Exh. MDM-1T
Docket UE-23____
Witness: Matthew D. McVee

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP dba PACIFIC POWER & LIGHT COMPANY Respondent.	Docket UE-23____

PACIFICORP

DIRECT TESTIMONY OF MATTHEW D. MCVEE

March 2023

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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 & Light Company (PacifiCorp or Company).

A. My name is Matthew D. 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 general rate case filing and support the Company's policy positions in the filing. Specifically, I discuss the Company's proposed Multi-Year Rate Plan (MYRP) and the drivers leading to the requested increase in rates of approximately $26.8 million or 6.6 percent in Rate Year 1 (RY1), effective March 1, 2024, and $27.9 million or 6.5 percent in Rate Year 2 (RY2), effective March 1, 2025. Further, I highlight the policy components of PacifiCorp's rate case, including how equity principals inform this filing and the Company's operations, and the Company's proposal to modify its Power Cost Adjustment mechanism (PCAM).

Q. How is your testimony structured?

A. Section III of my testimony provides a description of PacifiCorp and its Washington service area. 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. Section VI discusses how the Company has incorporated equity in its proposed rates, practices, and operations. It also discusses the Company's cost control efforts. Section VII discusses the Company's proposed MYRP. Section VIII discusses the Company's proposed modification to its PCAM. Finally, Section IX introduces the witnesses submitting testimony in support of PacifiCorp's rate case filing.

Q. Please summarize the recommendations in your direct testimony.

A. I recommend that the Washington Utilities and Transportation Commission (Commission):

- Approve the Company's proposed MYRP effective March 1, 2024, for RY 1 and March 1, 2025, for RY 2, as discussed later in my testimony;
- Authorize an overall increase of $26.8 million or approximately 6.6 percent for RY 1 of the MYRP and an overall increase of $27.9 million or approximately 6.5 percent for RY 2 of the MYRP, as calculated by Company witness Sherona L. Cheung and supported by other Company witnesses;

- Approve as prudent the Company's request to include incremental additions to the Company's rate base for a total Washington-allocated rate base of approximately $1,100.4 million for RY1 of the MYRP and $1,357.5 million for RY 2 of the MYRP, as calculated by Company witness Cheung and supported by other Company witnesses;

- Approve an overall cost of capital of 7.60 percent, which is comprised of a capital structure of 51.27 percent equity, 48.72 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 10.3 percent as supported by Company witness Ann E. Bulkley;

- Approve the forecasted total-company net power costs (NPC) for 2024 of $2.555 billion, which is $199.0 million on a Washington-allocated basis, as supported by Company witness Ramon J. Mitchell;

- Approve revisions to the Exit Orders for Jim Bridger Units 1 and 2 given their conversion to natural gas units in 2024, and approve extended depreciable lives of Jim Bridger Units 3 and 4 and Colstrip Unit 4 to December 31, 2025, and Jim Bridger Units 1 and 2 to December 31, 2029, to mitigate rising regional power costs, as discussed in my testimony and Company witness Cheung's testimony;

- Approve the Company's proposal to eliminate the deadband and asymmetrical sharing bands in the PCAM for both Washington customers and the Company as discussed by Company witness Jack Painter; and

- Approve the cost allocations and rate design proposals set forth in the testimony of Company witness Robert M. Meredith.

III. DESCRIPTION OF PACIFICORP AND WASHINGTON SERVICE AREA

Q. Please provide a brief description of PacifiCorp.

A. As an investor-owned, multi-jurisdictional electric utility, PacifiCorp serves approximately 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 ten states and connects customers and communities across the West. 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. 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.

Under the Washington Inter-Jurisdictional Allocation Methodology (WIJAM) approved in Commission Order 09/07/12, Washington customers benefit from PacifiCorp's significant transmission system and the broad access it provides to power markets and new and existing non-emitting generating resources.[1]

Q. Please describe PacifiCorp's Washington service area.

A. In Washington, PacifiCorp serves approximately 140,000 customers throughout Benton, Columbia, Garfield, Kittitas, Yakima, and Walla Walla Counties. The Company's Washington service area is largely non-urban, with some of the lowest median income levels in the state. PacifiCorp's sales and revenues are distributed among residential customers, small businesses, and large businesses served under retail tariffs subject to the Commission's jurisdiction. Table 1 below provides the average monthly retail customers and annual usage by customer class, for the 12 months ended June 2022.

[1] *WUTC v. PacifiCorp, d/b/a Pac. Power & Light Co.,* Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981, UE-180778 (cons.), Final Order 09/07/12, ¶100 (Dec. 14, 2020).

Table 1

Class	Customers	Usage(megawatt-hours)
Residential	115,211	1,656,452
Commercial	19,133	1,531,168
Industrial	585	849,934
Irrigation	5,141	152,841
Lighting	459	3,782
Total	140,528	4,194,177

IV. PREVIOUS RATE CASE HISTORY

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

A. On December 13, 2019, PacifiCorp filed a general rate case (2020 Rate Case), docket UE-191024, requesting an increase of $3.1 million or 0.9 percent.[2] During the course of the proceeding, PacifiCorp entered into a unanimous stipulation with parties as a full settlement of the issues in the proceeding (2020 Rate Case Stipulation).[3] The stipulation authorized PacifiCorp to implement a rate decrease of $5.61 million netted against a transmission adjustment of $5.4 million, for a total decrease of $0.21 million or 0.06 percent.[4] The stipulation required PacifiCorp to file a Power Cost Only Rate Case (PCORC) in 2021 to update its NPC baseline to reflect the day-ahead dispatch expected to occur beginning in January 2021.[5] The stipulation also required the Company to file a limited-issue rate filing (LIRF) in 2021 for review of certain major

[2] *WUTC v. PacifiCorp, d/b/a Pac. Power & Light Co.,* Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981, UE-180778 (cons.), Final Order 09/07/12, ¶7 (Dec. 14, 2020). The 2020 General Rate Case was consolidated with open PacifiCorp dockets related to depreciation rates (Docket No. UE-180778), deferred accounting request for the Leaning Juniper wind facility (Docket No. UE-190750), deferral of costs request related to the purchase of renewable energy credits (Docket No. UE-190929), and deferred accounting request related to the repowering the Marengo I, II, and Goodnoe Hills wind facilities (Docket No. UE-190981).
[3] Docket No. UE-191024 (cons.), Final Order 09/07/12, Appendix B, ¶1.
[4] *Id.,* at ¶9.
[5] *Id.,* at ¶17.

capital additions included in the 2020 Rate Case but not placed in service until after May 1, 2020 (Capital Addition LIRF).[6] As part of the stipulation, PacifiCorp agreed to a three-year stay out for filing a general rate case.[7] The Commission approved the 2020 Rate Case stipulation without conditions in Order 09/07/12.[8]

Q. Did PacifiCorp file the PCORC and Capital Addition LIRF as agreed to in the 2020 Rate Case Stipulation?

A. Yes. PacifiCorp made its PCORC filing on June 1, 2021 (2021 PCORC).[9] PacifiCorp entered into a stipulation with all but two parties to resolve all issues in the case (PCORC Stipulation).[10] Following a litigated proceeding, the Commission approved the PCORC Stipulation with certain conditions.[11]

PacifiCorp filed the Capital Addition LIRF on July 1, 2021, initiating docket UE-210532.[12] PacifiCorp entered into a unanimous stipulation with parties as a full settlement of the issues in the proceeding (Capital Addition LIRF Stipulation).[13] The Capital Addition LIRF Stipulation authorized PacifiCorp to recover certain capital additions in rates as prudently incurred, and used and useful.[14] The parties to the Capital Addition LIRF Stipulation agreed that rates be decreased by approximately

[6] *Id.,* at ¶14-16. The major capital additions included the Ekola Wind Project, the TB Flats Wind Project, Cedar Spring I Wind Project, Cedar Springs II Wind Project, Pryor Mountain Wind Project, Dunlap Wind Repowering Project, Foote Creek I Wind Repower Project, Aeolus to Bridger/Anticline 500kV Transmission Line Sequence 4; and Associated 230kV network upgrades.
[7] *Id.,* at ¶11.
[8] *Id.*, Final Order 09/07/12, Ordering ¶¶1-7 (Dec. 14, 2020).
[9] *WUTC v. PacifiCorp d/b/a Pac. Power & Light Co.,* Docket No. UE-210402, Order 06 (Mar. 29, 2022).
[10] *Id.,* Appendix A, ¶1. The Public Counsel Unit of the Attorney General's Office did not oppose the settlement and the Alliance of Western Energy Consumers challenged the PCORC stipulation.
[11] Docket No. UE-210402, Order 06, ¶2.
[12] *WUTC v. PacifiCorp, d/b/a Pac. Power & Light Co.,* Docket Nos. UE-210532, UE-210328 (cons). Order 06/03 (Jan. 18, 2022). The limited-issue rate filing was consolidated with PacifiCorp's petition for an order approving deferral of revenues related to renewable energy credits, Docket No. UE-210328.
[13] Docket Nos. UE-210532 (cons). Order 06/03, Appendix A, ¶1.
[14] *Id.,* ¶10.

$1.9 million and that a one-time refund of approximately $2.8 million be returned to customers over a 12-month period.[15] The Commission approved the Capital Addition LIRF Stipulation without conditions in Order 06/03.[16]

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. This is the Company's first general rate case filing since the enactment of RCW 80.28.425, which made significant changes to Washington's regulatory model by requiring MYRPs with defined design components. The Company's MYRP, and the policy proposals that accompany it, are a major aspect of this filing. In addition, since the Company's last rate filing, NPC have risen sharply, the Company has made significant new capital investments, it has developed a wildfire mitigation plan to address wildfire risk in Washington, and it is updating its decades old Customer Service System and our Salt Lake City corporate facilities. The Company has also continued to innovate, looking for ways in which it can reduce costs to customers, provide safe, reliable, and equitable service, and meet state energy policy mandates, such as Washington's Clean Energy Transformation Act (CETA) and Climate Commitment Act (CCA). All of these factors have shaped this rate filing, as

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[15] *Id.,* ¶9.
[16] Docket Nos. UE-210532 (cons). Order 06/03, Ordering ¶1-6.

described in my testimony and the testimony of other PacifiCorp witnesses.

Q. What is the test period for this rate proceeding?

A. The Company is proposing a test period based on the 12 months ended June 30, 2022, with pro forma adjustments for calendar years 2024 and 2025. Company witness Cheung's testimony discusses the development of the test period.

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 10.3 percent return on equity (ROE) as supported by Company witness Bulkley. As explained by Company witness Kobliha, PacifiCorp is requesting approval of a capital structure that is comprised of 51.27 percent equity, 48.72 percent long-term debt, and 0.01 percent of preferred stock. Company witness Cheung applies the overall rate of return to the Company's cost of service.

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

A. Yes. The Company is proposing a number of changes as discussed in Company witness Meredith's direct testimony.

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

A. The primary drivers of the Company's general rate request are: (1) increased NPC; and (2) new capital additions. I discuss each of these drivers in more detail below.

Q. Please describe the NPC driver in this rate request.

A. As explained by Company witness Mitchell, NPC have greatly increased since the Company's PCORC proceeding. The Company forecasts total-company base NPC for 2024 to be $2.555 billion. On a Washington-allocated basis, forecasted NPC is $199.0

million, which is a $53.8 million or 37 percent increase from the level approved in the 2022 PCORC and currently reflected in rates. The 2022 forecasted base NPC of $1.470 billion approved in the 2022 PCORC was significantly under forecast. Actual total-company NPC has increased from $1.511 billion in 2020 to $2.040 billion in 2022, an increase of almost $500 million. NPC has been trending upward for several reasons, but the largest driver is the significant increases in power and natural gas prices.

Q. Has PacifiCorp taken steps to reduce or offset these NPC increases?

A. Yes. The Company has and continues to make long-term investments to ensure a portfolio of resources that are least-cost and least-risk for our customers. For example, the NPC increase is offset by the Company's investment in the Gateway South transmission line, which allows for the deployment of additional capacity from Wyoming wind resources. Further, because of its participation in the Energy Imbalance Market (EIM), the Company's customers have received savings to system NPC of $591 million.[17] Additionally, the Company's participation in the California Independent System Operator's Extended Day-Ahead Market (EDAM) is also expected to reduce NPC for customers. Company witness Mitchell supports the forecasted 2024 base NPC, explains in detail the drivers causing the NPC increase, and describes the Company's actions to offset increasing NPC. Company witness Painter addresses the Company's participation in EDAM.

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[17] https://www.westerneim.com/Pages/About/QuarterlyBenefits.aspx

Q. Are the NPC benefits of the Jim Bridger plant and Colstrip Unit 4 included in the Company's NPC forecast in this proceeding?

A. Yes.

Q. Have there been any developments since the 2020 Rate Case with respect to Jim Bridger Units 1 and 2?

A. Yes. As explained in its 2021 IRP Update, in an agreement entered into between the State of Wyoming and PacifiCorp to avoid a shutdown, the Company was allowed to continue to operate Jim Bridger Units 1 and 2 through December 31, 2023, until the units are converted to natural gas in 2024.[18] The Company expects that both gas-converted units will be in-service by May 1, 2024. Company witness Brad Richards describes the process for the conversion of Jim Bridger Units 1 and 2 to natural gas. Company witness Thomas R. Burns sponsors the economic analysis supporting the Company's decision to convert these units to natural gas.

Q. Was the planned conversion of Jim Bridger Units 1 and 2 included in the Company's first Clean Energy Implementation Plan (CEIP), filed on December 30, 2021?

A. Yes. The CEIP is a planning document that is developed based on the information that the Company is aware of at the time. The CEIP references the conversion of Jim Bridger Units 1 and 2 in 2024 as an event that would occur after these units were anticipated to be removed from Washington's allocation of energy in 2023. The Company now proposes to include Jim Bridger Units 1 and 2 gas conversion in Washington rates through 2029 for the benefit of customers and to align with CETA

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[18] PacifiCorp's 2021 Integrated Resource Plan Update, Ch. 3, at 25; *see* https://www.pacificorp.com/energy/integrated-resource-plan.html.

requirements. Washington-allocated NPC would increase by $50 million if the benefits of the Jim Bridger Units 1 and 2 gas conversion are not included in the NPC forecast.

Q. Did the 2020 Rate Case Stipulation provide for the accelerated depreciation of the Jim Bridger plant and Colstrip Unit 4, so that these facilities would be fully depreciated by December 31, 2023?

A. Yes, this was to ensure that the Jim Bridger plant and Colstrip Unit 4 would be removed from the Company's Washington rates by December 31, 2025, as required under CETA. Based on my understanding, CETA requires that on or before December 31, 2025, a utility must eliminate coal-fired resources from its allocation of electricity to Washington.[19] The 2020 Rate Case Stipulation and the WIJAM allowed for the flexibility to fully depreciate and remove Jim Bridger and Colstrip from Washington rates before December 31, 2025.[20]

Q. Why is the Company proposing to take advantage of the flexibility built into the WIJAM and include the benefits of the Jim Bridger plant and Colstrip Unit 4 in the NPC forecast in this case even though there is the option of removing them from rates at the end of 2023?

A. As explained above and supported in further detail by Company witness Mitchell, the Company is experiencing a major increase in NPC. To mitigate the impact of these rising costs to our Washington customers, we are proposing to keep the benefits of the Jim Bridger plant and Colstrip Unit 4 resources in NPC. Washington-allocated

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[19] *See* RCW 19.405.30.

[20] *WUTC v. PacifiCorp d/b/a Pac. Power & Light Co.*, Docket No. UE-191024, Exhibit MGW-2 at ¶7.2 (Dec. 13, 2019).

NPC would increase by $72 million if the benefits of the Jim Bridger Units 3 and 4 and Colstrip Unit 4 resources are not included in the NPC forecast. PacifiCorp is still committed to remove Jim Bridger Units 3 and 4 and Colstrip 4 from Washington's allocation of energy by December 31, 2025, in compliance with CETA, and as stated in the WIJAM. However, keeping these units in NPC for now is reasonable given the impacts to NPC. Company witness Mitchell provides further details of the impacts of the Jim Bridger plant and Colstrip Unit 4 on NPC.

Q. Given that the Company is proposing to continue to use the Jim Bridger plant and Colstrip Unit 4 to serve Washington customers, is it also proposing to update the applicable depreciation rates for these facilities?

A. Yes. As described in further detail in the testimony of Company witness Cheung, the Company is proposing to extend the depreciable lives of the Jim Bridger Units 3 and 4 and Colstrip Unit 4 to December 31, 2025, and the depreciable lives of Jim Bridger Units 1 and 2 through December 31, 2029, to allow for the recovery of pro forma capital that is necessary for the continued operations of those plants (but excluding any incremental capital investments that are made primarily for the purpose of extending the life of these plants). Updating the depreciable lives is consistent with the matching principle and avoids inter-generational equity issues by matching the recovery of the plant investment to customers who are benefiting from the generation. Company witness Cheung's direct testimony provides the revenue requirement impact of the updated depreciable lives. Additionally, Company witness Richards describes the capital costs included in this proceeding in greater detail.

Q. Is keeping the benefits of the Jim Bridger plant and Colstrip Unit 4 in NPC contrary to the WIJAM?

A. No, in fact the WIJAM allows for it. Section 7 of the WIJAM provides that the final depreciation date of December 31, 2023 "does not represent a date of estimated closure, changes in operations, or the end of the assignment to Washington of either benefits or costs associated with" the Jim Bridger plant or Colstrip Unit 4. In addition, Section 7.3 of the WIJAM provides that the dates in Section 7 are agreed on by the WIJAM signatories "to facilitate the removal of coal from Washington rates by 2025, and provide the flexibility that may allow for early compliance with CETA."

Q. In its Order 09/07/12 approving the 2020 Rate Case Stipulation, did the Commission approve Exit Orders as required by the 2020 Interjurisdictional Allocation Protocol (2020 Protocol)?

A. Yes. In Order 09/07/12, the Commission also approved the 2020 Protocol. The Commission stated that its approval of the 2020 Protocol

> … will be considered an Exit Order for the Jim Bridger and Colstrip resources owned by PacifiCorp, with "Exit Dates" of December 31, 2023, for Jim Bridger Unit 1, and no later than December 31, 2025 for Jim Bridger Units 2-4 and Colstrip Unit 4.[21]

Q. What is an Exit Order?

A. The 2020 Protocol details the process by which Washington can exit coal-fired resources by a date certain. Section 4.1 of the 2020 Protocol outlines a process by which state commissions may issue "Exit Orders"[22] that provide for specific "Exit

[21] Docket Nos. UE-191024 (cons.), Order 09/07/12 at 42.
[22] Exit Order means an order entered by a state commission approving the discontinuation of the use of an existing resource and exclusion of costs and benefits of that resource from customer rates by that state on a date certain.

Dates,"[23] after which the state will no longer receive any benefits or be subject to any new costs related to the resource for which the Exit Order was issued. The 2020 Protocol states that Exit Orders may be established through the approval of the 2020 Protocol, in depreciation dockets, general rate cases, or other appropriate regulatory proceedings.

Q. Is PacifiCorp requesting the Commission modify the Exit Orders for Jim Bridger Units 1 and 2?

A. Yes. Because of the gas conversions for Jim Bridger Units 1 and 2, Exit Orders with Exit Dates are no longer needed for these units. However, because Exit Orders were approved for Jim Bridger Units 1 and 2, to allow for a gas conversion, PacifiCorp requests that the Commission modify the Exit Orders approved in Order 09/07/12 to specify that the Exit Orders only apply to Jim Bridger Units 1 and 2 as coal-fired resources. This modification is appropriate because it will allow the Company to operate Jim Bridger Units 1 and 2 as natural gas-fueled generation units after 2023, allowing for the units to continue providing benefits to Washington customers.

Q. Is the Company proposing to update NPC at three intervals during RY1 and RY2?

A. Yes, this is part of PacifiCorp's MYRP proposal, described in more detail below.

Q. Please describe the capital additions driving this rate request.

A. The Company expects to place into service approximately $10.5 billion of new capital projects on a total-Company basis between the end of the base period and the

[23] Exit Date means the date on which PacifiCorp will discontinue the allocation and assignment of costs and benefits of a coal-fired Interim Period Resource to the State issuing the Exit Order, as defined in the 2020 Protocol.

end of 2025, which includes the Gateway South and Gateway West Segment D.1 transmission projects, Rock Creek I and II wind projects, and Foote Creek II-IV and Rock River repowering projects. These capital investments are more fully discussed in the testimonies of Company witnesses Rick T. Link, Thomas R. Burns, Richard A. Vail, Ryan D. McGraw, and Timothy J. Hemstreet.

Q. Please describe the Gateway South and Gateway West Segment D.1 transmission projects.

A. These transmission projects are key components of the Company's Energy Gateway Transmission Expansion and have been an integral component of the long-term transmission plan for the region for a decade. Gateway South is a 414-mile, high voltage 500-kilovolt (kV) transmission line that will connect southeastern Wyoming to the Company's transmission system in central Utah. Gateway West Segment D.1 includes the construction of a new 59-mile, high voltage 230-kV transmission line from the Shirley Basin substation in southeastern Wyoming to the Windstar substation near Glenrock, Wyoming, and a rebuild of approximately 57 miles of the existing Dave Johnston–Shirley Basin 230-kV transmission line. Company witness Vail provides details regarding these transmission projects.

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

A. Construction began on the Gateway South and Gateway West Segment D.1 transmission projects in June 2022 and September 2022, respectively.[24] Both

[24] The Wyoming Public Service Commission (Wyoming Commission) approved the Company's application for certificate of public convenience and necessity (CPCN) in Docket No. 20000-588-EN-20. See *In the* Matter *of*

transmission projects are expected to be in-service in the fourth quarter of 2024. Company witness Vail provides details regarding the construction of these projects.

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

A. Yes. As explained by Company witness Link, the Gateway South and Gateway West Segment D.1 transmission projects will provide a number of benefits including relieving congestion on the transmission system in Wyoming, enabling additional renewable resource interconnections, and improving overall reliability, all to the benefit of Washington customers.

Q. Please describe the Rock Creek I and II wind projects.

A. The Rock Creek I and II wind projects will have a total name plate capacity of 590 MW and are located in Carbon and Albany counties in southeast Wyoming. The projects are being developed by Invenergy and came from a bid submitted and selected to the final shortlist in the Company's 2020 All-Source Request for Proposal process in the form of build-transfer agreements. Company witness McGraw provides further details regarding the Rock Creek wind projects.

Q. What is the construction status of the Rock Creek wind projects?

A. Construction on the Rock Creek wind projects is expected to begin in the second quarter 2023, with Rock Creek I going into service in December 2024 and Rock

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the Application of Rocky Mountain Power for Situs & Non-Situs Certificates of Public Convenience and Necessity for the Gateway South Transmission Project and the Gateway West Segment D.1 Transmission Project, Docket No. 20000-588-EN-20 (Record No. 15604). The Commission approved the CPCNs in a bench decision on May 10, 2022.

Creek II going into service in September 2025.[25] Company witness McGraw provides further details on the construction of the projects.

Q. Do the Rock Creek wind projects provide benefits to Washington customers?

A. Yes. As explained by Company witness Burns, the Rock Creek wind projects are a cost-effective way to meet a substantial near-term need for emission-free resources at a time when the region is expected to be resource deficient.

Q. Please describe the Foote Creek II-IV and Rock River I repowering projects.

A. As explained in the testimony of Company witness Hemstreet, the repowering projects involve upgrading the wind turbine generator (WTG) equipment of existing wind facilities to increase the power generation from the facility and extend the life of the facility. The Foote Creek II-IV repowering project, located in Wyoming, will involve installing new WTGs to replace the older wind turbines of much smaller capacity that were previously at the site. The Foote Creek II-IV project will benefit from the Company's recent completion of repowering the Foote Creek I wind facility, which the Commission approved in the 2020 Rate Case. Similarly, the Rock River I repowering project, also located in Wyoming, will erect new WTGs to replace the smaller capacity turbines originally installed.

[25] At deliberations held on February 28, 2022, the Wyoming Commission approved the Company's CPCN application in Docket No. 20000-623-EN-22. *See, In the Matter of the Application of Rocky Mountain Power for Certificates of Public Convenience and Necessity for the Rock Creek I and Rock Creek II Wind Projects and the Associated Transmission Infrastructure for Interconnection*, Docket No. 20000-623-EN-22 (Record No. 17154).

Q. What is the construction status of the Foote Creek II-IV and Rock River I repowering projects?

A. The Company began construction on the Foote Creek II-IV repowering project in the summer of 2022 and it is expected to be online serving customers in December 2023.[26] Construction of Rock River I repowering project is expected to begin in the spring of 2023 and is anticipated to be fully online and serving customers in December 2024.[27] Company witness Hemstreet discusses the construction of these projects.

Q. Do the Foote Creek II-IV and Rock River I repowering projects provide benefits to Washington customers?

A. Yes. As explained by Company witness Burns, the Foote Creek II-IV and Rock River I repowering projects produce net customer benefits across a range of price-policy scenarios.

VI. EQUITY AND COST CONTROLS

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

A. In this section of my testimony, I provide an overview of how the Company incorporates equity into its Washington operations and planning. I also discuss the Company's cost control efforts.

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[26] The Wyoming Commission approved the Company's CPCN application in Docket No. 20000-606-EN-21. *See, In the Matter of the Application of Rocky Mountain Power for Certificates of Public Convenience and Necessity to Construct New Wind Turbines and Update Collector Lines at the Existing Foote Creek II-IV Wind Energy Facility*, Docket No. 20000-606-EN-21 (Record No. 16955).

[27] The Wyoming Commission approved the Company's CPCN application in Docket No. 20000-613-EN-22. *See, In the Matter of the Application of Rocky Mountain Power for Certificates of Public Convenience and Necessity to Construct New Wind Turbines and Update Collector Lines at the Existing Rock River I Wind Energy Facility*, Docket No. 20000-613-EN-22 (Record No. 17017), Order Granting Certificate of Public Convenience and Necessity (Feb. 3, 2023).

Q. In approving a MYRP, does the Commission consider whether it is in the public interest?

A. Yes. My understanding of RCW 80.28.425(1) is that the Commission's consideration of a MYRP is subject to a broad public interest standard. With respect to the public interest standard, in the recently concluded Puget Sound Energy (PSE) general rate case, the Commission provided:

> RCW 80.28.425(1) provides that the Commission, in determining the public interest, may consider such factors, inter alia, as environmental health and equity. CETA also recognizes and finds that the public interest includes but is not limited to the "equitable distribution of energy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health, economic, and environmental benefits and the reduction of costs and risks; and energy security and resiliency."[28]

While I understand that the term "equity" was not defined in RCW 80.28.425(1), in Cascade Natural Gas Corporation's 2021 general rate case, the Commission adopted the principles of equity set forth in the Washington Office of Equity's enabling statute, RCW 43.06.020, and "commit[ed] to ensuring that systemic harm is reduced rather than perpetuated by our processes, practices, and procedures."[29] The Commission has provided that "to bring equity into the context of utility ratemaking, we found salient guidance in the four core tenets of energy justice."[30] These core tenets are distributional justice, procedural justice, recognition justice, and restorative justice.[31]

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[28] *WUTC v. Puget Sound Energy.*, Docket No. UE-220066 et al., Order 24/10 ¶ 225 (Dec. 22, 2022).
[29] WUTC *v. Cascade Nat. Gas Corp*., Docket No. UG-210755 Order 09 ¶ 55 (Aug. 23, 2022).
[30] *WUTC v. Puget* Sound *Energy.*, Docket No. UE-220066 et al., Order 24/10 ¶ 226 (Dec. 22, 2022).
[31] *Id.*

Q. Has the Commission provided that equity should inform the Company's proposed rates, practices, and operations?

A. Yes. The Commission has provided that "[r]ecognizing that no action is equity-neutral, regulated utilities should inquire whether each proposed modification to their rates, practices, or operations corrects or perpetuates inequities."

Q. Has equity informed the Company's proposed rates, practices, and operations?

A. Yes. As further explained by Company witness Christina M. Medina, the Company has incorporated equity not only in the proposed rates in this proceeding but also in our practices and operations. In this proceeding, the Company has incorporated equity through proposals by Company witness Meredith regarding replacing tiered energy charges with seasonal energy charges and splitting the Basic Charge into two separate charges for customers living in single-family and multi-family dwellings. In addition, as explained by Company witness Vail, the Company is constructing two new substations with new 115 kV transmission lines. For these projects the Company considered restrictions by the Yakama Nation on upgrades of distribution facilities that supply areas off the tribal lands. Further, as explained by Company witness Jayson Branch, the Company has chosen its North Temple Property, located in an area and community that is economically disenfranchised, to build new corporate facilities.

Also, in our practices and operations outside of this proceeding, the Company has taken a number of actions to promote equity in its Washington service area, including forming an Equity Advisory Group, developing customer benefit indicators, establishing utility actions within the CEIP, implementing energy efficiency and demand side management programs, and customer assistance programs.

The Company has not stopped with incorporating equity in its proposed rates, practices, and operations. It has three essential employee leads to support the Company's equity activities. Also, because implementing equity starts with its leadership and employees, the Company is promoting equity through internal stakeholder development and promoting an internal diversity, equity, and inclusion framework. Company witness Medina provides additional details regarding the Company's equity implementation efforts.

Q. Please describe the Company's cost control efforts.

A. The Company proactively and aggressively controls the costs that it can. These efforts are demonstrated by the Company successfully minimizing the frequency of general rate cases. In the last nine years, the Company has filed only two general rate cases, in 2014[32] and 2020, and limited-issue rate cases in 2015[33] and 2021. The Company is also managing its controllable costs in a prudent manner, which is evident in that they are not a material driver in this case despite record inflationary pressures.

VII. MULTI-YEAR RATE PLAN REQUIREMENTS

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

A. The purpose of this section is to describe how the Company's filing meets the requirements of Washington Engrossed Substitute Senate Bill 5295 (SB 5295), codified at RCW 80.28.425, relating to multi-year rate plans.

[32] *WUTC v. Pac. Power & Light Co*., Docket No. UE-140762, Order 08 (Mar. 25, 2015).
[33] *WUTC v. Pac. Power & Light Co*., Docket No. UE-152253, Order 15 (Sep. 30, 2016).

Q. Please provide background on SB 5295.

A. SB 5295 was signed into law by Governor Inslee on May 3, 2021. SB 5295 relates to "transforming the regulation of gas and electrical companies towards multiyear rate plans and performance-based ratemaking" among other requirements contained within the bill.[34]

Q. What is your understanding of the key provisions of RCW 80.28.425?

A. The key provisions contained in RCW 80.28.425 include:

- **MYRP** - Requires that "[b]eginning January 1, 2022, every general rate case filing of a gas or electrical company must include a proposal for a multiyear rate plan as provided in this chapter." RCW 80.28.425(1);

- **Performance Measures** – "The Commission must, in approving a multi-year rate plan, determine a set of performance measures that will be used to assess a gas or electrical company operating under a multiyear rate plan." RCW 80.28.425(7);

- **Low Income Bill Assistance** – For an approved MYRP, "the Commission must approve an increase in the amount of low-income bill assistance to take effect in each year of the rate plan where there is a rate increase. At a minimum, the amount of such low-income assistance increase must be equal to double the percentage increase, if any, in the residential base rates approved for each year of the rate plan." RCW 80.28.425(2);

- **Earnings Test** – During the course of a MYRP "[i]f the annual commission basis report for a gas or electrical company demonstrates that the reported rate of return on rate base of the company for the 12-month period ending as of the end of the period for which the annual commission basis report is filed is more than .5 percent higher than the rate of return authorized by the commission in the multiyear rate plan for such a company, the company shall defer all revenues that are in excess of .5 percent higher than the rate of return authorized by the commission for refunds to customers or another determination by the commission in a subsequent adjudicative proceeding." RCW 80.28.425(6);

- **Fair Valuation of Property** – For an approved MYRP "[t]he commission shall ascertain and determine the fair value for rate-making purposes of the property of any gas or electrical company that is or will be used and

[34] https://app.leg.wa.gov/billsummary?BillNumber=5295&Initiative=false&Year=2021.

useful under RCW 80.04.250 for service in this state by or during each rate year of the multiyear rate plan. RCW 80.28.425(3)(b); and

- **Determination of Expenses and Revenues** – For an approved MYRP "[t]he commission shall ascertain and determine the revenues and operating expenses for rate-making purposes of any gas or electrical company for each rate year of the multiyear rate plan." RCW 80.28.425(3)(c).

A. MYRP Design

Q. Has the Commission ever approved a MYRP for PacifiCorp?

A. Yes, the Commission approved a two-year rate plan for PacifiCorp in its 2015 limited-issue rate case in Docket UE-152253.

Q. Please describe PacifiCorp's proposed MYRP.

A. Consistent with the requirements within RCW 80.28.425, PacifiCorp is proposing a two-year MYRP. The Company's MYRP was developed using the restated results for the historical twelve-month period ending June 30, 2022, which includes certain pro forma adjustments, including those to reflect pro forma capital. For RY1, the Company is requesting a rate increase of approximately $26.8 million, effective March 2024. For RY2, the Company is requesting a rate increase of approximately $27.9 million, effective March 2025. Company witness Cheung provides a description of the MYRP proposed in this case.

Q. Are NPC updates a part of the Company's MYRP proposal?

A. Yes. Because of the volatility of market prices and the difficulty of forecasting NPC, the Company is proposing to update NPC at set intervals before the rate effective dates for RY1 and RY2 to ensure the forecasts reflect the most recent data. This process is consistent with what was approved in the Company's most recent PCORC, where the Commission noted "the importance of determining 'with the greatest degree of precision that forward looking models can produce, an accurate estimate of actual costs that [the utility] will experience in the near and intermediate terms.'"[35] Additionally, the MYRP has new non-emitting resources and transmission assets that will be placed in service in RY1 and RY2. The NPC updates will allow the Company to reflect the NPC and PTC benefits of these resources in rates for customers. Finally, the last update will allow the Company to eliminate all coal-fired resources from its allocation of electricity by December 31, 2025, as required by RCW 19.405.030, which will include removal of any coal-related capital costs from rates. Company witness Mitchell provides more details on the NPC updates included in the MYRP.

Q. Has the Commission provided any guidance on the treatment of provisional capital investments in MYRPs?

A. Yes. It is my understanding that the Commission has provided guidance within its Policy Statement on Property that Becomes Used and Useful After Rate Effective Date (Policy Statement) in docket U-190531. The Policy Statement establishes guidance as to: (1) identification of investments; and (2) review of investments.

Q. How has the Company met the guidance provided in the Policy Statement related to identification of investments?

A. As reflected in Company witness Cheung's testimony and exhibits, the Company has categorized its pro forma capital projects in this case to reflect the identified categories provided in the Policy Statement (*i.e.*, specific, programmatic, or projected). Provisional capital projects include information pertaining to expected in-service dates and projected costs. To the extent offsetting factors and duplicative

[35] *WUTC v. PacifiCorp d/b/a Pac. Power & Light Co.*, Docket No. UE-210402, Order 06 at ¶124 (citation omitted) (Mar. 29, 2022).

recovery considerations exist, they have also been included in the revenue requirement calculations as presented by Company witness Cheung.

Q. How has the Company met the guidance provided in the Policy Statement related to review of investments?

A. PacifiCorp is proposing an annual review process for provisional capital projects. Although there will be a portion of 2023 and 2024 plant that will be in service before rates going into effect, the Company proposes that this capital be treated as provisional and subject to refund. This annual review process would commence with a filing by the Company on July 15 of each year of the MYRP. PacifiCorp proposes that the review process take place over a three- and one-half month period. As discussed in the testimony of Company witness Cheung, PacifiCorp contemplates that this review would be conducted on a "portfolio" basis to allow the utility flexibility to adopt its spending to current circumstances to ensure prudence. If the Commission determines that a refund or true-up is required, the Company proposes that this occur in a subsequent rate case or a stand-alone rate schedule filing. Below is a table summarizing the Company's proposal:

Table 2

Provisional Capital Review Year	Investment Period	Filing Date	Review Period Ends	Rate Effective Date
2023	January 1, 2023, to December 31, 2023	July 15, 2024	November 1, 2024	March 1, 2025
2024	January 1, 2024, to December 31, 2024	July 15, 2025	November 1, 2025	Refund/True-Up will occur either in subsequent rate proceeding or stand-alone rate filing
2025	January 1, 2025, to December 31, 2025	July 15, 2026	November 1, 2026	Refund/True-Up will occur either in subsequent rate proceeding or stand-alone rate filing

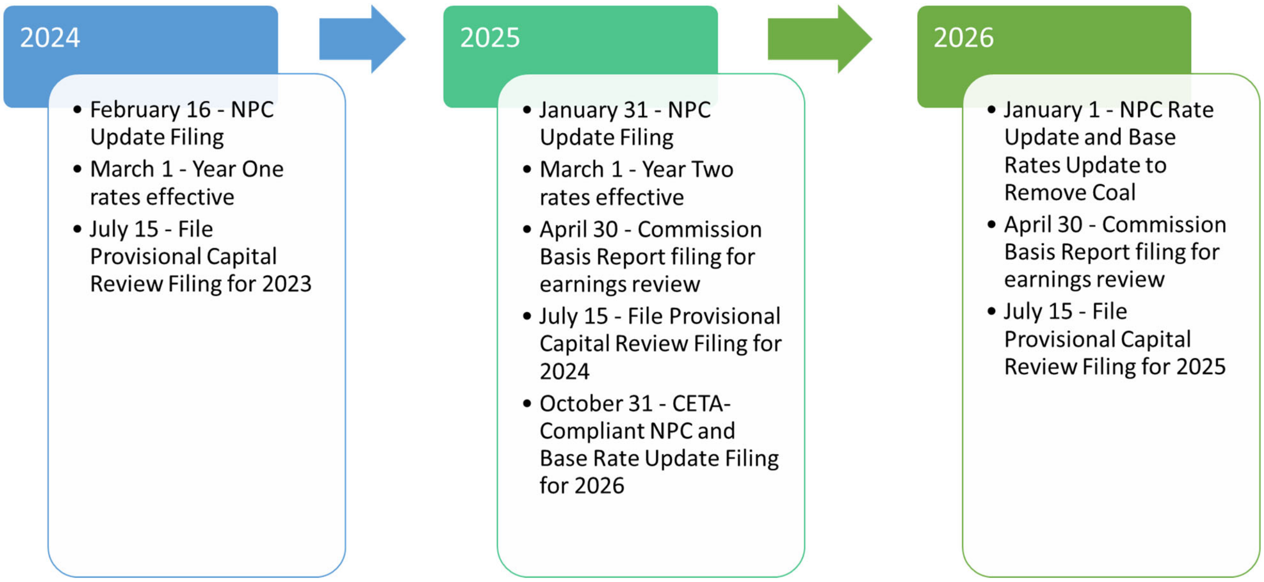
Q. What information will PacifiCorp provide in these annual provisional capital review filings?

A. PacifiCorp will provide the following information to facilitate the annual provisional capital review, as discussed in the Policy Statement:

1. Total Washington-allocated rate base for reporting period.
2. Actual project totals (on a Washington-allocated basis) placed in service for reporting period by plant function.
3. Actual in-service amounts (on a Washington-allocated basis) for significant specific projects placed in-service during the reporting period.
4. Narrative explanation for significant deviations between actual and forecasted investments for specific projects placed in service during the reporting period.
5. A proposal for the treatment of any deviations from the provisional rate base.

The timing of the filings is illustrated in Figure 1 below:

Figure 1



B. <u>Performance Measures</u>

Q. In approving a MYRP, is the Commission required to determine a set of performance measures?

A. Yes, as outlined above. RCW 80.28.425(7) provides a non-exhaustive list of factors the Commission may consider in assessing the development of performance measures, incentives, and penalty mechanisms.

Q. Is there a current policy docket related to performance measures ongoing?

A. Yes. The Commission opened docket U-210590 to conduct a generic proceeding to develop a policy statement addressing alternatives to traditional cost of service ratemaking, including performance-based measures or goals, targets, performance incentives, and penalty mechanisms. This docket is ongoing and no policy statement has been issued in this proceeding as of the time of the filing of this testimony.

Q. Is PacifiCorp participating in this policy docket?

A. Yes. The Company is actively participating and has filed several rounds of comments in the docket.

Q. Did the Commission recently adopt a set of performance measures under RCW 80.28.425?

A. Yes. The Commission recently approved a set of performance measures pertaining to MYRP settlements involving both Avista[36] and PSE.[37]

Q. Please explain the performance measures the Commission adopted for Avista and PSE.

A. The Commission adopted ten performance measures regarding operational efficiency, company earnings, affordability, and energy burden. The Commission found that these ten measures "will provide essential and critically important business and customer equity data for the Commission's evaluation of [the Company's] performance during this multi-year rate plan."[38] The Commission also found that these measures "will likely continue to be consequential, even beyond this multi-year rate plan, for assessing the Company's performance during future multi-year rate plans."[39] These measures are provided in the table below:

[36] *WUTC v. Puget Sound Energy*, Docket No. UE-220066, et al., Order 24/10 (Dec. 22, 2022) (hereinafter "PSE Order.").
[37] PSE Order.
[38] Avista Order ¶192; PSE Order ¶ 110.
[39] *Id.*

Table 3

Topic	Measure/Calculation	Outcome
Operational Efficiency	O&M Total Expense *divided* by Operating Revenue	Assesses how much expense was incurred for every dollar earned. Results at 1.00 or greater might reflect reduced efficiency in controlling O&M spending.
	Operating Revenue *divided* by AMA Total Rate Base and Operating Revenue *divided* by EOP Total Rate Base	Assesses efficient use of rate base to generate revenue. Results less than 1.00 or excessively low results might reflect reduced efficiency in utilizing rate base to generate revenue
	Current Assets *divided* by Current Liabilities	Assesses liquidity of current assets covering current liabilities. Results less than 1.00 might reflect issues or concerns with liquidity.
Earnings	Net Income *divided* by Operating Revenue	Assesses the amount of net profit gained through revenues earned. Results should be multiplied by 100, to calculate a percentage result, and compared to the authorized ROR.
	Retained Earnings *divided* by Total Equity	Assesses the amount of earnings retained by a company compared to its total equity. Excessively low or high deviations might indicate that the company is paying out more earnings than reinvesting or that the company is retaining more than it needs, respectively. This metric will require baseline information to understand reinvesting and payout patterns
Affordability	Average Annual Bill Impacts (by Census Tract)	Assesses the average annual residential bill impacts to better understand, over time and by location, affordability of residential rates using the same average energy usage from year to year for better comparability over time.
	Average Annual Bill Impacts (by Zip code	
Energy Burden	Average Annual Bill *divided* by Average Median Income (by Census Tract)	Assesses the average energy burden of residential customers over time and by location. Results greater than 6 percent indicate energy burden concerns
	Average Annual Bill *divided* by Average Median Income (by Zip code	

Q. What reporting requirements did the Commission impose on PSE and Avista?

A. The Commission required that Avista and PSE report these ten performance measures for each year of their MYRPs.[40] The Commission further required Avista and PSE to make a compliance filing within 45 days of the Order to provide measures and calculations for the ten performance measures for years 2019-2022 "to establish a baseline for our understanding and evaluation."[41]

Q. What is the Company's proposal for performance measures?

A. The Company proposes that the Commission adopt eight of the ten of the performance measures it adopted for PSE and Avista. The Company is not proposing the energy burden performance measures that track customer information by census track. This is because the Company does not readily track this information and would have to hire an outside contractor, and incur additional expense, for reporting.

Q. Is the Company proposing any modifications to these eight performance measures?

A. Yes. The Company proposes that the Commission adopt the following eight performance measures it adopted for PSE and Avista, subject to the modifications in the table below:

[40] Avista Order ¶ 192-93; PSE Order ¶ 100-111.
[41] *Id.*

Table 4

Measure	Total Company or Washington-Allocated	Rationale
O&M Total Expense *divided* by Operating Revenue	Washington Allocated	PacifiCorp believes that Washington-allocated amounts are more relevant to assess performance under the MYRP.
Operating Revenue *divided* by AMA Total Rate Base and Operating Revenue *divided* by EOP Total Rate Base	Washington Allocated	PacifiCorp believes that Washington-allocated amounts are more relevant to assess performance under the MYRP.
Current Assets *divided* by Current Liabilities	Total company	N/A
Operating Revenues for Return ~~Net Income~~ *divided* by ~~Operating Revenue~~ *Total Rate Base*	Washington Allocated	PacifiCorp believes that this measure provides a more informative metric to compare to the authorized rate of return.
Retained Earnings *divided* by Total Equity	Total company	N/A
Average Annual Bill Impacts (by Zip code)	N/A	N/A
Average Annual Bill *divided* by Average Median Income (by Zip code)	N/A	N/A

Q. What is the rationale for these modifications?

A. Due to PacifiCorp's unique multi-jurisdictional nature, some of the metrics adopted for PSE and Avista would not be informative or provide sufficient insight into PacifiCorp's performance. As a result, PacifiCorp is proposing the modifications noted above to ensure that the metrics are indicative and useful to the Commission. For example, PacifiCorp is unable to provide net income on a Washington-allocated basis, and therefore has modified that metric so that it now provides an indicator of PacifiCorp's Washington-specific efficiency and an appropriate comparison to PacifiCorp's Washington authorized rate of return.

Q. What reporting does the Company propose for these performance measures?

A. The Company proposes including a report of these performance measures as part of its annual Commission Basis Reports. The first report would be filed on April 30, 2025, for calendar year 2024 and April 30, 2026, for calendar year 2025.

Q. Does the Company propose providing historical data to the Commission related to these performance measures?

A. Yes. Similar to Avista and PSE, the Company proposes to provide historical information in a compliance filing 60 days after the final order in this docket to provide a historical baseline for these performance measures.

C. Other MYRP Requirements

Q. How does the Company propose to meet the low-income assistance requirements of RCW 80.28.425?

A. Consistent with the requirements in RCW 80.28.425(2), PacifiCorp is proposing to increase the level of bill assistance available to eligible residential customers by twice the proposed increase to residential base rates in each year of the MYRP. PacifiCorp proposes that each of the discount levels on Schedule 17 be increased so the discount yielded will be exactly double the increase in each Rate Year. The Company proposal is explained in more detail by Company witness Meredith.

Q. Has PacifiCorp proposed an earnings test as required by RCW 80.28.425?

A. Yes. The Company will follow the earnings test prescribed within RCW 80.28.425(6). PacifiCorp proposes the earnings review for RY1 and RY2 occur at the same time it files its Commission Basis Report respectively on April 30, 2025, and April 30, 2026. The timing of the earnings review would coincide with the filing of

PacifiCorp's CBR, on which the earnings calculation will be based.

Q. Does PacifiCorp propose to discontinue the current earnings sharing mechanism tied to its decoupling mechanism?

A. Yes. It would be impractical to have two different earnings tests applied simultaneously. As such, the Company proposes to replace its existing earnings sharing mechanism with the one prescribed in RCW 80.28.425.[42] The Company's proposal to eliminate the decoupling mechanism, including its earnings test, is explained in more detail by Company witness Meredith.

Q. How will the Company comply with RCW 80.28.425, which requires that the Commission determine the fair valuation of property?

A. As discussed by Company witness Cheung, PacifiCorp has included the fair value of property that is or will be used and useful for serving customers in RY1 and RY2.

Q. Does the Company's MYRP give the Commission the ability to determine expenses and revenues for RY1 and RY2 as required by RCW 80.28.425(3)(c)?

A. Yes.

Q. How has the Company determined expenses and revenues in this case?

A. Company Witness Cheung has included a description of how expenses and revenues in RY1 and RY2 were determined.

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[42] *Avista Corp. v. WUTC*, Docket UE-220053, et al., Order 10/04 (Dec. 12, 2022) (approving a settlement that replaced Avista's decoupling earnings test with the earnings test prescribed in RCW 80.28.425).

VIII. PROPOSED MODIFICATIONS TO THE PCAM

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

A. In this section of my testimony, I discuss the Company's proposed modifications to the PCAM.

Q. What is the PCAM?

A. The PCAM is a ratemaking mechanism that is filed annually and accounts for the differences in actual NPC and forecasted NPC, which is set and included in rates through either a general rate case or a PCORC. The variance between actual and forecast NPC flows through both a deadband and asymmetrical sharing bands. Once the variance is calculated, it is booked into a deferral account and reflected in the PCAM cumulative balance. If the cumulative balance exceeds $17 million, either a credit or surcharge may be assessed during the PCAM annual filing. Company witness Jack Painter explains the PCAM in further detail.

Q. Is the Company proposing any changes to the PCAM?

A. Yes. The Company is proposing to eliminate the deadband and asymmetrical sharing bands to allow for 100 percent return to or recovery from customers for the PCAM's prudently incurred revenues and costs.

Q. Why is the Company proposing changes to the PCAM at this time?

A. As explained by Company witness Painter, the PCAM was structured in such a way to provide certain incentives to the Company, such as encouraging the Company to effectively manage or reduce power costs. To achieve this objective, the PCAM was structured with a deadband and asymmetrical sharing bands. However, because of changes to how the Company dispatches resources, the PCAM structure no longer achieves the intended incentives to the Company. Most notably, there is currently an unprecedented level of uncertainty in being able to accurately forecast NPC due to market and fuel prices and evolving state and federal policies that implicate our operations. The volatility of market prices is further amplified by the variability of intermittent renewable resource generation. Because these NPC drivers are outside of the Company's control, the Company should not be rewarded or punished through a deadband and asymmetrical sharing bands in the PCAM. Additionally, the Company has recently announced that it intends to join the EDAM. The EDAM will economically control and optimize most of the Company's NPC. Therefore, the Company is seeking this change in the PCAM to better reflect how the industry and the Company's operations have changed since the PCAM was established. Company witness Painter supports the Company's PCAM proposal in his testimony.

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 No. CMM-1T, Christina M. Medina, PacifiCorp Stakeholder Policy & Engagement Manager, introduces the Company's equity team and explains its internal promotion of equity. She also explains how equity has been incorporated in this proceeding and in the Company's practices and operations.
- In Exhibit No. AEB-1T, 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 No. NLK-1T, 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.
- In Exhibit No. RJM-1T, Ramon J. Mitchell, PacifiCorp's Manager, Net Power Costs, supports the forecasted NPC in this proceeding. He also supports the Company's proposal regarding compliance filings to refresh the NPC forecast for RY1 and RY2.
- In Exhibit No. JP-1T, Jack Painter, Net Power Cost Specialist, supports the Company's proposal to eliminate the deadband and asymmetrical sharing bands in the PCAM.
- In Exhibit No. RTL-1T, Rick T. Link, Senior Vice President of Resource Planning, Procurement and Optimization, provides the economic analyses of the Gateway South and Gateway West Segment D.1 transmission projects.
- In Exhibit No. TRB-1T, Thomas R. Burns, Vice President of Resource Planning and Acquisition, provides the economic analyses of the Jim Bridger power plant Units 1 and 2 natural gas conversion, Rock Creek I and II wind projects, Foote Creek II-IV and Rock River I repowering projects, and the Prospect No. 3 Flowline Replacement Project.
- In Exhibit No. RAV-1T, Richard A. Vail, Vice President of Transmission Services, discusses important distribution and transmission system upgrades that will be completed to serve customers, including the Gateway South and Gateway West Segment D.1 transmission projects.

- In Exhibit No. TJH-1T, Timothy J. Hemstreet, Vice President of Renewable Energy Development, provides support for the prudency of the acquisition of and repowering of the Foote Creek II-IV and Rock River I repowering projects, the investments in hydroelectric resources to replace the Prospect No. 3 Flowline project, and construction of the new Fall Creek Hatchery consistent with the requirements of the Federal Energy Regulatory Commission.
- In Exhibit No. RDW-1T, Ryan D. McGraw, Vice President of Project Development, provides support for the prudency of the Rock Creek I and II wind projects.
- In Exhibit BDR-1T, Brad D. Richards, Vice President of Thermal Generation, supports the ongoing costs at the Jim Bridger and Colstrip facilities and explains that these costs are necessary to continue operating the plants and are not life-extending capital additions or required to achieve compliance with new environmental regulations.
- In Exhibit No ALB-1T, Allen L. Berreth, PacifiCorp's Vice President of Transmission and Distribution Operations, supports the Company's wildfire related transmission and distribution investments and vegetation management expenses included in the rate case.
- In Exhibit No. WJC-1T, William J. Comeau, PacifiCorp's Vice President of Customer Experience and Innovation, supports the upgrade to the Company's legacy Customer Service System.
- In Exhibit No. JB-1T, Jayson Branch, Vice President of Business Optimization and Innovation, supports the Company's planned development of the North

Temple Property, for its corporate facilities in Salt Lake City.

- In Exhibit No. SLC-IT, Sherona L. Cheung, PacifiCorp's Revenue Requirement Manager, summarizes the overall test year revenue requirement, pro forma adjustments, rate base calculation methodology, and MYRP design and compliance details.
- In Exhibit No. RMM-1T, Robert M. Meredith, Director of Pricing and Tariff Policy, provides PacifiCorp's proposed rate spread, rate design, tariff changes to recover the proposed revenue requirement for RY1 and RY2 of the MYRP 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 the Company's proposed MYRP and requested increase in rates of approximately $26.8 million or 6.6 percent in RY1, effective March 1, 2024, and $27.9 million or 6.5 percent in RY2, effective March 1, 2025.

Q. Does this conclude your direct testimony?

A. Yes.