

Docket No. UE 433
Exhibit PAC/200
Witness: Matthew D. McVee

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

PACIFICORP

Direct Testimony of Matthew D. McVee

February 2024

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1 **I. INTRODUCTION AND QUALIFICATIONS**

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

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

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

8 A. I have a Bachelor of Science Degree in Biology from Lewis and Clark College and
9 a Juris Doctorate Degree from Lewis and Clark Law School. I have provided legal
10 counsel to various clients in regulatory matters at both state regulatory commissions
11 and the Federal Energy Regulatory Commission, and acted as administrative attorney
12 to a commissioner at the Nevada Public Utilities Commission. I joined PacifiCorp in
13 2005 as senior legal counsel for transmission. I became General Counsel for the
14 Western Electricity Coordinating Council in 2008. I rejoined the PacifiCorp legal
15 department in 2013. Before taking my current position, I was Chief Regulatory
16 Counsel for PacifiCorp. My current responsibilities include managing regulatory
17 relations with the California, Oregon, and Washington state regulatory commissions,
18 staffs, and stakeholders; developing regulatory policy strategies for PacifiCorp; and
19 managing PacifiCorp's regulatory discovery and filings group.

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

21 A. Yes. I have testified on various matters in the states of Oregon, California, and
22 Washington.

1 **II. PURPOSE OF TESTIMONY**

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

3 A. I provide an overview of PacifiCorp's general rate case filing and support the
4 Company's policy positions in the filing. Specifically, I discuss the drivers leading to
5 the requested overall increase in rates of approximately \$322.3 million or 17.9
6 percent.¹ This change in rates is comprised of (1) a base rate increase of \$157.7
7 million; (2) an Insurance Cost Adjustment of \$66.0 million, which reflects both
8 amortization of deferred and recovery of on-going insurance premiums; (3) \$77.7
9 million to fund the Company's proposed Catastrophic Fire Fund; (4) the estimated
10 true-up of \$21.2 million for the Wildfire Mitigation Plan (WMP) automatic
11 adjustment clause (AAC); and (5) the rebalancing of the Rate Mitigation Adjustment
12 for a reduction of \$0.4 million. Further, I explain the steps the Company is taking to
13 incorporate equity in its Oregon operations and planning. Finally, I highlight the
14 policy components of PacifiCorp's rate case.

15 **Q. How is your testimony structured?**

16 A. Section III of my testimony provides an overview of PacifiCorp's last rate case filing.
17 Section IV provides an overview of this rate case filing, including a discussion of key
18 drivers. Section V discusses how the Company incorporates equity into its Oregon
19 operations and planning. Finally, Section VI provides an overview of the Company's
20 insurance proposals.

¹ When combined with a proposed \$18.3 million decrease in net power costs in Docket No. UE 434, the overall change results in a net base rate increase of \$304.1 million. *See, In the Matter of PacifiCorp. dba Pacific Power, 2025 Transition Adjustment Mechanism*, Docket No. UE 434, filed Feb. 14, 2024.

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

2 A. I recommend that the Public Utility Commission of Oregon (Commission):

- 3 • Authorize an overall increase of \$322.3 million or approximately
4 17.9 percent. The support for the increase is set forth in my testimony and the
5 testimony of the other Company witnesses;
- 6 • Approve as prudent the Company's request to include the incremental
7 additions to the Company's rate base, including the Gateway South
8 Transmission Line, Gateway West Segment D1 transmission line, Rock Creek
9 I wind project, Rock River I wind project, and Customer Service System
10 (CSS) Upgrade, for a total Oregon rate base of approximately \$5.3 billion, as
11 discussed in the testimony of various witnesses in this rate case;
- 12 • Approve an overall cost of capital of 7.740 percent, which is comprised of a
13 capital structure of 50.00 percent equity, 49.99 percent long-term debt, and
14 0.01 percent preferred stock as supported by Company witness Nikki L.
15 Koblaha; and a return on equity (ROE) of 10.30 percent as supported by
16 Company witness Ann E. Bulkley;
- 17 • Approve the Company's proposal to recover third-party liability insurance
18 costs (both deferred and on-going) through a dedicated surcharge, Schedule
19 80 – Insurance Cost Adjustment as supported by Company witness Joelle R.
20 Steward;
- 21 • Approve Oregon's participation in and funding of the Catastrophic Fire Fund
22 through a dedicated surcharge, Schedule 193, to be effective January 1, 2025
23 as supported by Company witness Steward;
- 24 • Approve the allocation of the costs of the Insurance Mechanism and
25 Catastrophic Fire Fund which take into consideration the 2020 PacifiCorp
26 Inter-Jurisdictional Allocation Protocol (2020 Protocol) and new risk metrics
27 as supported by Company witness Steward;
- 28 • Approve the Company's request to amortize the deferred costs associated with
29 PacifiCorp's Distribution System Plan, September 2020 wildfire damage and
30 restoration, and the deferred costs related COVID-19 Public Health
31 Emergency incremental to amounts approved for amortization in the
32 Company's 2023 Rate Case, docket UE 399, as supported by myself and
33 Company witness Sherona L. Cheung;
- 34 • Approve the Company's request to move all Wildfire Mitigation Plan
35 Operations and Maintenance and Capital Costs eligible for recovery under the
36 WMP AAC from base rates to be recovered through Schedule 190 – Wildfire
37 Mitigation Plan Cost Recovery Adjustment as supported by Company witness
38 Cheung;

- 1 • Approve the Company's request to increase the vegetation management costs
2 in base rates from \$50 million to \$67 million and continue the use of the
3 wildfire mitigation vegetation management mechanism until the Company's
4 next general rate case as supported by Company witness Allen Berreth.
- 5 • Approve the cost of service and rate design proposals, including the
6 rebalancing of the Rate Mitigation Adjustment, set forth in the testimony of
7 Company witnesses Robert M. Meredith and Anna DeMers.

8 III. PREVIOUS RATE CASE HISTORY

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

10 A. On March 1, 2022, the Company filed its 2023 Rate Case requesting an increase in
11 revenues from Oregon operations of \$84.4 million or a 6.8 percent increase to its
12 revenue requirement.² Following discussions with the parties in the proceeding, all
13 but a direct access issue was settled through four stipulations. On December 16, 2022,
14 the Commission entered an order approving the first three stipulations, which
15 provided an increase to PacifiCorp's revenue requirement of \$49.2 million³ or
16 3.7 percent.⁴ The fourth stipulation, which concerned the Company's proposed
17 voluntary renewable energy tariff, was contested and ultimately approved by the
18 Commission on February 17, 2023.⁵

19 IV. OVERVIEW OF RATE CASE

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

21 A. In this section of my testimony, I discuss the individual components of the
22 Company's filing, including the cost drivers leading to the filing.

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 No. 22-491 at 3 (Dec. 16, 2022).

³ With the impacts of the Oregon Corporate Activity Tax Credit and the rebalancing of the Rate Mitigation Adjustment, the Company's increase was \$46.7 million.

⁴ Order No. 22.491, Appendix C at 3.

⁵ Order No. 23-047 at 9 (Feb. 17, 2023).

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

2 A. The test period the Company is proposing is a fully forecast test year for the
3 12 months ended December 31, 2025, with the exception of capital additions, which
4 are based on calendar year-end 2024 balances. The testimony of Company witness
5 Cheung discusses the development of the test year.

6 **Q. What rate of return (ROR) is PacifiCorp requesting in this case?**

7 A. The Company is requesting approval of an overall ROR of 7.740 percent. The overall
8 ROR is comprised of a 10.3 percent ROE as supported by Company witness Bulkley.
9 As explained by Company witness Kobliha, PacifiCorp is requesting to maintain the
10 previously approved capital structure that is comprised of 50.00 percent equity,
11 49.99 percent long-term debt, and 0.01 percent of preferred stock. Together, this
12 results in a weighted ROE of 5.150 percent. Notably, the Company is requesting an
13 authorized ROE at the lower end of the range recommended by Company witness
14 Bulkley. The Company's proposed ROE balances the impact on customers with the
15 prevailing market conditions that support a higher ROE, as described by Company
16 witness Bulkley, and the Company's increased need to access capital at a reasonable
17 cost in light of the escalating utility risks as discussed by Company witnesses Cindy
18 A. Crane and Kobliha. Company witness Cheung applies the overall ROR to the
19 Company's cost of service.

20 **Q. What allocation methodology is the Company using to allocate costs in this rate
21 case proceeding?**

22 A. To develop the revenue requirement in this proceeding, the Company used the 2020

1 Protocol which the Commission approved on January 23, 2020.⁶ The Commission
2 approved the extension to use the 2020 Protocol through December 31, 2025, on
3 June 30, 2023.⁷

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

5 A. As I noted above, the Company is requesting an overall increase in rates of
6 approximately \$322.3 million. The major drivers of the Company's requested
7 increase in base rates are: (1) capital investments; (2) cost of capital to reflect current
8 market conditions and risk; and (3) wildfire and vegetation management related costs.
9 I discuss each of these drivers in more detail below. In Section VI of my testimony, I
10 discuss the additional driver, costs related to escalating wildfire liability.

11 **Q. Please describe the capital investments driver.**

12 A. The Company continues to make capital investments to bring safe, reliable and
13 low-cost service to its customers. In this rate case processing, the Company is
14 including in capital additions certain significant projects, including the Gateway
15 South and Gateway West Segment D.1 transmission lines, the Rock Creek I wind
16 project, the Rock River I wind project, and the Company's CSS Upgrade.

17 **Q. Please describe the Gateway South and Gateway West Segment D.1 transmission
18 line projects.**

19 A. These transmission projects are key components of the Company's Energy Gateway
20 Transmission Expansion and have been an integral component of the long-term
21 transmission plan for the region for a decade. Gateway South is a 416-mile, high

⁶ *In the matter of PacifiCorp, dba Pacific Power, Request to Initiate an Investigation of Multi-Jurisdictional Issues and Approve an Inter-Jurisdictional Cost Allocation Protocol*, Docket No. UM 1050, Order No. 20-024 (Jan. 23, 2020).

⁷ Docket No. UM 1050, Order No. 23-229 (June 30, 2023).

1 voltage 500-kilovolt (kV) transmission line that will connect southeastern Wyoming
2 to central Utah. Gateway West Segment D.1 includes the construction of a new
3 59-mile, high voltage 230-kV transmission line from the Shirley Basin substation in
4 southeastern Wyoming to the Windstar substation near Glenrock, Wyoming, and a
5 rebuild of approximately 57 miles of the existing Dave Johnston–Shirley Basin
6 230-kV transmission line. Company witness Richard A. Vail’s testimony provides
7 details regarding these transmission projects.

8 **Q. What is the status of construction of the Gateway South and Gateway West**
9 **Segment D.1 transmission line projects?**

10 A. Construction began on the Gateway South and Gateway West Segment D.1
11 transmission line projects in June 2022 and September 2022, respectively. Both
12 transmission projects are expected to be in-service in the fourth quarter of 2024.
13 Company witness Vail provides details regarding the construction of these projects.

14 **Q. Do the Gateway South and Gateway West Segment D.1 transmission projects**
15 **provide benefits to customers?**

16 A. Yes. As explained by Company witnesses Rick T. Link and Vail, the Gateway South
17 and Gateway West Segment D.1 transmission projects will provide a number of
18 benefits including relieving congestion on the transmission system, enabling
19 additional renewable resource interconnections, and improving overall reliability.

20 Additionally, these resources will help enable the future interconnection of up
21 to 2,500 megawatts (MW) of interconnection and transmission requests, including 13
22 executed interconnection service and transmission service agreements for over
23 1,600 MW of new wind resources. While the Company decided to move forward with

1 these transmission projects prior to filing of the Company's inaugural Clean Energy
2 Plan (and the Company is not requesting a Commission determination to what extent
3 these lines contribute to House Bill (HB) 2021's cost cap under ORS 469A.445), to
4 the extent these transmission projects allow for interconnection of PacifiCorp owned
5 or contracted-for renewable or non-emitting resources that are allocated to Oregon
6 customers, each will help lower the Company's overall Oregon-allocated greenhouse
7 gases and contribute to compliance with HB 2021.

8 **Q. Please describe the Rock Creek I and Rock River I wind projects.**

9 A. The Rock Creek I wind project will have a nameplate capacity of 190 MW and is
10 located in Carbon and Albany counties in southeast Wyoming. The project is being
11 developed by Invenergy and was a bid submitted and selected to the final shortlist in
12 the Company's 2020 All-Source Request for Proposal process in the form of a build-
13 transfer agreement and it is currently under construction. Company witness Jeffrey M.
14 Wagner provides further details regarding the Rock Creek I wind project.

15 The Rock River I wind project will have a nameplate capacity of 49 MW and
16 is located in Wyoming near the Foote Creek Rim. Rock River I was previously co-
17 owned by Terra-Gen and Shell Wind Energy Inc. and its output was sold to the
18 Company under a 20-year power purchase agreement that expired in December 2021.
19 The Company has acquired the facility and is repowering the wind turbines and is
20 expected to be fully online by 2024. Company witness Timothy J. Hemstreet provides
21 further details regarding the Rock River I wind project.

1 **Q. Do the Rock Creek I and Rock River I wind projects provide benefits to**
2 **customers?**

3 A. Yes. As explained by Company witness Thomas R. Burns, both wind projects are
4 cost-effective ways to meet a substantial near-term need for resources at a time when
5 the region is expected to be resource deficient.

6 **Q. Will Rock Creek I and Rock River I help meet PacifiCorp's compliance**
7 **obligations under HB 2021?**

8 A. Yes. While the Company decided to move forward with these resources prior to filing
9 the Company's inaugural Clean Energy Plan (and the Company is not requesting a
10 Commission determination to what extent these resources contribute to HB 2021's
11 cost cap under ORS 469A.445), these non-emitting resources will help lower the
12 Company's overall Oregon-allocated greenhouse gases and contribute to compliance
13 with HB 2021.

14 **Q. Please describe the CSS Upgrade.**

15 A. The CSS Upgrade project replaces and updates its current CSS hardware and
16 software. The Company's current CSS was placed in service in the 1990's and has
17 limited ability to incorporate modern services, advanced rate structures, or
18 technologies. Company witness William J. Comeau discusses the CSS Upgrade and
19 how it will benefit customers over time in his testimony.

20 **Q. Please describe the cost of capital driver.**

21 A. In this proceeding, the Company is requesting an increase to the cost of debt and an
22 ROE of 10.3 percent. ROE is important as it establishes the return earned on
23 Company investments that are used to provide safe, reliable service to customers. The

1 Company relies on financing to support its operations, which requires continued
2 access to the financial markets. Thus, it is important that ROE be set so that the
3 Company continues to have access to the financial markets at reasonable costs, which
4 will allow it to continue to deliver safe and reliable service at lower-cost to its
5 customers.

6 As Company witness Crane testifies, the Company is responding to escalating
7 wildfire risk and is taking steps to ensure its financial stability and its ability to serve
8 customers with safe and reliable service at lower-cost. For example, one of the steps
9 the Company has taken is that its parent company, Berkshire Hathaway Energy, will
10 not be paid dividends for the next five years. However, the Company's actions are not
11 enough as it also needs regulatory support from the commissions in the states in
12 which it operates. As Company witnesses Koblaha and Bulkley explain, the
13 Commission should establish rates that allow the Company an opportunity to earn an
14 ROE that is adequate to attract capital at reasonable terms and sufficient to ensure
15 financial stability. A utility's shareholders are not the only party that benefit from a
16 healthy utility, its customers and communities in which it operates do as well by
17 reducing the immediate and future borrowing costs related to the financing needed to
18 support regulatory obligations.

19 **Q. Please describe the wildfire and vegetation management related costs driver.**

20 A. The Company has included for recovery the following costs related to wildfire
21 mitigation, vegetation management, and wildfire restoration. First, the Company has
22 included in revenue requirement capital investments associated with its WMP that are
23 not recovered through its automatic adjustment clause per an agreement with Staff in

1 Advice No. 23-015 (ADV 1529) and approved by the Commission on January 9,
2 2024. These capital investments are prudent and reasonable costs that harden the
3 Company's system with respect to wildfire and is work performed in accordance with
4 the WMP.

5 Second, the Company is proposing to increase the baseline operating and
6 maintenance expense for vegetation management by approximately \$17 million,
7 which reflects updates to expenses to meet vegetation management goals. Finally, the
8 Company is requesting recovery of the deferred restoration costs associated with the
9 September 2020 wildfires. These costs represent prudent and reasonable costs to
10 restore service to the Company's customers following the devastating fires that
11 occurred in September 2020.

12 Company witness Berreth's direct testimony supports the prudence and
13 reasonableness of the recovery of these costs.

14 **Q. Is PacifiCorp seeing inflationary changes in this rate case?**

15 A. Yes. In developing revenue requirement, the Company projects inflationary increases
16 or decreases in costs based on third-party IHS Markit indices. These indices have
17 changed since the Company's 2023 Rate Case, docket UE 399. In the Company's
18 filing, inflation accounts for approximately \$4.2 million or 2.7 percent of the
19 requested total non-NPC base rates revenue requirement. Company witness Cheung
20 incorporates the impact of inflation on revenue requirement in her testimony.

21 **Q. Is PacifiCorp requesting to consolidate other applications with this rate case**
22 **proceeding?**

23 A. Yes. PacifiCorp is requesting to consolidate other applications with this rate case

1 proceeding. Specifically, after this rate case filing, the Company will file a motion to
2 consolidate two open deferral applications to establish ratemaking treatment for these
3 items in this rate case. These applications include:

- 4 • Docket UM 2220, Deferred Accounting for PacifiCorp’s Distribution
5 System Plan (DSP);⁸ and
- 6 • Docket UM 2116, Deferred Accounting for costs related to September
7 2020 wildfire damage and restoration.⁹

8 Receiving Commission decisions on these applications to allow amortizing these
9 deferred costs is an important step in ensuring the Company can adequately recover
10 its prudent and reasonable expenses.

11 Further, the Company is proposing to amortize the remainder of the deferred
12 balance of costs associated with the COVID-19 Public Health Emergency.¹⁰ The
13 Commission first approved amortization of these costs in the Company’s 2023 Rate
14 Case. Company witness Cheung testifies regarding the amortization of these deferrals
15 is further addressed in her testimony.

16 Additionally, the Company is requesting to amortize the insurance premium
17 deferral approved by the Commission in docket UM 2301¹¹ through a new surcharge,
18 Schedule 80 - Insurance Cost Adjustment. Company witness Steward supports the

⁸ *Approval for Operating Cost and Capital Investments Implement the Company’s Distribution System Plan* No. 22-260 (July 13, 2023), 1st and 2nd reauthorizations filed on 3, 2023, and Jan. 3, 2024, respectively.

⁹ *In the Matter of PacifiCorp dba Pacific Power Application for Deferred Accounting Related to Wildfire Damage and Restoration Costs*, Docket No. UM 2116, Order No. 22-154 (May 9, 2022), Order No. 22-140 (May 9, 2022) (1st reauthorization), 2nd and 3rd reauthorizations filed on Oct. 4, 2022, and Oct. 4, 2023, respectively.

¹⁰ *In the Matter of PacifiCorp dba Pacific Power Application for Reauthorization to Defer Accounting Costs Associated with the COVID-19 Public Health Emergency*, Docket No. UM 2063, Order No. 22-130 (May 9, 2022).

¹¹ *In the Matter of PacifiCorp dba Pacific Power Application for Authorization of Deferred Accounting Related to Insurance Costs for wildfires*, Docket No. UM 2301, Order No. 24-021 (Jan. 24, 2024).

1 amortization of these costs through the Insurance Cost Adjustment. Company witness
2 Mariya V. Coleman addresses the prudence and increase of these costs.

3 **Q. Is the Company proposing any changes to the Power Cost Adjustment**
4 **Mechanism (PCAM) in this general rate case proceeding?**

5 A. No, the Company expects to file a separate tariff with supporting testimony that will
6 propose changes to the PCAM that are necessary in light of significant changes in the
7 industry.

8 **Q. Is PacifiCorp proposing updates to rate design?**

9 A. Yes. The proposed rate design changes for the residential class include increasing the
10 single-family basic charge from \$11.00 to \$16.00 per month and the multi-family
11 basic charge from \$8.00 to \$9.00. For residential customers who receive three-phase
12 service, the Company is proposing to replace the demand charge and demand charge
13 minimum with a phase-differentiated basic charge. For the non-residential class, the
14 Company is proposing a Capacity Reservation Charge and an Excess Demand Charge
15 that would be applicable for large customers who reserve more power than they
16 require or use more than the level for which they have contracted. The Company is
17 also proposing a customer-funded substation credit for customers with a load request
18 greater than 25,000 kW following the Commission's approval of changes to Rule
19 13.¹² The Company is also proposing consolidation and improvement to its
20 time-of-use offerings. The rate design proposals are discussed by Company witnesses
21 Meredith and DeMers.

¹² *In the Matter of PacifiCorp, dba Pacific Power, Revision of Rule 13 Line Extension Policy*, Docket No. UE 424, Order No. 23-472 (Dec. 13, 2023).

1 **Q. Is the Company requesting interim rates with the filing of its general rate case?**

2 A. No, not at this time. However, as discussed by Company witnesses Crane and
3 Kobliha, the Company has been downgraded by both Moody's and Standard & Poor's
4 during 2023 and credit agencies continue to evaluate the Company's wildfire risk.
5 The Company has taken a number of actions to ensure financial stability and to
6 continue to deliver safe and reliable service to customers. Any further actions from
7 the ratings agencies may require the Company to seek interim rates.

8 **Q. The Company agreed to a stay-out provision in the Third Partial Stipulation**
9 **approved by the Commission in the 2023 Rate Case.¹³ How is seeking interim**
10 **rates consistent with that provision?**

11 A. It is correct that in the Third Partial Stipulation, PacifiCorp agreed to a one-year
12 general rate case stay-out for calendar year 2023 and that it would not file a general
13 rate case with rates effective earlier than January 1, 2025. However, given the current
14 circumstances as described by Company witnesses Crane and Kobliha, during the
15 pendency of this proceeding, PacifiCorp may have to respond to a material threat to
16 the financial stability of the Company causing it to request interim rates.

17 **V. EQUITY**

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

19 A. In this section of my testimony, I provide an overview of how the Company
20 incorporates equity into its Oregon operations and planning.

21 **Q. Has equity informed the Company's practices and operations?**

22 A. Yes. The Company has incorporated equity in its practices and operations.

¹³ Order No. 22-491, Appendix C at 12-13.

1 Specifically, the Company has taken a number of actions to promote equity in its
2 Oregon service area.

3 First, the Company offers several opportunities for community engagement to
4 foster a greater understanding of our communities and how we serve them and to
5 allow for input into PacifiCorp's planning process, including

- 6 • Community Benefits and Input Advisory Group (CBIAG): The CBIAG,
7 whose members represent environmental justice communities, community-
8 based organizations, and community representatives, focuses on equity and a
9 clean energy future;
- 10 • Integrated Resource Plan (IRP) public input meetings: These are multi-month
11 meetings held to solicit feedback from the public on emerging modeling,
12 portfolio, and market-related trends to inform the development of the
13 Company's IRP;
- 14 • Distribution System Planning local stakeholder workshops: The Company
15 conducts local workshops to engage with community stakeholders in
16 distribution planning study areas to gather feedback and enhance
17 comprehension of its DSP process. These workshops serve to boost
18 transparency regarding the Company's strategies for planning, investing, and
19 executing solutions within the distribution system. Through these interactions,
20 the Company seeks to foster collaboration in the development of non-wires
21 alternative solutions and ensure that stakeholders are well-informed and have
22 an opportunity to provide feedback regarding distribution system investments
23 to address grid needs identified through the study process.
- 24 • Clean Energy Plan (CEP) engagement series: This engagement series, which
25 includes Staff, joint advocates, CBIAG members, and the public was
26 developed to focus on the CEP and its intersectionality with the utility;
- 27 • Transportation Electrification (TE) workshops: The purpose of these
28 workshops with local communities is to obtain feedback on the Company's
29 proposed TE investments and TE program offerings; and
- 30 • Tribal Nations Engagement series: This engagement series for the Oregon
31 Tribal Nations supports and fosters collaboration, consultation, and shared
32 understanding of Federal, State and local programs, policies, and grants.

1 Details of the Company’s community engagement is set forth in Section II of
2 its 2023 CEP.¹⁴

3 Second, the Company has developed interim community benefit indicators
4 (CBIs) and established utility actions within the CEP.¹⁵ The CBIs are designed to
5 demonstrate the impact of PacifiCorp’s proposed programs, actions and investments
6 and fall into five categories, resilience (system and community), health and
7 community well-being, environmental impacts, energy equity (distributional and
8 intergenerational equity), and economic impacts.

9 Finally, the Company has implemented the Oregon Low-Income Discount
10 (LID) program,¹⁶ which is available to income-qualified residential customers and
11 master-metered buildings served under a General Service rate schedule with
12 50 percent or greater of the individual residential units dedicated to income qualifying
13 occupants. Income-qualified residential customers receive a monthly bill discount at
14 one of two levels based on the customer’s household income as a percentage of
15 Oregon state medium income (SMI) adjusted to household size. Customers with
16 household incomes up to 20 percent of SMI will receive a 40 percent discount on
17 their electricity bill and customers with household incomes between 21 percent and
18 60 percent of SMI will receive a 20 percent discount on their electricity bill. As of
19 December 31, 2023, approximately 46,000 residential customers enrolled in the LID
20 program, of which 81 percent enrolled in the 20 percent discount and 19 percent

¹⁴ *In re PacifiCorp’s 2023 Clean Energy Plan* (available here: <https://www.pacificorp.com/energy/oregon-clean-energy-plan.html>).

¹⁵ *Id.* at 14-29 (providing further details on the Company’s CBIs and related utility actions).

¹⁶ The discount program was enabled by House Bill 2475 which modified ORS 757.230 for differential rates and implemented October 1, 2022.

1 enrolled in the 40 percent discount. There are two master-metered properties with a
2 total of 57 units enrolled in the program. Further, the Company is working with the
3 Energy Trust of Oregon to find ways to complement energy efficiency and demand
4 side management programs and maximize outreach and accessibility for greater
5 customer participation and benefit.

6 **Q. Has the Company established internal equity employee leads?**

7 A. Yes. It has four essential employee leads to support the Company's equity activities:

- 8 • **Christina Medina**, Stakeholder Policy & Engagement Manager. Ms.
9 Medina's position was established by the Company's senior management to
10 design, deliver, and successfully implement stakeholder processes and
11 outcomes in response to goals and regulatory requirements in Washington,
12 Oregon, and California. She is also responsible for identifying and developing
13 opportunities for broad and diverse stakeholder engagement and incorporation
14 of feedback from stakeholders into business decision-making and outcomes.
15 Her position also pursues the success of equity-based processes by tracking
16 stated goals and objectives, statutory and regulatory requirements, and
17 expectations. Ms. Medina also oversees the implementation and support of
18 Company programs and policies that directly impact customers and Company
19 goals. Further, she oversees tribal engagement within the Company's western
20 service areas. Critical deliverables include ongoing facilitation of the Equity
21 Advisory Group process (Washington), development and ongoing facilitation
22 of the CBIAG process (Oregon), and ongoing coordination of access and
23 functional needs initiatives in Washington, Oregon, and California.

- 24 • **Kimberly Alejandro**, Equity Analyst, is based in Yakima, Washington. The
25 Equity Analyst position was created to support the delivery and
26 implementation of equity-based processes and outcomes to support regulatory
27 requirements in Washington, Oregon, and California. Kimberly Alejandro's
28 role is to build relationships by collaborating with internal and external
29 partners, stakeholders, and equity advisory groups to cultivate an environment
30 of inclusivity with an equity lens. She also provides feedback from the
31 stakeholder process to inform business decisions and supports equity-based
32 functions by tracking goals and objectives to meet regulatory requirements
33 and expectations. Critical deliverables include ongoing facilitation of the
34 Equity Advisory Group process (Washington), development and ongoing
35 facilitation of the CBIAG process (Oregon), and ongoing coordination of
36 access and functional needs initiatives in Washington, Oregon, and California.

1 Company's operations in several ways, in addition to increased wildfire mitigation
2 capital investment and operating and maintenance expenses. First, as described
3 further by Company witness Coleman, PacifiCorp has experienced a substantial
4 increase in the cost of insurance premiums. 2023 insurance premium costs are 18
5 times greater than comparable 2019 premiums and insurers who have historically sold
6 wildfire insurance may no longer do so. Second, over the course of 2023, as
7 explained by Company witness Kobliha, ratings agencies have downgraded
8 PacifiCorp's credit ratings, threatening its access to the financial markets. Access to
9 the financial markets at reasonable rates aids the Company to provide safe and
10 reliable service at low costs to customers.

11 **Q. Has the Company taken any actions to address this escalating risk?**

12 A. Yes. The Company has taken a number of actions, including filing annual WMPs in
13 Oregon; implementing cash management actions such as, suspending dividends to
14 Berkshire Hathaway Energy for five years and prioritizing capital; and pursuing tariff
15 changes regarding limitation of liability. Company witnesses Crane, Berreth, Steward,
16 and Kobliha discuss these actions further.

17 **Q. Is the Company including proposals to address this risk in this proceeding?**

18 A. Yes, the Company is requesting approval of two proposals in this proceeding. First,
19 the Company is proposing to recover third-party liability insurance costs (both
20 deferred and on-going) through a dedicated surcharge, Schedule 80 - Insurance Cost
21 Adjustment. The Insurance Cost Adjustment will be used to support a new Insurance
22 Mechanism, that provides additional insurance coverage that may not be
23 commercially available at a more economically sustainable cost. Second, the

1 Company is requesting that the Commission approve Oregon's participation in the
2 Catastrophic Fire Fund, which would provide a pool of funds for the Company to
3 draw upon for extremely large claims that exceed insurance coverage. Company
4 witness Steward supports these proposals and details the multi-state engagement
5 process the Company initiated with stakeholders.

6 **Q. Why are these proposals necessary if the Company is already taking action to**
7 **address the escalating wildfire risk?**

8 A. The Company's actions are simply not enough. Given the rising insurance costs and
9 dwindling commercial insurance options, these mechanisms will provide support for
10 PacifiCorp and its customers in several ways. First, the Commission has long allowed
11 the recovery of insurance costs in PacifiCorp's rates as it represents a prudent and
12 reasonable cost incurred in the ordinary course of business. Given the rising insurance
13 costs, the proposals will provide PacifiCorp the ability to obtain appropriate coverage
14 at economic costs for its customers. Second, approval of these proposals will provide
15 financial stability as rating agencies are monitoring PacifiCorp's wildfire risks for
16 further downgrades. As I noted above a financially healthy utility does not only
17 benefits its shareholders. It also benefits its customers because a financially healthy
18 utility is positioned to provide safe and reliable service at lower cost.

19 VII. CONCLUSION

20 **Q. Please summarize your recommendations to the Commission.**

21 A. I recommend the Commission approve the proposals described in Section II of my
22 testimony, including the Company's overall requested rate increase in this docket of
23 approximately \$322.3 million or 17.9 percent.

1 **Q. Does this conclude your direct testimony?**

2 **A. Yes.**