**Exh. JNS-15**
**Docket UE-210829**
**Witness: Jaclynn N. Simmons**

**BEFORE THE WASHINGTON**
**UTILITIES AND TRANSPORTATION COMMISSION**

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| **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,**<br><br>**Complainant,**<br><br>**v.**<br><br>**PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY,**<br><br>**Respondent.** | **DOCKET UE-210829** |

**EXHIBIT TO TESTIMONY OF**

**JACLYNN N. SIMMONS**

**ON BEHALF OF STAFF OF**
**WASHINGTON UTILITIES AND**
**TRANSPORTATION COMMISSION**

***PacifiCorp Response to UTC Staff Data Request No. 40***

**August 21, 2024**

**WUTC Data Request 40**

At 2:42:50 of the Recessed Open Meeting Mr. McVee brought up the risk of credit downgrades increasing the cost for customers within the whole system.

(a) What steps has the Company taken to mitigate credit risks?

(b) Has the Company sought to obtain any credit enhancements?

(c) Does the Company believe that it will face credit rating risks regarding the uncertainty around meeting CETA compliance?

**Response to WUTC Data Request 40**

(a) PacifiCorp is actively monitoring its cash flow to address credit rating metrics. Some of the actions the utility is taking include:

- PacifiCorp has suspended its dividend for the period from 2024 through 2028, which will improve retained earnings and free up available cash that can be used to fund the Company's ongoing capital requirements.

- The Company is reviewing its capital plans to restructure the timing and scope of its capital investments.

- The Company currently anticipates issuing an additional $1 billion of debt in 2025 in the form of junior subordinated notes rather than First Mortgage Bonds largely due to credit metric pressures. Unlike First Mortgage Bonds, which are treated as 100 percent debt in the Company's funds from operations divided by debt (FFO to debt) metric, junior subordinated notes are treated as 50 percent debt and 50 percent equity by both Standard and Poor's (S&P) and Moody's due to flexible interest payment features and call options. This treatment will support the Company's efforts to maintain metrics that meet rating agency guidance and minimize the risk of further downgrade.

- Finally, the Company has filed rate cases in four jurisdictions to reflect recent investments and cost increases.

(b) PacifiCorp assumes that the reference to "credit enhancements" means such actions as providing additional collateral, and obtaining insurance guarantees, and increasing cash reserves. Based on the foregoing assumption, PacifiCorp responds as follows:

Yes, PacifiCorp seeks both a combination of secured and unsecured debt offerings to manage debt and equity (as discussed in the Company's response to subpart (a) above), obtains commercial insurance for assets when available and self-insures assets when commercial insurance is not available, and manages its cash reserves.

(c) PacifiCorp has not indicated any uncertainty in meeting the 2030 Clean Energy Transformation Act (CETA) requirements, in either its 2021 Clean Energy Implementation Plan (CEIP) or its Biennial 2023 CEIP Update. PacifiCorp is, however, concerned that a regulatory mandate for accelerated compliance with CETA 2030 and 2045 targets will, among other things, unnecessarily increase capital or spending requirements, adversely affecting credit ratings and increasing costs for customers.

PREPARER: Matthew McVee / Kristi Olsen

SPONSOR: Matthew McVee