and Jim Bridger Units 1-2 through 2030).

³⁵ *E.g.*, solar equipment availability as a result of US import restrictions from China; steel availability and pricing impacts on both the wind and solar industry as a result of eastern European instability (Ukraine).

1 **Q. What does the CEIP Biennial Update forecast for renewable resource additions**
2 **by the company?**

3 A. As noted in the CEIP Biennial Update at the time of filing, the Company was on-track
4 to bring 1,867 MWs of wind, 1,468 MWs of solar and solar with storage, and 200
5 MWs of battery storage to the system by the end of 2025.³⁶ The portfolios also
6 included the acquisition and repowering of Rock River I and Foote Creek II-IV wind
7 projects.³⁷ Under the WIJAM, Washington will receive a system, which assumed that
8 all of the final shortlist resources from the 2020AS RFP would come online by 2025,
9 and that the Washington would receive a share from these non-emitting and
10 renewable resources.

11 **Q. Can you provide additional detail into PacifiCorp's procurement experiences**
12 **from the 2020 AS RFP process?**

13 A. Yes. The Revised CEIP noted that the Company was currently negotiating final terms
14 with each of the final shortlisted participants, with the goal of finalizing agreements
15 by early 2022.

16 Yet after identifying a shortlist of preferred resources, PacifiCorp received
17 repricing from each of the shortlisted resources, which was driven by supply chain
18 issues, policy, and import tariff uncertainties. In fact, some bidders were unwilling to
19 offer any price because of these uncertainties, and they ultimately withdrew from the
20 2020 AS RFP all together. This created a dilemma, because PacifiCorp had little
21 market information on which to compare the repricing for those bidders that were
22 willing to offer a firm price. Consequently, it would have been difficult to justify

³⁶ CEIP Biennial Update at 11.

³⁷ *Id.*

1 execution of all of the shortlisted projects without substantial additional analysis. This
2 left PacifiCorp with limited options, resulting in the company executing a smaller
3 number of power purchase agreements based on individual assessments of value that
4 these projects could provide customers.

5 **Q. Did PacifiCorp consider short-term options to meet the interim targets in the**
6 **2021 CEIP and Revised CEIP?**

7 A. Yes, but short-term contract options in 2025 are uncertain with growing demand for
8 CETA. Additionally, from a policy perspective, this raises a question regarding the
9 intent of the interim targets prior to 2030. Planning in advance of the legislative
10 compliance deadline is critical. The current timing provides two CEIP cycles for the
11 company to engage with customers and stakeholders, identify issues, and track
12 progress towards 2030 compliance. Strick adherence to interim targets, ignoring
13 reasonable changes to assumptions and conditions over time, creates a compliance at
14 any cost scenario, which forces utilities to procure short-term resources merely to
15 meet a short-term expectation and pass those costs on to customers. This is not to say
16 that utilities should receive a blanket exemption for meeting interim targets; but, it
17 would not be just or reasonable to expect a utility to adhere to a plan in the face of
18 prudent utility practice that demands the utility consider current market factors, short
19 and long-term impacts to customer rates, and reliability.

20 **Q. Some parties have raised concerns over PacifiCorp's cancellation of its 2022 AS**
21 **RFP. Is that a relevant concern for the current period?**

22 A. No, the 2022 AS RFP did not include resources that were expected to be in service in
23 2023, 2024 or 2025. PacifiCorp will file a new CEIP in 2025, addressing the next

1 four-year period and resource options to move towards the 2030 CETA requirements.

2 **D. Changes to Retail Sales Forecasts**

3 **Q. What impact did updated load forecasts play in the interim targets in the CEIP**
4 **Biennial Update?**

5 A. Load forecasted throughout the compliance period, combined with the issues
6 discussed above, similarly reduced the company's interim targets (by increasing the
7 denominator when calculating the percentage of Washington retail sales that is served
8 by CETA-compliant resources). However, forecasted Washington customer load
9 relative to other states, is falling.

10 The WCA and WIJAM have always been dynamic, where cost-allocation
11 percentages for PacifiCorp's entire resource portfolio are recalculated with rate filings
12 to reflect current usage. In other words, PacifiCorp's customers only pay the share of
13 system costs used to serve their load, updated with each rate case. This impacts the
14 specific resource allocation forecast. While retail sales in Washington are forecasted
15 to increase, Washington's load growth is less than the growth expected in other states,
16 leading to a reduction in the forecasted dynamic share of system resources allocated
17 to Washington customers. The impacts of this on the CEIP Biennial Update are
18 discussed in more detail by PacifiCorp witness Ghosh.

19 **V. CONCLUSION**

20 **Q. Does this conclude your direct testimony?**

21 A. Yes.