

Application No. 22-05-006
Exhibit PAC/1900
Witness: Shelley E. McCoy

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

Supplemental Testimony of Shelley E. McCoy

April 2023

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1 **Q. Are you the same Shelley E. McCoy who previously submitted rebuttal**
2 **testimony in this proceeding on behalf of PacifiCorp d/b/a Pacific Power**
3 **(PacifiCorp or the Company)?**

4 A. Yes.

5 **I. PURPOSE OF TESTIMONY**

6 **Q. What is the purpose of your supplemental testimony?**

7 A. On February 10, 2023, the California Public Utilities Commission (Commission)
8 issued a ruling (February 10 Ruling) ordering supplemental testimony on
9 PacifiCorp's risk-based investments and other issues. This testimony specifically
10 addresses non-wildfire mitigation risk based decision-making framework costs and
11 expenses in the Company's 2019 Test Year General Rate Case¹ (GRC), wildfire
12 mitigation capital investments for attrition years of the current GRC, recording of
13 wildfire mitigation expenses during the GRC cycle and a discussion of the
14 Company's Post-Test Year Adjustment Mechanism (PTAM) for capital
15 expenditures.²

¹ Decision (D.) 20-02-025.

² This testimony addresses subparts 2.b., 2.c., 3.a, 3.b, and 4 of Appendix A of the February 10 Ruling.

1 **II. RISK-BASED DECISION-MAKING FRAMEWORK**

2 **Q. Did PacifiCorp include or request costs or expenses for non-wildfire mitigation**
3 **risk-based decision-making in its Test Year 2019 General Rate Case (2019 GRC)**
4 **proceeding?**

5 A. No. PacifiCorp’s 2019 GRC was filed in April 2018, prior to the issuance of D.19-04-
6 020,³ and did not include any costs or expenses for non-wildfire mitigation risk-based
7 decision-making.

8 **Q. How much did PacifiCorp include in this current GRC for non-wildfire**
9 **mitigation risk-based decision making?**

10 A. As discussed in the direct testimony of Company witness Allen Berreth, PacifiCorp
11 has included \$105,000 of capital costs in the current GRC for improved physical
12 security of distribution substations located in California.⁴ Please see Table 1 below
13 for the capital costs and operations and maintenance (O&M) expenses for non-
14 wildfire mitigation risk-based decision making included in this GRC compared to the
15 2019 GRC.

16 **TABLE 1—Non-Wildfire Mitigation Risk-Based Decision-Making Costs and Expenses**

	2019 GRC	2023 GRC
Capital Costs	\$ -	\$ 105,000
O&M Expenses	\$ -	\$ -

³ Phase two decision adopting risk spending accountability report requirements and safety performance metrics for investor-owned utilities and adopting a safety model approach for small and multijurisdictional utilities.

⁴ PAC/800, Berreth/12.

1 **Q. You have stated PacifiCorp does not have an authorized dollar amount in rates**
2 **from the 2019 GRC for non-wildfire mitigation risk-based decision-making.**
3 **Does the Company have any actual costs or expenses in the 2019 GRC cycle,**
4 **defined as the years 2020 through 2022?**

5 A. No, beginning in 2019, the focus of PacifiCorp's risk-based decision-making moved
6 to wildfire mitigation. Therefore, the Company did not have any actual non wildfire
7 mitigation risk-based decision-making costs or expenses for 2020 through 2022.

8 **III. WILDFIRE MITIGATION AND VEGETATION MANAGEMENT COSTS**

9 **Q. Please describe what years the Company's current GRC covers.**

10 A. As discussed in the direct testimony of Company witness Steven R. McDougal, which
11 has been adopted by me, the Company is using a forecasted test period of the 12
12 months ending December 31, 2023.

13 **Q. Does PacifiCorp's current GRC include attrition years?**

14 A. No. While it is my understanding that other California utilities, particularly the large
15 investor-owned utilities, include attrition years in their rate case filings, PacifiCorp
16 does not. Instead, the Company requests rates for a single test year through the GRC
17 process and uses the post test year attrition mechanism (PTAM) Attrition Factor to
18 update rates in between GRCs.

19 **Q. Please describe the PTAM Attrition Factor.**

20 A. The PTAM Attrition Factor is used to set rates for PacifiCorp in the years between
21 GRCs. It is calculated as the greater of: (i) the September Global Insight U.S.
22 Economic Outlook forecast of Consumer Price Index for the following calendar year
23 with an offsetting productivity factor of 0.5 percent; or (ii) zero. A Tier 2 Advice

1 Letter is filed in October of each year between GRCs for rates effective the following
2 January 1. Continued use of the PTAM Attrition Factor was most recently approved
3 in PacifiCorp's 2019 GRC.⁵ In this proceeding, the Company has requested that the
4 Commission approve the continued use of the PTAM Attrition Factor adjustment.⁶

5 **Q. As PacifiCorp's 2023 GRC does not include attrition years, what is the**
6 **Company's proposal for wildfire mitigation capital investments made after**
7 **2023?**

8 A. As described in my rebuttal testimony,⁷ PacifiCorp is proposing to continue using the
9 Wildfire Mitigation Plan Memorandum Account (WMPMA) for incremental O&M
10 and capital costs not included in rates. For the post-2023 wildfire mitigation capital
11 investments, the Company would record the revenue requirement of these
12 investments in the WMPMA for later recovery.

13 **Q. How would PacifiCorp use the WMPMA to record incremental wildfire**
14 **mitigation O&M?**

15 A. Similar to the capital costs, PacifiCorp is proposing to record incremental wildfire
16 mitigation O&M in the WMPMA. For example, the Company has included \$5.3
17 million of California-allocated wildfire mitigation O&M, including wildfire
18 mitigation vegetation management, in this current case. If PacifiCorp spends \$6.0
19 million California-allocated in wildfire mitigation in 2023, then the incremental
20 \$700,000 not included in rates would be recorded in the WMPMA.

⁵ D.20-02-025.

⁶ PAC/100, McVee/18-19.

⁷ PAC/1600.

1 **Q. Please explain how the Company would use the WMPMA for wildfire mitigation**
2 **O&M after 2023.**

3 A. Beginning in 2024, and until PacifiCorp's next GRC, the Company will track the
4 impact of the PTAM Attrition Factor on the level of wildfire mitigation O&M costs
5 included in rates. Building on the \$5.3 million included in this case for 2023, if the
6 PTAM Attrition Factor increases rates by 1.5 percent January 1, 2024, then the level
7 of wildfire mitigation O&M recovered in rates also increases by 1.5 percent, or
8 \$80,000, for a total of \$5.4 million California-allocated in rates for 2024. In this
9 example, PacifiCorp would record amounts over \$5.4 million California-allocated in
10 the WMPMA.

11 **Q. In addition to the PTAM Attrition Factor, does the Company have another type**
12 **of PTAM?**

13 A. Yes, PacifiCorp also has a PTAM for Major Capital Additions that allows the
14 Company to recover the California-allocated share of major plant additions, defined
15 as capital investments greater than \$50 million on a total-company basis.

16 **Q. Could PacifiCorp use the PTAM Major Capital Additions to recover wildfire**
17 **mitigation O&M?**

18 A. No. The PTAM for Major Capital Additions is specifically designed for recovery of
19 costs associated with major plant additions. This recovery mechanism is not intended
20 for recovery of stand-alone O&M costs.

1 **IV. POST-TEST YEAR ADJUSTMENT MECHANISM**

2 **Q. You have stated that the 2023 GRC proposes to set rates for calendar year 2023.**

3 **What capital projects are included in PacifiCorp’s 2023 GRC?**

4 **A.** The Company’s 2023 GRC includes all capital projects forecasted to be in service
5 and serving California customers by the end of the Test Period, December 31, 2023.
6 Details of the capital additions included in this filing can be found in Adjustment 8.4,
7 Pro Forma Plant Additions & Retirements, within Mr. McDougal’s Exhibit No.
8 PAC/901, pages 192 through 236. This information can also be found in the
9 corresponding workpapers submitted as part of the Company’s response to Cal
10 Advocates Data Request 1.2, specifically Attachment Cal Advocates 1.2-1, folder “8
11 – Rate Base”, files “8.4 – Pro Forma Plant Additions & Retirements” and “8.4.38 –
12 8.4.44 CA GRC Dec23 – Project Write-Ups Pages.” The workbook for Adjustment
13 8.4 provides supporting calculations for the adjustments made in this GRC to reflect
14 pro-forma capital project additions. Specific project details can be found on tabs
15 “8.4.27,” “8.4.28,” “8.4.29,” “8.4.30 – 8.4.31,” “8.4.32 – 8.4.34,” “8.4.35,” and
16 “8.4.36.” The aggregated impact to rate base of all pro-forma projects included in this
17 GRC are summarized on tabs “8.4” and “8.4.1” as adjustments to rate base. These
18 adjustments for pro-forma capital projects are then included in the Company’s results
19 of operations (ROO) model, (known as the jurisdictional allocation model, or JAM),
20 in tab “Adjustments,” column AL. A copy of the Company’s JAM was provided with
21 the Company’s response to Cal Advocates Data Request 1.2, specifically Attachment
22 Cal Advocates 1.2-1.

1 **Q. To confirm, PacifiCorp has not included any attrition years in its 2023 GRC,**
2 **and therefore, no capital projects beyond December 31, 2023?**

3 A. That is correct. Projects expected to go in service beyond December 31, 2023, have
4 not been included in this rate case filing.

5 **Q. You briefly addressed the PTAM for Major Capital Additions above in your**
6 **testimony. Please describe how this mechanism works.**

7 A. As I described above, the purpose of the PTAM Major Capital Additions is for
8 recovery of capital additions placed in service that are not included in PacifiCorp's
9 rates and are greater than \$50 million on a total-company basis. Therefore, capital
10 additions approved for recovery in this GRC would not be eligible for recovery under
11 the PTAM for Major Capital Additions.

12 The PTAM for Major Capital Additions is filed with the Commission as a
13 Tier 2 Advice Letter. Prior to the completion of the major capital project, the
14 Company consults with the Public Advocates Office and provides a preliminary
15 estimate of project costs. Once the capital project is complete and serving customers,
16 the PTAM Major Capital Additions is filed with a request to change customer rates
17 and begin recovery of the costs.

18 **Q. Does this conclude your supplemental testimony?**

19 A. Yes.