

Exhibit No. KCH-1T
Docket UE-152253
Witness: Kathryn C. Hymas

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFIC POWER & LIGHT
COMPANY,

Respondent.

DOCKET UE-152253

**PACIFIC POWER & LIGHT COMPANY
REBUTTAL TESTIMONY OF KATHRYN C. HYMAS**

April 2016

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

2 A. My name is Kathryn C. Hymas, and my business address is 1407 West North Temple,
3 Suite 330, Salt Lake City, Utah, 84116. I am currently employed as the Vice
4 President of Human Resources and Procurement. I am testifying for Pacific Power &
5 Light Company (Pacific Power or Company), a division of PacifiCorp. I have been
6 employed by the Company or its predecessor companies since 1983. My experience
7 includes various positions in the finance, business services, and demand-side
8 management organizations at the Company.

9 **QUALIFICATIONS**

10 **Q. What are your responsibilities as the Vice President of Human Resources and**
11 **Procurement?**

12 A. My primary human resources responsibilities include managing the Company's
13 human resource function, including compensation, benefits, compliance, staffing,
14 training and development, employee and labor relations, and payroll. My primary
15 procurement responsibilities include managing the Company's procurement function
16 to ensure efficient and economical procurement of materials, supplies, and services
17 for Company operations.

18 **Q. What is your educational background?**

19 A. I received a Master of Accountancy from Brigham Young University in 1979 and a
20 Bachelor of Science in Accounting from Brigham Young University in 1978. In
21 addition to my formal education, I have also attended various educational,
22 professional, and electric-industry-related seminars, including the Utility Executive
23 Course offered by the University of Idaho.

1 **Q. Have you appeared as a witness in previous regulatory proceedings?**

2 A. Yes. I was the witness for the Company's depreciation study in 2002. I have also
3 been a witness for various demand-side management filings from 2013 to 2015. I
4 have been the Company witness on human resources and procurement since 2015.

5 **PURPOSE AND SUMMARY OF TESTIMONY**

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

7 A. My rebuttal testimony responds to certain labor-related adjustments proposed by the
8 Public Counsel Division of the Attorney General's Office (Public Counsel) and Boise
9 White Paper, L.L.C. (Boise).

10 **Q. Please summarize your testimony.**

11 A. In this limited issue filing, the Company conservatively excluded all post-test-year
12 wage and labor adjustments from its proposed revenue requirement. Both Public
13 Counsel and Boise recommend post-test-year labor adjustments, but have selectively
14 chosen only those components of the Company's overall labor expenses that
15 decrease. Public Counsel recommends a post-test-year adjustment to employee
16 count, and both Public Counsel and Boise recommend post-test-year adjustments to
17 pension and post-retirement benefits other than pension (PBOP) costs.¹ The parties,
18 however, made no attempt to determine potentially offsetting labor expenses and their
19 adjustments result in a fundamental mismatch of labor expenses. Such a mismatch is
20 inconsistent with the treatment of wage and labor expense in prior Washington
21 Utilities and Transportation Commission's (Commission) orders.

¹ Public Counsel and Boise both refer to these amounts as Other Post-Employment Benefits (OPEB), however, the Company believes that they are actually referring to Post-Retirement Benefits Other Than Pensions, (PBOP). PBOP relates to benefit costs for retirees, while OPEB relates to costs associated with former employees that did not retire from the Company. In response to the Company's Data Request 2.1, Public Counsel indicated that OPEB and PBOP were used interchangeably in testimony.

1 employee count, reducing operating and maintenance (O&M) expense by \$655,673.

2 **Q. Does the Company agree with Public Counsel’s proposed FTE adjustment?**

3 A. Not by itself. Although the Company recognizes that its employee count has declined
4 since the end of the historical test year, Public Counsel’s post-test-year adjustment
5 creates a fundamental mismatch between components of the Company’s labor costs
6 and fails to account for offsetting wage increases.

7 **Q. Is Public Counsel’s adjustment consistent with the Commission’s treatment of
8 FTE employees and wages in the Company’s 2014 general rate case?**

9 A. Again, not as proposed. In the 2014 case, the Commission accepted Public Counsel’s
10 recommendation and adjusted the employee count to a level after the end of the test
11 year.³ Importantly, however, Public Counsel also supported, and the Commission
12 also approved, post-test-year wage increases occurring within 12 months of the end of
13 the test year.⁴ Thus, in the 2014 general rate case, the post-test-year FTE adjustment
14 was appropriately matched with an offsetting adjustment to wages. To be consistent
15 with the Commission’s treatment in the 2014 general rate case, the Commission
16 would need to update both employee count *and* wages.

17 **Q. What is the Company’s position on Public Counsel’s post-test-year FTE
18 employee adjustment?**

19 A. The Company believes that its initial position—relying on test-year FTE employees
20 and wages—was appropriate for this limited and expedited filing. However, the
21 Company also acknowledges that its FTE employee count has declined since the end
22 of the test year, and that an update is appropriate so long as it is balanced by an

³ *Id.*, ¶ 36 (test year was calendar year 2013, and Public Counsel recommended employee level as of June 2014).

⁴ *Id.*, ¶ 34.

1 update to post-test-year wages. Accordingly, the Company recommends that the
2 Commission accept Public Counsel's FTE employee adjustment updated to the most
3 recent period available, as of March 31, 2016, with a corresponding update to wages,
4 by including salary increases up through June 2016.⁵ The Company's updated FTE
5 employee count through March 2016 increases Public Counsel's adjustment by
6 \$179,082 (further decreasing the revenue requirement). The impact of the pro forma
7 wage increase adjustment reduces Public Counsel's adjustment by \$512,492.⁶ Please
8 refer to the testimony and exhibits of Ms. McCoy for the details of the calculation of
9 the impact of the wage increase and updated FTE employee levels.

10 PENSION AND PBOP EXPENSE

11 **Q. How did the Company calculate its pension and PBOP expense in this case?**

12 A. Consistent with its other labor expense, the Company calculated the pension and
13 PBOP expense based on the test-year level, with no post-test-year adjustments. Thus,
14 the Company relied on the 2014 and 2015 actuarial reports to support the proposed
15 expense.

16 **Q. Please describe Public Counsel's and Boise's proposed adjustments related to**
17 **pension and PBOP expense.**

18 A. Public Counsel and Boise both propose a conceptually identical adjustment that
19 reflects a post-test-year adjustment to pension and PBOP expenses based on updated

⁵ The salary increases the Company proposes to include have already been implemented, with the exception of negotiated and ratified union contracts for Local 659 and Local 197 that will be implemented on April 26, 2016, and May 26, 2016, respectively.

⁶ The Company is proposing to increase Public Counsel's post-test-year FTE employment adjustment from \$655,673 to \$834,755, by using the most recent FTE employee count—March 2016. This adjustment is then offset by post-test-year wage increases of \$512,492, for a total reduction of \$322,263 from the Company's original filing.

1 actuarial reports that show a reduction in 2016 expense.⁷ The reduced expense is
2 primarily due to a change in the discount rate assumed in the pension calculations.
3 As with the FTE employee adjustment, Public Counsel and Boise contend that these
4 adjustments are also based on the Commission's order in the Company's 2014
5 general rate case.

6 **Q. Is the value of the adjustment the same for both Public Counsel and Boise?**

7 A. No. Although they both purport to make the same adjustment, based on the revised
8 testimony filed on March 29, 2016, Public Counsel proposes a \$78,556 downward
9 adjustment related the Company's pension expense and a \$178,462 downward
10 adjustment related to the Company's PBOP expense.⁸ Boise's total adjustment is
11 \$401,737.⁹ Boise, however, performed a high-level allocation of the reduction using
12 Washington's system overhead allocation percentage instead of allocating the total-
13 company reduction using the same allocation factors as the underlying data. Boise
14 also failed to consider the percentage of these costs that are capitalized.

15 **Q. Does the Company accept Public Counsel's and Boise's pension and PBOP**
16 **adjustments?**

17 A. No. This case was intended as a limited and expedited filing and, for that reason, the
18 Company did not propose to update labor costs. As discussed above, the Company
19 has agreed to update employee count and wages. However, additional updates to
20 non-wage labor costs should not be made; the parties certainly should not be allowed
21 to cherry pick only those costs that have increased. In fact, if the Commission were
22 to consider the non-wage labor costs that have increased as well as decreased since

⁷ Ramas, Exh. No. DMR-1T Revised (3/29/16) 37:1-40:9; Mullins, Exh. No. BGM-1CT 30:8-31:17.

⁸ Ramas, Exh. No. DMR-1T Revised (3/29/16) 38:9, 40:8.

⁹ Mullins, Exh. No. BGM-3 1:19.

1 the end of the test year—such as medical and 401(k) costs—the parties’ pension and
2 PBOP adjustments would be largely offset.

3 **SALARY OVERHEAD COSTS**

4 **Q. How did the Company calculate its salary overhead costs for this case?**

5 A. The Company calculated its salary overhead costs based on the amounts incurred
6 during the test year.

7 **Q. Please describe Public Counsel’s proposed adjustment for salary overhead costs.**

8 A. Public Counsel recommends an \$18,281 downward adjustment to Pacific Power’s
9 proposed amount for salary overhead costs.¹⁰ Public Counsel calculates its
10 adjustment by averaging the salary overhead costs from 2014 and 2015. Public
11 Counsel claims that the test-year amounts do not reflect a normal annual cost level
12 and therefore a two-year average is necessary to establish a normalized amount for
13 rates.

14 **Q. Does the Company agree with Public Counsel’s adjustment?**

15 A. No. The higher costs during the test year were due to preparation and mailing of
16 benefit summary plan descriptions to employees and retirees. This is a recurring
17 requirement for the Company’s benefit plans and these costs will be incurred in the
18 future. In addition, the Company expects higher salary overhead costs in 2016 and
19 2017 as additional requirements of the federal Affordable Care Act take effect.

20 Public Counsel’s reliance on historical averages for this component of labor
21 expense is also inconsistent with its adjustment related to FTE employees, which
22 explicitly rejected the use of historical averages in favor of point estimates.

¹⁰ Ramas, Exh. No. DMR-1T Revised (3/29/16) 40:10-41:12.

1 **CONCLUSION**

2 **Q. What is your recommendation to the Commission?**

3 A. I recommend that the Commission accept Public Counsel’s FTE employee adjustment
4 as updated by the Company to March 2016 FTE levels and the corresponding update
5 to wages through June 2016. Further, I recommend the Commission reject the
6 Pension and PBOP adjustments proposed by Public Counsel and Boise in their
7 entirety. The parties have selectively recommended post-test-year adjustments to
8 only those labor expenses that are declining. When offsetting amounts are
9 considered, the proposed adjustments are largely offset. I also recommend the
10 Commission reject Public Counsel’s salary overhead adjustment.

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

12 A. Yes.