

Docket No. UE 433
Exhibit PAC/100
Witness: Cindy A. Crane

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

PACIFICORP

Direct Testimony of Cindy A. Crane

February 2024

TABLE OF CONTENTS

I.	INTRODUCTION AND QUALIFICATIONS	1
II.	PURPOSE OF TESTIMONY	2
III.	DESCRIPTION OF PACIFICORP AND OREGON SERVICE AREA	2
IV.	THE COMPANY’S CURRENT RATE FILING	6
V.	INTRODUCTION OF COMPANY WITNESSES	10

ATTACHED EXHIBIT

Exhibit PAC/101—Maps of PacifiCorp’s Service Territory

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name, business address, and current position with PacifiCorp**
3 **d/b/a Pacific Power (PacifiCorp or Company).**

4 A. My name is Cindy A. Crane, and my business address is 825 NE Multnomah Street,
5 Suite 2000, Portland, Oregon 97232. I am currently employed as Chief Executive
6 Officer of PacifiCorp.

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

8 A. I joined PacifiCorp in 1990. Since then I have served as Director of Business Systems
9 Integration, Managing Director of Business Planning and Strategic Analysis, Vice
10 President of Strategy and Division Services, and Vice President of Interwest Mining
11 Company and Fuel Resources. My responsibilities in these positions included the
12 management and development of PacifiCorp's 10-year business plan, managing the
13 construction of the Company's Wyoming wind plants, directing operations of the
14 Energy West Mining and Bridger Coal companies, and coal supply acquisition and
15 fuel management for PacifiCorp's coal-fired generating plants. From October 2014
16 until my retirement in 2018, I served as President and Chief Executive Officer (CEO)
17 of Rocky Mountain Power. In that position, I was responsible for the Company's
18 business affairs in the states of Idaho, Utah, and Wyoming. I was accountable for
19 managing the Company's infrastructure investments and operations in order to deliver
20 safe and reliable electric service to our customers at reasonable prices, which
21 included a reasonable return to investors. Following my retirement from PacifiCorp in
22 2018, I remained active in the energy industry, most recently serving as board chair
23 and CEO of Enchant Energy Corporation, an emerging environmental services

1 company focused on decarbonization for customers and communities. In September
2 2023, I was appointed CEO of PacifiCorp.

3 **Q. Have you testified in other regulatory proceedings?**

4 A. Yes. I have testified on various matters in the states of Oregon, California, Idaho,
5 Utah, Washington, and Wyoming.

6 **II. PURPOSE OF TESTIMONY**

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

8 A. My testimony provides an overview of PacifiCorp, and its Oregon service area. I also
9 discuss the escalating wildfire risk that the Company is facing since its last filed
10 general rate case and the steps the Company is taking to address those risks. Further, I
11 discuss the Company's reason for filing the current rate case. Finally, I introduce the
12 Company witnesses that provide direct testimony in support of PacifiCorp's rate
13 request.

14 **III. DESCRIPTION OF PACIFICORP AND OREGON SERVICE AREA**

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

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

19 The Company serves its customers with a vast, integrated system of
20 generation and transmission that spans 10 states and connects customers and
21 communities across the West. PacifiCorp's integrated system provides benefits to
22 customers in all six states and includes generation, transmission, and distribution
23 assets. PacifiCorp owns, or has interests in thermal, hydroelectric, wind-powered,

1 solar, and geothermal generating facilities. PacifiCorp buys and sells electricity on the
2 wholesale market with other utilities, energy marketing companies, financial
3 institutions, and other market participants to balance and optimize the economic
4 benefits of electricity generation, retail customer loads, and existing wholesale
5 transactions.

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

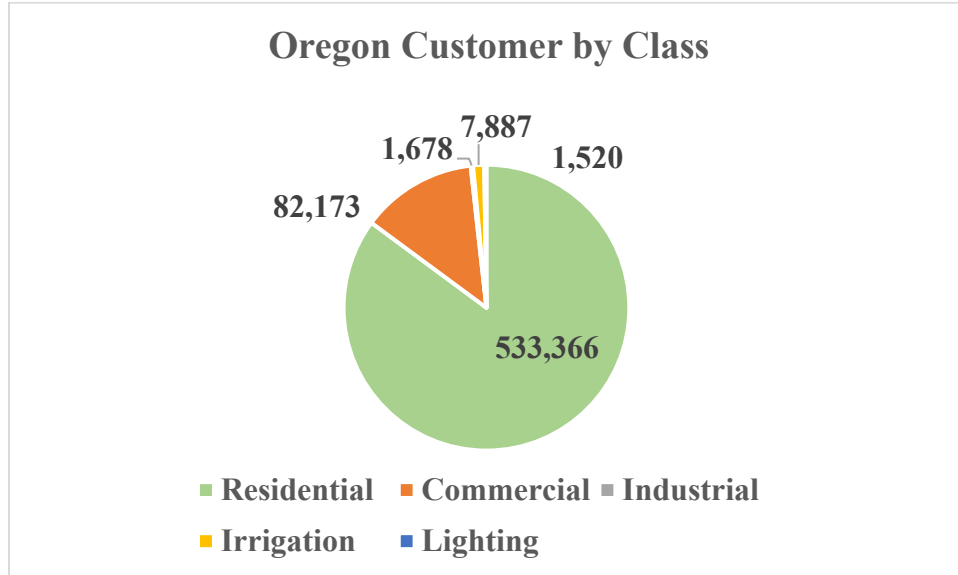
12 **Q. Please describe PacifiCorp's Oregon service area.**

13 A. In Oregon, PacifiCorp serves over 627,000 customers. Maps of the Company's
14 service territory are provided in Exhibit PAC/101. The Company's Oregon service
15 area is comprised of urban and rural areas across varied geographic regions in Oregon
16 including coastal, central, eastern, northern, southern, and the Willamette Valley.
17 PacifiCorp serves on average approximately 29 customers per square mile.¹
18 PacifiCorp's sales and revenues are distributed among residential customers, small
19 businesses, and large businesses served under retail tariffs subject to the jurisdiction
20 of the Commission. Figures 1 and 2 below provide the number of retail customers and
21 usage by customer class.

¹ In contrast, a utility serving a more urban area such as Portland General Electric Company serves on average 231 customers per square mile. See, <https://portlandgeneral.com/about/info/quick-facts> 922,444 retail customers across 4,000 square miles.

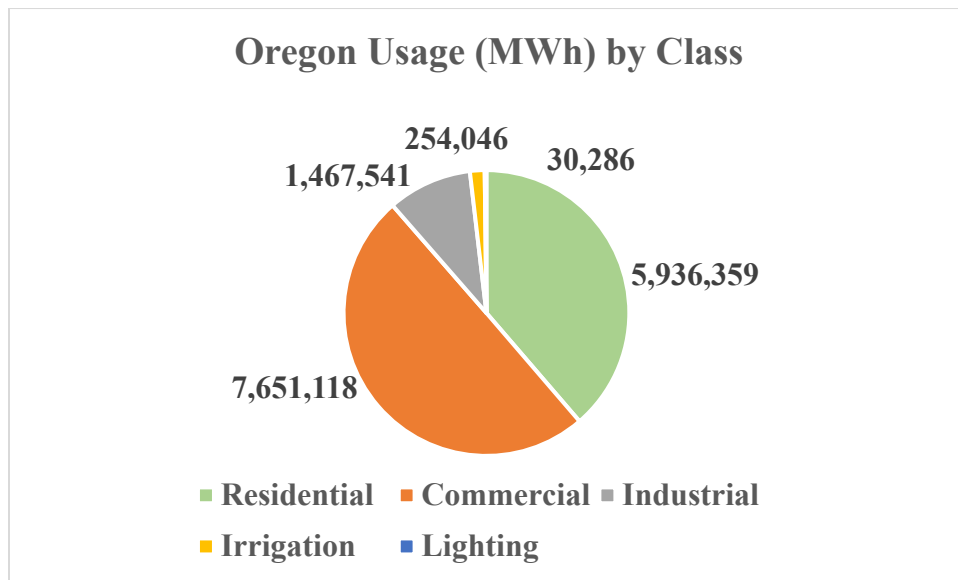
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Figure 1



2

Figure 2



3 **Q. What is the Company's core principle in providing service to customers?**

4 **A.** The Company's core principle is to provide energy solutions in the form of safe,
5 reliable, and affordable energy to customers in Oregon and throughout the West. The
6 Company has upheld this ideal for over 110 years and remains steadfast in this

1 commitment even as the electricity sector transforms through changing economics
2 and public policies, emerging and maturing technologies, and the rise of a regional
3 energy market.

4 This energy sector transformation has the Company operating under
5 tremendous cost pressures as it addresses a number of issues, including increased
6 severity and frequency of wildfires, large load growth, and decarbonization of the
7 grid. Despite these challenges, the Company has continued to deliver safe and reliable
8 electric service at low-cost. PacifiCorp's efficient operations for customers have
9 resulted in the Company's average price being approximately 31 percent lower than
10 the national average for investor-owned utilities of 13.63 cents per kilowatt-hour for
11 the 12 months ending June 30, 2023, as reported by the Edison Electric Institute
12 Summer 2023 Typical Bills and Average Rates Report.

13 As I discuss further below, in this proceeding, the Company is requesting a
14 rate increase that is driven by the increasing costs of operations, such as capital
15 investments needed to serve customers, and costs associated with the growing
16 financial pressures due to the escalating wildfire risks in the West. In response to the
17 latter, the Company is setting forth proposals to address this risk and support the
18 financial stability of the utility.

1 **IV. THE COMPANY'S CURRENT RATE FILING**

2 **Q. Since PacifiCorp last filed a rate case in March 2022 (2023 Rate Case),² what**
3 **risks have increased with respect to operations?**

4 A. The Company has experienced and continues to experience escalating wildfire risk,
5 which has impacted costs of operations, such as insurance, and financing. Escalating
6 extreme weather events have become a challenge for all industries and are being felt
7 acutely by utilities in the Western U.S., where wildfires are becoming more frequent,
8 longer lasting and more intense. Driving the growth of wildfires in the Western U.S.
9 are prolonged droughts, heatwaves, high wind events, challenging forest management
10 and population growth in the wildland-urban interface. These extreme weather events
11 pose a long-term practical and financial challenge to PacifiCorp's ability to serve
12 customers, jeopardizing affordability and customer reliability. For further discussion
13 of the escalating wildfire risk to utilities in the West, please see the testimony of
14 Company witness Robert S. Mudge.

15 **Q. How have the Company's costs been impacted by the escalating wildfire risks?**

16 A. Setting aside the Company's increasing costs associated with wildfire mitigation, the
17 Company's costs for insurance and financing are two notable examples of how
18 PacifiCorp's costs have been impacted.

19 First, the insurance industry is facing significant challenges due to wildfires,
20 as it must contend with property damage, business interruptions and liability claims.

21 Increased payouts for wildfire-related claims are resulting in significantly rising

² *In the Matters of PacifiCorp, dba Pacific Power, Request for a General Rate Revision*, Docket Nos. UE 399, UM 1964, UM 2134, UM 2142, UM 2167, UM 2185, UM 2186, and UM 2201 (cons.), Order Nos. 22-491 (Dec. 16, 2022) and 23-047 (Feb. 17, 2023).

1 insurance premiums, making coverage less affordable and in some cases, insurers are
2 pulling out of the market, for individuals and businesses.³ Company witness Mariya
3 V. Coleman further addresses increasing insurance premium costs.

4 Second, ratings agencies are reacting to the increased wildfire risks being
5 faced by utilities which is threatening utilities' access to markets. For example,
6 Standard & Poor's currently has PacifiCorp at a BBB+ rating but has PacifiCorp on
7 negative outlook indicating the potential for a further one or more notch downgrade
8 over the next 24 months. If downgraded two more notches, it would put PacifiCorp at
9 BBB-, the last level of investment grade. Moody's downgraded PacifiCorp's senior
10 unsecured issuer rating to Baa1 from A3. Both rating agencies have indicated
11 regulatory support will play a major role in their ongoing ratings assessments and
12 actions. Company witness Nikki L. Koblaha provides further details on the rating
13 agencies and discusses details concerning the Company's financial plan to provide
14 financial support for PacifiCorp at this time.

15 **Q. What actions has PacifiCorp taken to address these escalating risks?**

16 A. To continue the Company's core principles of service in light of these escalating risks,
17 the Company is taking action now to ensure continued provision of safe and reliable
18 service to customers and financial stability. Addressing this threat will require a
19 multi-pronged approach to ensure the Company's financial stability and affordability
20 and reliability for customers:

- 21 • Wildfire Mitigation: The Company files annual Wildfire Mitigation Plans in
22 Oregon, which includes (1) investments in meteorology for increased

³ For example, four western U.S. utilities are facing wildfire-related class action lawsuits: Avista Corporation in Washington, Xcel Energy in Colorado, Hawaiian Electric Company in Hawaii, and PacifiCorp in Oregon.

1 situational awareness;⁴ (2) asset hardening;⁵ (3) installing additional field
2 reclosers with upgraded fault detection (similar to relays) and remote setting
3 capability that reduces wildfire risk while minimizing outage impacts to
4 customers; (4) enhanced processes supporting pro-active risk mitigation –
5 Public Safety Power Shutoff, Encroachment and others; and (5) rebuilding
6 overhead lines with covered conductor or converting to underground reducing
7 exposure to interference from trees or other objects.⁶

- 8
- 9 • Cash management: The Company is suspending annual dividends for
10 five years, and has prioritized capital investments, for example, it has
11 suspended its 2022 All-Source Request for Proposal and is reviewing and
12 revisiting its capital deployment over the coming five years.
 - 13 • Limitation of Liability: The Company is pursuing tariff changes regarding
14 limitation of liability.⁷
 - 15 • Insurance proposals: The Company is adapting its insurance coverage options
16 to meet the challenges of the times, which includes two new mechanisms—an
17 Insurance Cost Adjustment that will enable the Company to annually procure
18 insurance for third-party liability using the most economical combination of
19 commercial insurance and insurance through a new Insurance Mechanism and
20 a Catastrophic Fire fund. Company witness Joelle R. Steward’s direct
21 testimony discusses these mechanisms.

22 However, these measures acting alone are insufficient; without regulatory
23 support, greater customer cost increases, reliability issues and state policy
24 implementation impacts are inevitable. Although the wildfire risks are larger than one
25 company, an industry and any single government, timely actions by both the
26 Company and regulatory jurisdictions are critical to ensure the Company’s ability to
serve customers reliably and affordably and financial stability of the Company.

⁴ This includes weather stations (454) providing 24/7 weather data for forecasting of wildfire conditions across our six-state territory down to the circuit level. This information also facilitates operational management as well as risk mitigation planning.

⁵ Such as replacing electro-mechanical relays with microprocessor relays throughout the fire high consequence areas to provide quicker fault detection that limits the amount of arc-energy (heat) present in a fault event.

⁶ *PacifiCorp’s 2023 Wildfire Mitigation Plan*, filed December 29, 2023, Docket No. UM 2207(2).

⁷ *In the Matter of PACIFICORP, dba PACIFIC POWER, Advice No. 23-018 (ADV 1545), Modifications to Rule 4, Application for Electrical Service*, filed Oct. 24, 2023, Docket No. UE 428.

1 **Q. Why is the Company filing a rate case at this time?**

2 A. The Company's costs have increased since the 2023 Rate Case. Drivers of the
3 requested overall rate change include significant capital investments in transmission,
4 such as the Gateway South and Gateway West Segment D-1 projects, and renewable
5 resources, such as the Rock Creek I project, increased insurance costs due to wildfire
6 risk, and vegetation management related costs. Company witness Matthew D. McVee
7 addresses the rate case drivers in his testimony. Additionally, the Company is
8 proposing an Insurance Cost Adjustment and Catastrophic Fire Fund that are aimed to
9 address insurance costs, including premiums and claims, that are rising as a result of
10 wildfire risk and that will position the Company to support its financial stability and
11 continued service of safe and reliable service at low cost. Company witness Steward
12 supports these proposals.

13 PacifiCorp recognizes that its requested increase comes at a time when
14 customers are facing increasing prices for all necessities. The Company's proposals in
15 this proceeding are aimed at minimizing the frequency of rate cases. Further, the
16 Company proactively and aggressively controls the costs that it can. These efforts are
17 demonstrated by the Company successfully minimizing the frequency of general rate
18 cases. In the last 10 years, the Company has filed only two general rate cases, in 2019
19 and 2022.⁸ The Company is also managing its controllable costs in a prudent manner,
20 which is evident in that they are not a material driver in this case despite inflationary
21 pressures.

⁸ See Docket Nos. UE 374 and UE 399.

1 PacifiCorp is, and will remain, actively engaged in finding additional ways to
2 leverage our vast, integrated system for the benefit of our customers.

3 **V. INTRODUCTION OF COMPANY WITNESSES**

4 **Q. How is PacifiCorp presenting this case?**

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

- 7 • In Exhibit PAC/200, Matthew D. McVee, Vice President, Regulatory Policy
8 and Operations, will describe PacifiCorp's request in this proceeding and
9 summarize the regulatory policy of the Company.
- 10 • In Exhibit PAC/300, Nikki L. Kobliha, Chief Financial Officer, will provide
11 the Company's overall cost of capital recommendation for the Company,
12 including a capital structure to maximize value and minimize risk and the
13 current cost of debt.
- 14 • In Exhibit PAC/400, Ann E. Bulkley, Principal at The Brattle Group, provides
15 a comparison of PacifiCorp's business and financial risk compared to peer
16 utilities, recommends a cost of equity, and provides supporting analyses.
- 17 • In Exhibit PAC/500, Robert S. Mudge, Principal at The Brattle Group,
18 discusses the increased wildfire risk and financial exposure faced by utilities
19 in the Western U.S. and explains how PacifiCorp's proposed remedies are
20 reasonable to manage this growing risk.
- 21 • In Exhibit PAC/600, Joelle R. Steward, Senior Vice President of Regulation
22 and Customer & Community Solutions, supports an Insurance Cost
23 Adjustment that will support a new insurance mechanism in development and
24 a Catastrophic Fire Fund.
- 25 • In Exhibit PAC/700, Mariya V. Coleman, Vice President of Corporate
26 Insurance and Claims for Berkshire Hathaway Energy Company, supports the
27 Company's updated costs associated with insurance premiums.
- 28 • In Exhibit PAC/800, Rick T. Link, Senior Vice President of Resource
29 Planning, Procurement and Optimization, provides the economic analyses of
30 the Gateway South and Gateway West Segment D.1 transmission projects.
- 31 • In Exhibit PAC/900, Thomas R. Burns, Vice President of Resource Planning
32 and Acquisition, provides the economic analyses of the conversion of Jim
33 Bridger Units 1 and 2 to natural gas, the Rock Creek I wind facility, and the
34 Rock River I repowering project.

- 1 • In Exhibit PAC/1000, Richard A. Vail, Vice President of Transmission
2 Services, discusses important transmission and distribution system upgrades
3 that will be completed to serve customers, including the Gateway South and
4 Gateway West Segment D.1 transmission projects.
- 5 • In Exhibit PAC/1100, Timothy J. Hemstreet, Vice President of Renewable
6 Energy Development, supports the Company's Rock River I repowering
7 project and its investment in the Fall Creek Hatchery.
- 8 • In Exhibit PAC/1200, Jeffrey M. Wagner, Renewable Development Manager,
9 provides support of the prudence of the Rock Creek I wind project.
- 10 • In Exhibit PAC/1300, Brad D. Richards, Vice President of Thermal
11 Generation, supports the Company's investment in the gas conversion of Jim
12 Bridger Units 1 and 2 and the flue gas desulfurization pond project at the Jim
13 Bridger Plant.
- 14 • In Exhibit PAC/1400, Allen Berreth, Vice President of Transmission and
15 Distribution Operations, supports the wildfire-related transmission and
16 distribution investments and vegetation management expenses in the rate case.
17 He also supports the inclusion of the restoration costs related to the September
18 2020 wildfires. Finally, he supports the Company's investment in the Juniper
19 Ridge Bend Service Center.
- 20 • In Exhibit PAC/1500, William J. Comeau, Vice President of Customer
21 Experience and Innovation, supports the upgrade to the Company's legacy
22 Customer Service System.
- 23 • In Exhibit PAC/1600, Kenneth Lee Elder, Jr., Manager of Load Forecasting,
24 supports the Company's load forecast for the test period.
- 25 • In Exhibit PAC/1700, Sherona L Cheung, Revenue Requirement Manager,
26 summarizes the overall test year revenue requirement, pro forma adjustments,
27 and the rate base calculation methodology.
- 28 • In Exhibit PAC/1800, Anna DeMers, Senior Customer Regulatory Specialist,
29 supports several new proposed policies in response to very large customers,
30 including a Capacity Reservation Charge and an Excess Demand Charge, in
31 addition to extending the period during which very large customers are
32 eligible for Line Extension Refunds.
- 33 • In Exhibit PAC/1900, Robert M. Meredith, Director of Pricing and Tariff
34 Policy, provides PacifiCorp's cost of service study and rate design, and
35 discusses how the proposed tariff changes recover the proposed revenue
36 requirement to achieve fair, just, and reasonable prices for customers.

- 1 **Q. Does this conclude your direct testimony?**
- 2 **A. Yes.**

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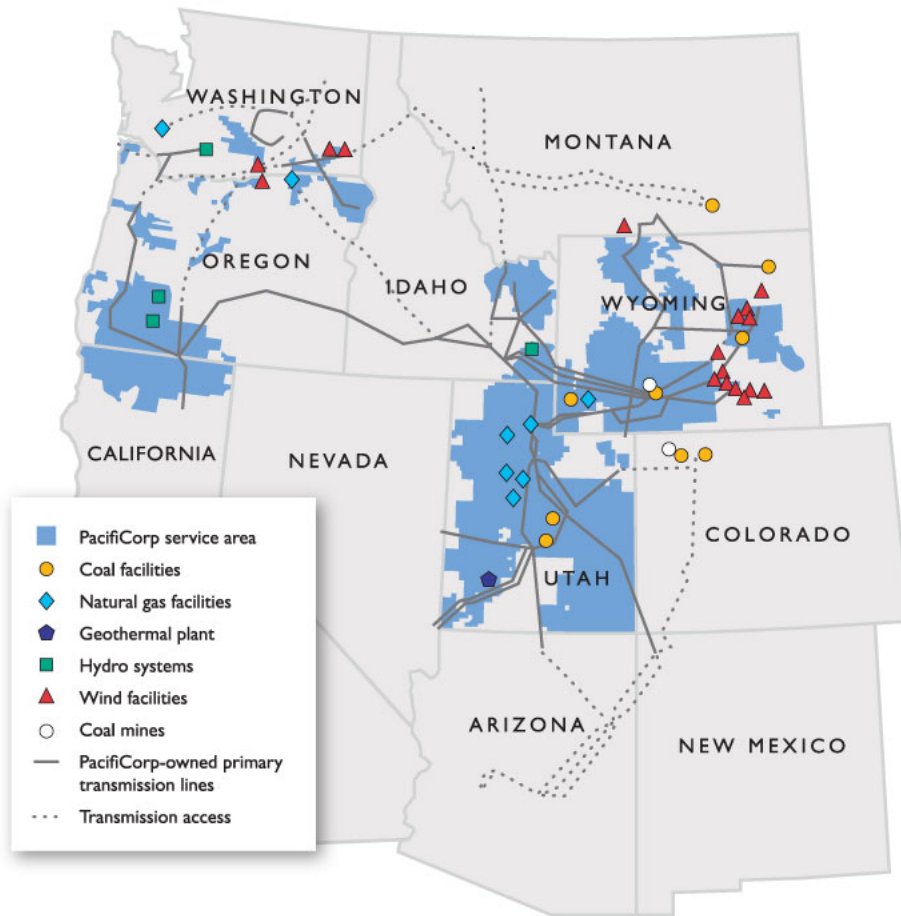
PACIFICORP

**Exhibit Accompanying Direct Testimony of Cindy A. Crane
Maps of PacifiCorp's Service Territory**

February 2024



PacifiCorp Service Areas





Pacific Power Oregon Service Area

