Application No. 22-05-___
Exhibit PAC/100
Witness: Matthew McVee

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

PACIFICORP

Direct Testimony of Matthew McVee

Policy and Overview of Coal Plant Depreciation

May 2022

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name, business address, and present position with PacifiCorp d/b/a Pacific Power (PacifiCorp or the Company).

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

Q. Please describe your education and professional experience.

A. I have a Bachelor of Science Degree in Biology from Lewis and Clark College and a Juris Doctorate Degree from Lewis and Clark Law School. I have provided legal counsel to various clients in regulatory matters at both state regulatory commissions and the Federal Energy Regulatory Commission, and acted as administrative attorney to a commissioner at the Nevada Public Utilities Commission. I joined PacifiCorp in 2005 as senior legal counsel for transmission. I became General Counsel for the Western Electricity Coordinating Counsel in 2008. I rejoined the PacifiCorp legal department in 2013. Before taking my current position, I was Chief Regulatory Counsel for PacifiCorp. My current responsibilities include: managing regulatory relations with the California, Oregon, and Washington state regulatory commissions, staffs, and stakeholders; developing regulatory policy strategies for PacifiCorp; and managing PacifiCorp's regulatory discovery and filings group.

II. PURPOSE OF TESTIMONY

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

A. I provide an overview of PacifiCorp's current filing and support the Company's policy positions throughout this filing. I also give context for this rate filing, which comes four years after the filing of PacifiCorp's last general rate case, Application (A.) 18-04-002 (2019 Rate Case).[1] The requested revenue requirement increase in this general rate case filing is $27.9 million, or 25.7 percent. Approximately 76 percent of the requested revenue requirement increase is related to wildfire mitigation and vegetation management costs. Even though PacifiCorp has and continues to make a concerted effort to manage its controllable costs, since its 2019 Rate Case the Company is facing increasing costs related to wildfire mitigation and vegetation management. PacifiCorp understands the impact that a rate increase has on its customers. As a result, the Company is proposing a mechanism that will allow it to recover its wildfire mitigation costs in between rate cases and smooth out rates to minimize rate shock. Also, as discussed by Company witness Mr. Robert M. Meredith, PacifiCorp is proposing an increase in the California Alternative Rates for Energy discount from 20 to 25 percent to protect its most vulnerable customers.

PacifiCorp has also continued its efforts to transition to an increasingly non-emitting energy resource mix. This work coupled with the investment required to protect its system and customers from the increasing wildfire threat and increasing costs of vegetation management, will help position the Company to continue to respond proactively and ensure delivery of safe, reliable, affordable electric service to its customers.

Q. How is your testimony structured?

A. Section III of my testimony provides a description of PacifiCorp and its California

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[1] *In the Matter of the Application of PacifiCorp (U901E), an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2019*, A.18-04-002, D.20-02-025 (Feb. 18, 2020).

service territory. Section IV provides an overview of PacifiCorp's last rate case filing. Section V provides an overview of this rate case filing, including a discussion of key drivers and the Company's rate mitigation proposal. Section VI discusses the Company's authorized cost recovery mechanisms. Section VII discusses the Company's proposed revisions to the depreciable lives for certain coal-fueled generation units. Section VIII discusses the Company's proposal for how to return to customers the revenues received from the sale of renewable energy certificates (RECs) associated with the Pryor Mountain Wind Project. Finally, Section IX introduces the witnesses submitting testimony in support of PacifiCorp's rate case filing.

Q. Please summarize the recommendations you make in your direct testimony.

A. I recommend that the California Public Utilities Commission (Commission):

- Authorize an overall increase of $27.9 million or approximately 25.7 percent. The support for the increase is set forth in my testimony and the testimony of the other Company witnesses;
- Approve as prudent the Company's request to include the incremental additions to the Company's rate base for a total California-allocated rate base of approximately $372.2 million;
- Approve an overall cost of capital of 7.60 percent, which is comprised of a capital structure of 52.25 percent equity, 47.74 percent long-term debt, and 0.01 percent preferred stock as supported by Company witness Nikki L. Kobliha; and a return on equity (ROE) of 10.5 percent as supported by Company witness Ann E. Bulkley;

- Approve the Company's proposal to mitigate the impact of future wildfire mitigation costs by recovering such costs through annual filings in between rate cases as I describe in my testimony;
- Approve the California distribution rates in the depreciation study (2018 Depreciation Study) completed since the 2019 Rate Case sponsored by Company witness Nikki Kobliha, and modifications to the depreciable lives of certain coal-fueled generation units as described in my testimony;
- Approve the decommissioning costs for certain coal-fueled generation units set forth in the studies performed by an independent third-party engineering firm as supported by Company witness Ryan D. McGraw;
- Approve the PacifiCorp Inter-Jurisdictional Allocation Protocol (2020 Protocol) as supported by Company witness Steven R. McDougal;
- Approve the Company's proposal for how to return the revenues received from the sale of RECs associated with the Pryor Mountain Wind Project as I discuss in my testimony; and
- Approve the cost allocations and rate design proposals set forth in the testimonies of Company witnesses Mr. Meredith and André T. Lipinski.

III. DESCRIPTION OF PACIFICORP AND CALIFORNIA SERVICE AREA

Q. Please provide a brief description of PacifiCorp.

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

The Company serves its customers with a vast, integrated system of generation and transmission that spans 10 states and connects customers and communities across the West. PacifiCorp's integrated system provides benefits to customers in all six states and includes generation, transmission, and distribution assets. PacifiCorp owns, or has interests in thermal, hydroelectric, wind-powered, solar, and geothermal generating facilities, with a net-owned capacity of 11,668 megawatts (MW). PacifiCorp buys and sells electricity on the wholesale market with other utilities, energy marketing companies, financial institutions, and other market participants to balance and optimize the economic benefits of electricity generation, retail customer loads, and existing wholesale transactions.

PacifiCorp provides wholesale transmission service under its open access transmission tariff approved by the Federal Energy Regulatory Commission and owns or has interests in approximately 17,700 miles of transmission lines. PacifiCorp operates two Balancing Authority Areas—PacifiCorp Balancing Authority Area East and PacifiCorp Balancing Authority Area West—that together comprise the largest privately owned and operated grid in the Western United States.

Q. Please describe PacifiCorp's California service area.

A. In California, PacifiCorp serves just over 47,800 customers. The Company's California service area is mostly comprised of rural areas. PacifiCorp's California customers are geographically-dispersed, with approximately four customers per square mile. PacifiCorp's sales and revenues are distributed among residential customers, small businesses, and large businesses served under retail tariffs subject to the jurisdiction of the Commission. Table 1 below provides the June 2021 number of retail customers and usage by customer class.

**Table 1:
Number of Customers and Usage in PacifiCorp's California Service Area**

Class	Number of Customers	Usage (megawatt-hours)
Residential	36,934	392,403
Commercial	8,548	229,662
Industrial	125	54,138
Irrigation	2,005	113,962
Lighting	206	1,788
Total	47,817	791,953

IV. PREVIOUS RATE CASE HISTORY

Q. Please discuss PacifiCorp's most recent general rate case and its outcome.

A. On April 12, 2018, PacifiCorp filed A.18-04-002 for an authorized non-net power costs (NPC) revenue requirement of $78,846,143, which was an increase to its authorized base electric revenue requirement of $1.06 million or 0.9 percent.[2] During the course of the proceeding, PacifiCorp revised its requested revenue requirement to $78,591,697 which represented a $0.8 million increase to rates that had been in effect.[3] Following a fully litigated proceeding, on February 18, 2020, the Commission issued Decision (D.) 20-02-025 that approved a decrease in revenue requirement, for a final non-NPC revenue requirement of $71,951,494.[4]

Q. Why is PacifiCorp filing a rate case at this time?

A. In D.20-02-025, the Commission directed the Company to file its next general rate case for test year 2022 in accordance with the three-year rate plan adopted in D.89-

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[2] *In the Matter of the Application of PacifiCorp (U901E), an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2019*, A.18-04-002, Application and Exhibit PAC/1101, (McCoy Direct) (Apr. 12, 2018).
[3] *Id.*, Exhibit PAC/1901, (McCoy Rebuttal) (Nov. 20, 2018).
[4] *In the Matter of the Application of PacifiCorp (U901E), an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2019*, A.18-04-002, D.20-02-025, Ordering Paragraph 1, Appendix A, (Feb. 18, 2020).

01-040.[5] The Commission also directed PacifiCorp to include in its next rate case or in an earlier application its retirement plans for all coal facilities serving California customers consistent with its Integrated Resource Plan (IRP) filings.[6] On September 18, 2020, PacifiCorp requested that the Commission modify D.20-02-025 to grant a one-year extension to file a general rate case and allow for an additional Post Test Year Adjustment Mechanism (PTAM) for attrition in 2021 and provide for its use in 2022. In D.21-01-006, the Commission granted the Company's requested modification, including the change in test year from 2022 to 2023.[7] Additionally, as a result in the delay in the issuance of the Company's 2021 IRP, on February 12, 2021, the Company also requested a modification to D.20-02-025 that required the Company to include in its rate case for a 2022 test year or in an earlier application its retirement plans for all coal facilities serving California customers. In D. 21-07-012, the Commission granted the Company's request.[8]

Therefore, the Company is filing this rate case with a 2023 test year as directed by the Commission in its last rate case decision, D.20-02-025, as modified by D.21-01-006. As part of this rate case filing, the Company has included retirement plans for all coal facilities serving California customers consistent with its 2021 IRP, as directed by the Commission in its last rate case decision, D.20-02-025, as modified

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[5] *Id.*, Ordering Paragraphs 11, 17, and 18.
[6] *Id.,* Ordering Paragraph 18.
[7] *In the Matter of the Application of PacifiCorp (U901E), an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2019*, A.18-04-002, D.21-01-006, Ordering Paragraphs 1 and 2, (Jan 15, 2021).
[8] *In the Matter of the Application of PacifiCorp (U901E), an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2019*, A.18-04-002, D.21-07-012, Ordering Paragraphs 1 and 2, (July 21, 2021).

by D.21-07-012.

V. OVERVIEW OF 2023 GENERAL RATE CASE

Q. What is the purpose of this section of your direct testimony?

A. In this section of my testimony, I discuss the individual components and associated cost drivers of the Company's filing.

Q. Please describe PacifiCorp's filing.

A. The Company's 2019 Rate Case was filed on April 12, 2018. Since that time, the Company has continued its transition to an increasingly non-emitting energy resource mix while providing safe, reliable, and affordable electric service to its customers. The Company's 2021 IRP preferred portfolio includes retirement of 14 of the coal-fueled generation units by 2030 and 19 of the units by the end of the planning period of 2040.[9] This is in addition to the recently closed units, including Carbon Units 1 and 2, and Cholla Unit 4, and the conversion of Naughton Unit 3 to natural gas. Company witnesses James Owen and Shayleah J. LaBray further discuss the retirement plans of the coal-fueled generation units and resource planning in their respective testimonies. As reliance on coal-fueled generation is decreasing, an increasing segment of the Company's resource mix is renewable generation. In its 2017 IRP, prior to its investment in Energy Vision 2020 Projects,[10] renewable

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[9] PacifiCorp's 2021 IRP at 299, *available at* https://www.pacificorp.com/energy/integrated-resource-plan.html. The Company issued a 2021 IRP Update in Spring 2022, which is available at https://www.pacificorp.com/energy/integrated-resource-plan.html.

[10] Energy Vision 2020 consisted of two major components, which are already included in rates: (1) wind repowering (Repowering Projects); and (2) investments in new wind and transmission (New Wind and Transmission Projects). Repowering Projects refers to the repowering of the following wind facilities: Glenrock I, Glenrock III, Rolling Hills, Seven Mile Hill I, Seven Mile Hill II, High

resources were forecasted to be only 23 percent of PacifiCorp's resource capacity in 2017.[11] In its 2021 IRP, PacifiCorp forecasts 34 percent of its resource capacity will consist of renewable resources and 30 percent coal-fueled generation by 2023.[12]

The Company's 2021 IRP Action Plan continue the move towards a non-emitting energy resource mix. Action item 2(d) includes the issuance of a 2022 All-Source Request for Proposal (2022AS RFP) to procure resources that can achieve a commercial operation date by the end of 2027.[13] The Company is planning to issue the 2022 all-source RFP to market in the Spring of 2022 for 1,345 MW of new generating resources and 600 MW of energy storage resources. Also included is action item 2(b), which is the acquisition and repowering of Foote Creek II-IV wind facilities. Foote Creek II-IV is located on the Foote Creek wind plateau of Wyoming and adds 43.35 MW of renewable energy to the Company's system. Because of the Company's previous repowering of the Foote Creek I Wind Facility, the repowering of Foote Creek II-IV will make full use of existing wind lease rights and gain other efficiencies, as discussed in the testimony of Company witness Timothy J. Hemstreet.

PacifiCorp has proactively and aggressively controlled its costs and customer rates. However, the Company is facing increasing costs that are beyond its control in

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Plains, McFadden Ridge, Dunlap, Marengo I, Marengo II, Goodnoe Hills, and Leaning Juniper. The New Wind and Transmission Projects include the addition of 1150 MW of renewable energy through the acquisition or construction of TB Flats Wind Facility, Ekola Flats Wind Facility, the Cedar Springs Wind Facility, and the 500 kV Aeolus-to-Bridger/Anticline Transmission Project and associated upgrades.

[11] PacifiCorp's 2017 IRP at 240.

[12] PacifiCorp's 2021 IRP at 305.

[13] PacifiCorp 2021 IRP Update at 102.

several areas. For example, since the filing of the 2019 Rate Case, there has been increased investment in wildfire mitigation to protect the Company's system and customers from more the increasing risk of more severe, frequent, and costly wildfires. The Company has taken this threat seriously and developed a mitigation plan that increases its capital investments and operating and maintenance (O&M) expenses. Additionally, PacifiCorp is experiencing increased costs related to vegetation management. In his testimony, Company witness Allen Berreth addresses the risk associated with wildfire and the investments that the Company is making in wildfire mitigation and vegetation management.

Therefore, in this rate case, the Company requests recovery of prudently incurred capital costs, reasonable O&M expenses, and a proposed capital structure that will allow the Company to maintain its current credit rating while making prudent investments to transition its resource mix. I explain the drivers of this rate case filing further below. I and the other witnesses sponsoring direct testimony in this proceeding support the Company's proposals.

Q. What test period is the Company proposing in this rate proceeding?

A. The test period the Company is proposing is a fully forecasted test year for the 12 months ending December 31, 2023. The testimony of Mr. McDougal discusses the development of the test year.

Q. What rate of return is PacifiCorp requesting in this case?

A. The Company is requesting approval of an overall rate of return of 7.60 percent. The overall rate of return is comprised of a 10.5 percent return on equity (ROE) as supported by Company witness Ms. Bulkley. As explained by Ms. Kobliha, PacifiCorp is requesting approval of a capital structure that is comprised of 52.25 percent equity, 47.74 percent long-term debt, and 0.01 percent of preferred stock. Together, this results in a weighted ROE of 5.49 percent. The requested ROE is within the range recommended by Ms. Bulkley. Mr. McDougal applies the overall rate of return to the Company's cost of service.

Q. Please describe the major drivers of PacifiCorp's rate request.

A. The major drivers of the Company's general rate case filing are: (1) wildfire mitigation; (2) increased vegetation management; and (3) amortization of balances in the Company's Fire Risk Mitigation (FRMMA), Wildfire Mitigation Plan (WMPMA) and Fire Hazard Prevention (FHPMA) Memorandum Accounts. I discuss each of these drivers in more detail below.

Q. Please describe the wildfire mitigation costs driving this rate request.

A. The Company is undertaking a number of measures to mitigate wildfire threat as identified in the Company's Wildfire Mitigation plans, resulting in increased capital investment and O&M expenses. PacifiCorp's current California customer rates do not include wildfire mitigation costs. Mr. Berreth discusses wildfire mitigation costs further in his testimony.

Q. Please describe the increased vegetation management costs driving this rate request.

A. The Company has been incurring additional spend related to vegetation management as a result of an escalation in costs and increased demand for resources. Mr. Berreth discusses the increases in vegetation management costs further in his testimony.

Q. Please describe the amortization of the FRMMA, WMPMA and FHPMA driving this rate request.

A. Since 2019, the Company has undertaken a number of measures to mitigate wildfire threat. As stated above, PacifiCorp's California customer rates do not currently include recovery of wildfire mitigation costs. These incremental costs have been recorded in the Commission-approved memorandum accounts. As described in Mr. McDougal's testimony, the Company is proposing a six-year amortization of the balances in these three memorandum accounts.

Q. Did PacifiCorp consider a three-year amortization of the FRMMA, WMPMA and FHPMA?

A. Yes. However, in order to mitigate the customer rate impact of recovering these balances, the Company is proposing a six-year amortization.

Q. How is PacifiCorp proposing to recover future wildfire mitigation costs?

A. The Company has included wildfire mitigation capital costs forecasted to be in service by December 31, 2023, and a forecasted baseline of wildfire mitigation O&M costs in this current application. The Company proposes to continue using the WMPMA for incremental O&M and capital costs not included in rates. However, rather than waiting until PacifiCorp's next general rate case, the Company proposes making an annual filing beginning in March 2024 to recover incremental costs from the previous calendar year, effective April 1 each year. The annual update to rates for recovery of costs recorded in the WMPMA will allow for smaller updates to customer rates, rather than a larger increase every three years. Additionally, an April effective date will coincide with PacifiCorp's April Greenhouse Gas Climate Credit for residential and small business customers.

Q. Is PacifiCorp requesting approval of a new inter-jurisdictional allocation methodology in this proceeding?

A. Yes. In December 2019, PacifiCorp, staff from four state commissions in which the company operates, and other stakeholder groups, customers, and advocates representing residential and nonresidential customers signed the 2020 Protocol. The 2020 Protocol describes the multi-jurisdictional allocation methodology that will be used by the Company in all rate proceedings filed in California, including this proceeding, until a new protocol is proposed.[14] The 2020 Protocol is currently the approved allocation methodology in the other five states in which PacifiCorp serves retail customers. Mr. McDougal discusses the 2020 Protocol in his testimony.

Q. Does PacifiCorp's requested revenue requirement reflect the results of the 2018 Depreciation Study conducted after PacifiCorp's 2019 Rate Case?

A. Yes. In 2018, PacifiCorp conducted the 2018 Depreciation Study, which is discussed in Ms. Kobliha's testimony. However, as discussed later in my testimony, PacifiCorp is recommending the depreciable lives for Colstrip Units 3 and 4, Craig Unit 2, Hayden Units 1 and 2, and Naughton Units 1 and 2 in the 2018 Depreciation Study be updated to reflect the retirement dates for those units in the 2021 IRP. Mr. McDougal incorporates the impact of the 2018 Depreciation Study—as updated by the proposed revisions for the depreciable lives of certain coal-fueled generation units in my testimony on revenue requirement—in his testimony.

[14] The 2020 Protocol was approved by the state commissions in Idaho, Oregon, Utah, and Wyoming for use the interim period January 1, 2020 through December 31, 2023.

Q. Does this filing include updated decommissioning costs for certain coal-fueled generation units?

A. Yes. This filing incorporates the results of two studies performed to update the decommissioning costs associated with certain coal-fueled generation units which were performed in conjunction with the 2020 Protocol. In the 2020 Protocol, PacifiCorp committed to undertaking contractor-assisted engineering studies for the decommissioning costs by January 15, 2020, for the Jim Bridger, Dave Johnston, Hunter, Huntington, Naughton, Wyodak, and Hayden plants and by March 15, 2020, for Colstrip Units 3 and 4. In his testimony, Company witness Ryan McGraw discusses the decommissioning studies performed.

Q. What portion of the requested increase is related to NPC?

A. The Company is not requesting authorization to recover any revenue requirement related to NPC in this filing. PacifiCorp collects NPC through its Energy Cost Adjustment Clause (ECAC), which is updated each August and collected through rate schedule ECAC-94. In compliance with the ECAC mechanism, PacifiCorp will file an application to set its 2023 ECAC rates by August 1, 2022.

Q. Does this filing address the Commission direction to incorporate a risk-based decision-making process into PacifiCorp's general rate case?

A. Yes. In this filing, PacifiCorp has incorporated a risk-based decision-making process as required by the Voluntary Agreement on a Risk-Based Decision-Making Framework Between the Safety and the Small and Multi-Jurisdictional Utilities adopted in D.19-04-020.[15] The testimony of Mr. Berreth addresses the risks that PacifiCorp faces in its system and operations, and explains how it plans to manage, mitigate, and minimize those risks.

Q. Is PacifiCorp proposing updates to rate spread and rate design?

A. The Company is proposing a number of changes to how rates are currently designed. First, in its proposed rate spread, PacifiCorp is including rate caps to reflect cost-of-service results while mitigating rate impacts and still recover its proposed revenue requirement. Second, to provide customers greater control over their bills, PacifiCorp is proposing new time varying rate options for residential and nonresidential customers. Further, the Company is recommending that the existing time of use pilot for irrigation customers be made mandatory. Third, the Company is proposing to redesign Company-owned street and area lighting prices. Finally, the Company is also proposing a paperless bill credit and modifications to Schedule 300, Charges as Defined by the Rules and Regulations. All of the rate design proposals are discussed in Company witness Robert Meredith's direct testimony.

Q. Will PacifiCorp be filing for a memorandum account to allow it to start deferring the costs at the rate effective date of January 1, 2023?

A. Yes. Following the filing of this rate case, PacifiCorp will file a motion requesting that the new revenue requirement become effective as of January 1, 2023, and for authorization to establish a General Rate Case Revenue Requirement Memorandum Account (GRC RRMA). This will be the first instance where PacifiCorp will request

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[15] *Application of San Diego Gas & Electric Company (U902M) for Review of its Safety Model Assessment Proceeding Pursuant to Decision 14-12-025. And Related Matters.*, D.19-04-020 (April 25, 2019).

approval of a GRC RRMA. It is appropriate to create a GRC RRMA as it will allow the timely collection of PacifiCorp's new revenue requirement if the issuance of a decision in this proceeding is delayed past December 31, 2022.

VI. COST RECOVERY MECHANISMS

Q. What is the purpose of this section of your direct testimony?

A. In this section of my testimony, I discuss the cost recovery mechanisms that are currently authorized for PacifiCorp.

Q. Please describe the cost-recovery mechanisms currently authorized for PacifiCorp.

A. In PacifiCorp's 2005 Rate Case, PacifiCorp was authorized to implement three cost-recovery mechanisms that operate outside the three-year cycle for general rate case proceedings.[16] The Commission authorized PacifiCorp to implement 1) an ECAC to recover its volatile energy costs in a timely and efficient manner, 2) a Post Test-Year Adjustment Mechanism (PTAM) for Major Capital Additions that allows the Company to recover the California–allocated share of reasonable costs related to any plant additions greater than $50 million on a total-company basis, and 3) an annual PTAM Attrition Factor adjustment that allows the Company to adjust base rates for changes in inflation with an offsetting productivity factor of 0.5 percent. The PTAM Attrition Factor adjustment is effective on January 1 in the years between general rate cases. These mechanisms were most recently approved for continued use in PacifiCorp's 2019 Rate Case proceeding.

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[16] *In the Matter of the Application of PACIFICORP (U 901-E) for an Order Authorizing a General Rate Increase and Implementation of an Energy Cost Adjustment Clause and a Post Test-Year Adjustment Mechanism*, D.06-12-011 (Dec. 18, 2006).

Q. Have these mechanisms been effective?

A. Yes. These mechanisms have allowed PacifiCorp to adjust rates incrementally as the cost of serving customers changes, providing for recovery of prudently incurred costs, and typically providing customers with small and gradual rate changes. The mechanisms also result in an efficient use of PacifiCorp and Commission resources to avoid the expense and effort of processing large, litigated rate cases. PacifiCorp works closely with the Public Advocates Office to communicate frequently and in advance of the PTAM filings. As a result, PacifiCorp's PTAM filings have been processed expeditiously and efficiently by the Commission.

These mechanisms also provide benefits to customers when PacifiCorp's costs decrease. PacifiCorp's 2016, 2017, 2018, and 2021 ECAC applications included a request for a rate decrease, reflecting lower loads across the Company's system and lower wholesale prices for electricity and natural gas. This illustrates that mechanisms like the ECAC and PTAM provide benefits to both PacifiCorp and its customers by providing accurate and timely recovery (or return) of costs prudently incurred by the company.

Q. Will PacifiCorp continue to use the mechanisms in 2023 and beyond?

A. Yes. The Commission's decision in the 2019 Rate Case did not include any limitations on the continuation of the ECAC or the PTAM for Major Capital Additions. As such, PacifiCorp intends to continue to recover NPC through the annual ECAC mechanism, filed on August 1 of each year for rate changes effective January 1 of the next calendar year.

PacifiCorp also intends to continue to utilize the PTAM for Major Capital

Additions. The current filing includes forecast cost data and in-service dates for capital projects scheduled to be completed through calendar year 2023. As new, eligible plant additions are placed in service prior to the January 1, 2023, rate effective date of this proceeding, or after December 31, 2023, PacifiCorp plans to use the PTAM to add the California-allocated costs of these projects to rates based on actual cost data and in-service dates. Any material difference between the actual data and the forecast data included in the rate case will be adjusted following approval of the PTAM filings. Present revenues will also be updated to reflect the increase in rates, thereby reducing the revenue requirement increase requested in this proceeding.

The Commission authorized continuation of the PTAM Attrition Factor adjustment in PacifiCorp's 2019 Rate Case[17] and in the subsequent decision modifying its decision in that case.[18] In PacifiCorp's 2019 Rate Case, the PTAM Attrition Factor adjustment was authorized for use in setting rates for 2020 and 2021,[19] and extended to the year 2022.[20] PacifiCorp respectfully requests that the PTAM Attrition Factor adjustment be authorized for setting rates in the calendar years between general rate cases on a going-forward basis, based on the same formula and applied to the same rate elements as was used for calculating the adjustment for calendar year 2019, and approved in D.20-02-025 as modified by D. 21-01-006. The continued use of this mechanism will allow for incremental adjustments to rates in

[17] *In the Matter of the Application of PACIFICORP (U901-E), an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2019*, D.20-02-025 (Feb. 18, 2020).
[18] *In the Matter of the Application of PACIFICORP (U901E), an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2019*, D.21-01-006 (Jan. 15, 2021).
[19] D.20-02-025.
[20] D.21-01-006.

between general rate cases for inflation, with a productivity offset, providing PacifiCorp the ability to recover increasing costs while also providing an incentive to manage these costs.

VII. DEPRECIABLE LIVES FOR CERTAIN COAL-FUELED PLANTS

Q. What is the purpose of this section of your direct testimony?

A. In this section of my testimony, I explain PacifiCorp's proposal regarding updates to the depreciable lives of certain coal-fueled generation plants contained in the 2018 Depreciation Study.

Q. Has PacifiCorp included its current depreciation study with this filing?

A. Yes. The Company's 2018 Depreciation Study is included in the testimony and exhibits of Company witness Ms. Kobliha, respectively, Exhibit PAC/300 and Exhibit PAC/308.

Q. Is PacifiCorp proposing additional changes to coal depreciation beyond the 2018 Depreciation Study?

A. Yes. Consistent with the Commission decision in PacifiCorp's 2019 Rate Case, the Company is proposing to set depreciable lives based on the 2021 IRP.

Q. Please identify the coal-fueled generation units for which PacifiCorp is requesting updates to depreciable lives.

A. PacifiCorp is requesting updates to the depreciable lives for the following units: Colstrip Units 3 and 4; Craig Unit 2; Hayden Units 1 and 2; and Naughton Units 1 and 2.

Q. Why is PacifiCorp proposing updates for these units?

A. Since the 2018 Depreciation Study was performed, the Company has issued its

2021 IRP, which reflects the most current information on the retirement of the Company's coal-fueled generation units. Table 2 below compares the depreciable lives contained in the 2018 Depreciation Study and the retirement dates identified in the 2021 IRP for Colstrip Units 3 and 4; Craig Unit 2; Hayden Units 1 and 2; and Naughton Units 1 and 2.

Table 2: Comparison of Depreciable Lives in the 2018 Depreciation Study to the Retirement Dates Identified in the 2021 IRP

Coal Plant/Unit	2018 Depreciation Study Depreciable Life	2021 IRP Retirement[21]
Colstrip 3-4	2027	2025
Craig 2	2026	2028
Hayden 1	2030	2028
Hayden 2	2030	2027
Naughton 1-2	2029	2025

Q. What is the Company's proposal regarding Colstrip Units 3 and 4?

A. Of the 22 coal-fueled generation units currently serving PacifiCorp customers, the 2021 IRP preferred portfolio includes retirement of 14 units by 2030 and 19 units by the end of the planning period.[22] Specifically, the 2021 IRP preferred portfolio accelerates the retirement of Colstrip Units 3 and 4 to 2025 instead of a retirement date of 2027 as identified in the 2019 IRP.[23] Thus, PacifiCorp's 2021 IRP Action Plan Item 1(a) is to work closely with co-owners of Colstrip Units 3 and 4 to seek the

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[21] PacifiCorp's 2021 IRP at 15, *available at* https://www.pacificorp.com/energy/integrated-resource-plan.html.
[22] *Id.* at 299.
[23] *Id.*

most cost effective path forward toward the target exit date of December 31, 2025.[24]

Because of the earlier target retirement date, PacifiCorp proposes that the depreciable lives in the 2018 Depreciation Study for Colstrip Units 3 and 4 be updated to reflect the new 2025 retirement. Approval of the updated depreciable life for these units is appropriate as it satisfies the matching principle and avoids intergenerational equity issues because the Company's proposal recovers plant investment from customers who are benefiting from the generation prior to retirement of the unit. See Mr. McDougal's direct testimony with respect to the calculation of the revenue requirement using the updated depreciable lives.

Q. What is the Company's proposal regarding Craig Unit 2?

A. In July 2020, the joint owners of Craig Unit 2 announced plans to retire this unit on September 30, 2028. The new retirement date for Craig Unit 2 was included in PacifiCorp's 2021 IRP preferred portfolio.[25] However, in the 2018 Depreciation Study, the depreciable life of Craig Unit 2 is based on a retirement date of 2026. As a result, PacifiCorp proposes to extend the depreciable life for Craig Unit 2 to 2028. Approval of the updated depreciable life for this unit is appropriate as it satisfies the matching principle and avoids intergenerational equity issues because the Company's proposal matches the recovery of the plant investment to customers who are benefiting from the generation prior to retirement of the unit. See Mr. McDougal's direct testimony with respect to the calculation of the revenue requirement using the updated depreciable life.

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[24] *Id.* at 321.
[25] *Id.* at 299.

Q. What is the Company's proposal regarding Hayden Units 1 and 2?

A. On January 4, 2021, the joint owners of Hayden Units 1 and 2 announced the retirement of Hayden Unit 1 on December 31, 2028, and Hayden Unit 2 on December 31, 2027.[26] As a result, the new retirement dates for these units were included in PacifiCorp's 2021 IRP preferred portfolio.[27] However, the depreciable lives for Hayden Units 1 and 2 in the 2018 Depreciation Study is based on a retirement date of 2030. PacifiCorp proposes to update the depreciable lives for Hayden Units 1 and 2 to correspond with their planned retirements. Updating the depreciable lives is consistent with the matching principle and avoids intergenerational equity issues by matching the recovery of the plant investment to customers who are benefiting from the generation prior to retirement of the unit. See Mr. McDougal's direct testimony with respect to the calculation of the revenue requirement using the updated depreciable lives.

Q. What is the Company's proposal regarding Naughton Units 1 and 2?

A. The Naughton facility is subject to the federal Coal Combustion Residuals rule which impacts the operation of the ash-disposal impoundments at the facility. PacifiCorp has committed to ceasing coal-fired operation at Naughton Units 1 and 2 by the end of 2025 to allow for final closure and reclamation of the impoundments by 2028.

Q. Are other witnesses providing testimony on coal-fired generation depreciation?

A. Yes. As previously mentioned, Company witness Ms. Kobliha provides testimony on PacifiCorp's 2018 Depreciation Study. Company witness Ms. LaBray discusses the

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[26] *See* https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/xcel-energy-sets-2027-2028-retirement-dates-for-colo-coal-plant-61960683
[27] PacifiCorp's 2021 IRP at 299.

coal unit retirements included in the 2021 IRP and Company witness Mr. Owen discusses environmental factors that are driving retirement dates in the 2021 IRP. Finally, Company witness Mr. McDougal incorporates the updated depreciable lives and associated depreciation expense in the calculation of the revenue requirement.

VIII. REVENUES RECEIVED FROM RENEWABLE ENERGY CERTIFICATES

Q. What is the purpose of this section of your direct testimony?

A. In this section of my testimony, I explain how the Company proposes to return to customers revenues received from the sale of RECs from its Pryor Mountain Wind Project.

Q. Please explain the transaction that resulted in the Company's receipt of REC revenues.

A. The Pryor Mountain Wind Project has a nameplate capacity of 240 MW. The facility is located on a site in Carbon County, Montana, approximately 60 miles south of Billings, Montana. Further, with respect to this project, PacifiCorp and Vitesse, LLC (a wholly-owned subsidiary of Facebook, Inc.) executed an agreement for the purchase of all RECs generated by the Pryor Mountain Wind Project over a 25-year period under the Company's Oregon Schedule 272 – Renewable Energy Rider Optional Bulk Purchase Option. The capital costs for the Pryor Mountain Wind Project have been included in customer rates in the PTAM – Capital Addition filing made on April 7, 2021.

Q. How does the Company propose to return to its California customers the REC revenues associated with the Pryor Mountain Wind Project?

A. The Company proposes that these revenues be flowed through its ECAC mechanism.

This is appropriate because the REC revenues are related the generation produced at the Pryor Mountain Wind Project. The ECAC is the mechanism where PacifiCorp includes unbundled REC costs for renewable portfolio standard compliance,[28] and the proposed treatment will allow for the timely passthrough of the REC revenues to the benefit of customers.

IX. INTRODUCTION OF COMPANY WITNESSES

Q How is PacifiCorp presenting this case?

A. PacifiCorp is presenting the following direct testimony in support of its rate case filing:

- In Exhibit PAC/200, Ann E. Bulkley, Principal at The Brattle Group, provides a comparison of PacifiCorp's business and financial risk compared to peer utilities, recommends a cost of equity, and provides supporting analyses.
- In Exhibit PAC/300, Nikki L. Kobliha, PacifiCorp's Chief Financial Officer, provides the Company's overall cost of capital recommendation, including a capital structure to maximize value and minimize risk, as well as the current cost of debt. Ms. Kobliha also addresses the 2018 Depreciation Study.
- In Exhibit PAC/400, Shayleah J. LaBray, PacifiCorp's Vice President of Resource Planning and Acquisitions, supports the economic analysis that

[28] *For example, see, In the Matter of the Application of PacifiCorp (U 901 E) for Approval of its 2022 Energy Cost Adjustment Clause and Greenhouse Gas-Related Forecast and Reconciliation of Costs and Revenue,* A.21-08-004, Exhibit PAC/100, 17:10-20.

was performed to support PacifiCorp's decision to acquire and repower the Foote Creek II, II and IV Wind Facilities. Ms. LaBray also provides information on the Company's retirement plans for all coal units serving California customers, consistent with the Company's 2021 IRP. Finally, she supports the load forecast used in this filing.

- In Exhibit PAC/500, James Owen, PacifiCorp's Vice President of Environmental, Fuels, and Mining, explains how state and federal environmental requirements for PacifiCorp's coal-fueled power plants are accounted for in the Company's long-term resource planning process and how these requirements drive the retirement dates or in some cases, conversion dates of certain coal units.
- In Exhibit PAC/600, Ryan D. McGraw, PacifiCorp's Vice President of Project Development, supports and explains the Company's decommissioning studies, the costs of which are incorporated in this proceeding.
- In Exhibit PAC/700, Timothy J. Hemstreet, PacifiCorp's Managing Director of Renewable Energy Development, supports the prudency of the Company's efforts to acquire and repower the Foote Creek II, III, and IV Wind Energy Facilities.
- In Exhibit PAC/800, Allen Berreth, PacifiCorp's Vice President of Transmission and Distribution Operations, supports the Company's risk-based investment in certain transmission and distribution investments, including wildfire mitigation. Mr. Berreth also discusses vegetation

management expenses.

- In Exhibit PAC/900, Steven R. McDougal, PacifiCorp's Managing Director of Revenue Requirement, summarizes the overall test year revenue requirement, pro forma adjustments, and the rate base calculation methodology. Mr. McDougal also discusses the Company's 2020 Protocol.
- In Exhibit PAC/1000, André T. Lipinski, Senior Pricing and Cost of Service Analyst, presents the functional revenue requirements and supports the marginal cost-of-service study used in this filing.
- In Exhibit PAC/1100, Robert M. Meredith, Director of Pricing and Tariff Policy, provides PacifiCorp's proposed rate spread, rate design, tariff changes to recover the proposed 2023 revenue requirement to achieve fair, just, and reasonable prices for customers.

X. CONCLUSION

Q. Please summarize your recommendations to the Commission.

A. I recommend the Commission approve the proposals described in Section II of my testimony, including:

- Authorizing an overall increase of $27.9 million or approximately 25.7 percent;
- Approving a total California-allocated rate base of approximately $372.2 million, as discussed in the testimony of various witnesses in this rate case;
- Approve an overall cost of capital of 7.60 percent, which is comprised

of a capital structure of 52.25 percent equity, 47.74 percent long-term debt, and 0.01 percent preferred stock and a ROE of 10.5 percent;

- Approve the Company's proposal to mitigate the impact of future wildfire mitigation costs by recovering such costs through annual filings in between rate cases;
- Approve the California distribution rates in the 2018 Depreciation Study conducted since filing the 2019 Rate Case and modifications to the depreciable lives of certain coal-fueled generation units;
- Approve the decommissioning costs for certain coal-fueled generation units set forth in the studies performed by an independent third-party engineering firm;
- Approve the 2020 Protocol; and
- Approve the Company's proposal to return the revenues received from the sale of RECs associated with the Pryor Mountain Wind Project through the ECAC mechanism.

Q. Does this conclude your direct testimony?

A. Yes.