Exh. NLK-7T
Docket UE-230172
Witness: Nikki L. Kobliha

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP dba PACIFIC POWER & LIGHT COMPANY Respondent.	Docket UE-230172 ***(Consolidated)***
In the Matter of ALLIANCE OF WESTERN ENERGY CONSUMERS' Petition for Order Approving Deferral of Increased Fly Ash Revenues	Docket UE-210852 ***(Consolidated)***

PACIFICORP

REBUTTAL TESTIMONY OF NIKKI L. KOBLIHA

October 2023

TABLE OF CONTENTS

ATTACHED EXHIBITS

Q. Are you the same Nikki L. Kobliha who previously submitted direct testimony in this proceeding on behalf of PacifiCorp dba Pacific Power & Light Company (PacifiCorp or the Company)?

A. Yes.

I. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your rebuttal testimony?

A. In my rebuttal testimony I will respond to certain issues raised by intervening parties in their response testimony filed with the Washington Utilities and Transportation Commission (Commission) on September 14, 2023. Specifically, I respond to the testimonies of witness David C. Parcell on behalf of Staff of the Washington Utilities and Transportation Commission (Staff) and witness J. Randall Woolridge on behalf of the Public Counsel Unit of the Washington State Office of the Attorney General (Public Counsel). I will also update the Company's proposed cost of capital.[1]

Q. Please explain how your testimony is organized and the issues you will address in your rebuttal testimony.

A. In my testimony, I address the following issues and recommendations and explain why my analysis continues to support the capital structure proposed in my direct testimony.

1. In Section II, I update the Commission with the cost of capital reflecting the May 2023 debt issuance and an interest rate update for the projected 2024 long-term debt issuances.

[1] Unless personal pronouns are specified by a witness in their testimony, in my rebuttal testimony I use "they/them" when using a pronoun to refer to a witness.

2. In Section III, I respond to the recommendations on capital structure, and cost of short term debt and long term debt by Staff witness Parcell and recommendations made by Public Counsel witness Woolridge on the Company's proposed capital structure.

II. UPDATED COST OF CAPITAL

Q. Please discuss the recent financing work that the Company has completed.

A. During May 2023, the Company completed the issuance of a new series of long-term debt, $1.2 billion of 5.50 percent first mortgage bonds due May 2054. This issuance of new long-term debt was included as pro-forma issuances in my direct testimony cost of debt exhibit (Exhibit No. NLK-2) and I have now updated it with the actual principal amount, terms, interest rate, yield discount and related actual and estimated issuance costs.

Q. Does the Company currently anticipate further long-term debt issuances through the end of 2024 test period?

A. The Company is still evaluating its financing needs for 2024. My direct testimony indicated an additional $1.7 billion of new long-term debt would be issued during 2024, split between 10-year and 30-year issuances occurring in January and July. While the amount, timing, and tenor of these issuances have not changed, I have updated the cost of debt using current forward treasury rates and indicative credit spreads provided by PacifiCorp's relationship bank on July 10, 2023.

Q. What is the new cost of debt?

A. As shown in Exhibit No. NLK-8, the net impact from these changes described above, plus an update to the variable-rate Pollution Control Revenue Bond rates using more recent forward market rates, results in a weighted average cost of debt of 5.09 percent, which is 32 basis points higher than the 4.77 percent projected in my direct testimony.

Q. Are you currently recommending an update to the percentage capital structure recommendation in your direct testimony for PacifiCorp?

A. No change is proposed.

Q. What overall cost of capital do you recommend for PacifiCorp?

A. I am recommending an overall cost of capital of 7.60 percent. This cost includes the return on equity recommendation of 10.00 percent, supported by the rebuttal testimony of Company witness Ann E. Bulkley, and the capital structure and costs are shown in Table 1.

Table 1: Overall Cost of Capital

Component	% of Total	Cost %	Weighted Ave Cost %
Long-Term Debt	48.72%	5.09%	2.48%
Preferred Stock	0.01%	6.75%	0.00%
Common Stock Equity	51.27%	10.00%	5.12%
	100.00%		7.60%

III. CAPITAL STRUCTURE

Q. Please summarize Staff witness Parcell's and Public Counsel witness Woolridge's capital structure proposal.

A. Both witness Parcell and witness Woolridge recommend a common equity percentage of 49.10 percent based on previously litigated proceedings.[2] This would include short-term debt as part of the capital structure. Neither party provides any evidence as

[2] Parcell, Exh. DCP-1T at 30:18-19; Woolridge, Exh. JRW-1T at 11:11-14.

to why maintaining the status quo is reasonable other than to make inaccurate proxy group comparisons.

Q. Can you describe the proxy group comparisons presented by witness Parcell and witness Woolridge and why they are inaccurate?

A. Both witness Parcell and witness Woolridge present proxy group comparisons at the utility holding company level. These ratios are not comparable to the Company, which is a utility operating company. Witness Bulkley's Exhibit No. AEB-14 is presented at the utility operating company level making it directly comparable to the Company. In addition, witness Parcell uses three points of equity ratios, June 9, 2023, July 21, 2023, and August 11, 2023,[3] and witness Woolridge uses December 31, 2022,[4] while the Company presented eight quarters of historical common equity ratio data and the resulting average of all quarters presented. Looking at several data points and compiling an average smooths out peaks and valleys that occur in debt or equity ratios due to timing of debt issuances, equity issuances or dividend payments. The Company considers this variability when setting the common equity level proposed in its rate cases by using an average of the five quarter-ending balances spanning the test period. Using the eight-quarter average in Exhibit No. AEB-14 the low, high, and mean common equity ratios are 45.95 percent, 61.06 percent, and 53.18 percent, respectively, placing the Company's request within a reasonable range when compared to the proxy group.

[3] Parcell, Exh. DCP-7.
[4] Woolridge, Exh. JRW-5 at 1.

Q. Staff witness Parcell makes reference to the capital structure of Berkshire Hathaway Energy (BHE) having lower levels of equity than PacifiCorp.[5] Is that relevant to this case?

A. No. The equity level at BHE is not part of this proceeding. As a holding company, BHE owns a number of companies, both regulated and non-regulated in nature. Reasons for BHE having lower levels of equity than PacifiCorp can include acquisitions of new companies and funding the capital opportunities of subsidiaries that, unlike PacifiCorp, do not have independent, standalone financing arrangements and associated ring-fencing provisions. The ring-fencing provisions protect PacifiCorp and its customers in the event that BHE, the ultimate parent Berkshire Hathaway Inc. (BHI) or any of these companies' subsidiaries finds themselves in bankruptcy, isolating PacifiCorp and its customers from any impacts. PacifiCorp operates independent of BHE and BHI and funds its own operations through its ongoing cash from operations, holding its own debt through periodically accessing the debt capital markets, and paying dividends when necessary to balance its capital structure. This independent operation is consistent with merger commitments prohibiting cross-subsidization (general condition (GC) 9), requiring PacifiCorp to maintain separate debt (GC 15) and preventing PacifiCorp from pledging any assets to support the securities of BHI, BHE, or any of their subsidiaries (GC 20).[6] All of this is to say any reference to the capital structure of BHE is irrelevant.

[5] Parcell, Exh. DCP-1T at 28:6-7.

[6] *See In the Matter of the Joint Application of MidAmerican Energy Holdings Co. and PacifiCorp, d/b/a Pac. Power & Light Co., for an Order Authorizing Proposed Transaction*, Docket No. UE-051090, Order 07, Appendix A (Feb. 22, 2006), amended by Order 08 (Mar. 10, 2006).

Q. Why have you not included short-term debt as part of the capital structure?

A. As stated in my direct testimony, short-term debt is an important source of liquidity for the Company, including interim funding for long-term debt maturities and new capital spending, and provides the Company a window of time to assess market conditions before using more permanent long-term debt financing. However, short-term debt balances can move dramatically, and the Company often has periods when there is little or no short-term debt outstanding. For example, in the Company's last two Washington rate cases, including short-term debt had no practical impact on the cost of capital rounded to two decimal places.

Q. If the Commission decides to include short-term debt as part of the capital structure, what is your recommended cost for short-term debt?

A The five-quarter short term debt balance forecasted for the period ending December 2024 is $170 million. This would equate to .73 percent of the capital structure. Using forward rates and including all in-costs of borrowing the Company recommends a weighted short-term debt cost of 5.665 percent. Please see Exhibit No. NLK-9.

IV. CONCLUSION

Q. Please summarize your recommendations to the Commission.

A. I recommend the Commission adopt PacifiCorp's proposed capital structure with an equity level of 51.27 percent. This capital structure balances the financial integrity of the Company and costs to customers by reflecting an equity ratio necessary for PacifiCorp to maintain strong credit metrics used in determining the Company's credit rating. I recommend the Commission not include short-term debt as part of the capital structure as it is not a long-term source of financing for the Company and has no material impact on the capital structure. I also recommend the cost of debt be updated to 5.09 percent to reflect recent credit spreads and market conditions. When combined with the cost of equity recommended by witness Bulkley, this produces the same overall cost of capital recommended in my direct testimony of 7.60 percent.

Q. Does this conclude your rebuttal testimony?

A. Yes.

Exh. NLK-8
Docket UE-230172
Witness: Nikki L. Kobliha

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

<table>
<tr><td>WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.</td><td>Docket UE-230172
(Consolidated)</td></tr>
<tr><td>In the Matter of

ALLIANCE OF WESTERN ENERGY
CONSUMERS'

Petition for Order Approving Deferral of
Increased Fly Ash Revenues</td><td>Docket UE-210852
(Consolidated)</td></tr>
</table>

PACIFICORP

EXHIBIT OF NIKKI L. KOBLIHA

Pro Forma Cost of Long-Term Debt

October 2023

PACIFICORP
Electric Operations
Pro Forma Ave Cost of Long-Term Debt Detail
12 months ended December 31, 2024

LINE NO.	INTEREST RATE	DESCRIPTION	ISSUANCE DATE	MATURITY DATE	ORIG LIFE	PRINCIPAL AMOUNT ORIGINAL ISSUE	PRINCIPAL AMOUNT 5QE AVE OUTSTANDING	ISSUANCE EXPENSES	REDEMPTION EXPENSES	NET PROCEEDS TO COMPANY TOTAL DOLLAR AMOUNT	NET PROCEEDS TO COMPANY PER $100 PRINCIPAL AMOUNT	MONEY TO COMPANY	ANNUAL DEBT SERVICE COST	LINE NO.
	(a)	(b)	(c)	(d)	(e)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
1														1
2														2
3	3.600%	Series due Apr 2024	03/13/14	04/01/24	10	$425,000,000	$170,000,000	($1,440,066)	($777,230)	$167,782,705	$98.696	3.757%	$6,386,900	3
4	3.350%	Series due Jul 2025	06/19/15	07/01/25	10	$250,000,000	$250,000,000	($2,441,421)	$0	$247,558,579	$99.023	3.466%	$8,665,000	4
5	3.500%	Series due Jun 2029	03/01/19	06/15/29	10	$400,000,000	$400,000,000	($2,874,181)	$0	$397,125,819	$99.281	3.584%	$14,336,000	5
6	2.700%	Series due Sep 2030	04/08/20	09/15/30	10	$400,000,000	$400,000,000	($2,876,791)	$0	$397,123,209	$99.281	2.780%	$11,120,000	6
7	7.700%	Series due Nov 2031	11/21/01	11/15/31	30	$300,000,000	$300,000,000	($3,701,310)	$0	$296,298,690	$98.766	7.807%	$23,421,000	7
8	6.333%	Proforma Series#3	01/15/24	01/15/34	10	$500,000,000	$400,000,000	($2,356,000)	$0	$397,644,000	$99.411	6.413%	$25,652,000	8
9	5.900%	Series due Aug 2034	08/24/04	08/15/34	30	$200,000,000	$200,000,000	($2,614,365)	$0	$197,385,635	$98.693	5.994%	$11,988,000	9
10	5.250%	Series due Jun 2035	06/08/05	06/15/35	30	$300,000,000	$300,000,000	($3,992,021)	($1,295,995)	$294,711,984	$98.237	5.369%	$16,107,000	10
11	6.100%	Series due Aug 2036	08/10/06	08/01/36	30	$350,000,000	$350,000,000	($4,048,881)	$0	$345,951,119	$98.843	6.185%	$21,647,500	11
12	5.750%	Series due Apr 2037	03/14/07	04/01/37	30	$600,000,000	$600,000,000	($613,216)	$0	$599,386,784	$99.898	5.757%	$34,542,000	12
13	6.250%	Series due Oct 2037	10/03/07	10/15/37	30	$600,000,000	$600,000,000	($5,877,281)	$0	$594,122,719	$99.020	6.323%	$37,938,000	13
14	6.350%	Series due Jul 2038	07/17/08	07/15/38	30	$300,000,000	$300,000,000	($3,961,333)	$0	$296,038,667	$98.680	6.450%	$19,350,000	14
15	6.000%	Series due Jan 2039	01/08/09	01/15/39	30	$650,000,000	$650,000,000	($12,309,687)	$0	$637,690,313	$98.106	6.139%	$39,903,500	15
16	4.100%	Series due Feb 2042	01/06/12	02/01/42	30	$300,000,000	$300,000,000	($3,724,911)	$0	$296,275,089	$98.758	4.173%	$12,519,000	16
17	4.125%	Series due Jan 2049	07/13/18	01/15/49	31	$600,000,000	$600,000,000	($6,984,085)	$0	$593,015,915	$98.836	4.193%	$25,158,000	17
18	4.150%	Series due Feb 2050	03/01/19	02/15/50	31	$600,000,000	$600,000,000	($7,938,771)	$0	$592,061,229	$98.677	4.227%	$25,362,000	18
19	3.300%	Series due Mar 2051	04/08/20	03/15/51	31	$600,000,000	$600,000,000	($10,127,937)	$0	$589,872,063	$98.312	3.388%	$20,328,000	19
20	2.900%	Series due June 2052	07/09/21	06/15/52	31	$1,000,000,000	$1,000,000,000	($16,599,374)	$0	$983,400,626	$98.340	2.982%	$29,820,000	20
21	5.350%	Series due Dec 2053	12/01/22	12/01/53	31	$1,100,000,000	$1,100,000,000	($13,265,000)	$0	$1,086,735,000	$98.794	5.431%	$59,741,000	21
22	5.500%	Series due May 2054	05/17/23	05/15/54	31	$1,200,000,000	$1,200,000,000	($11,558,000)	$0	$1,188,442,000	$99.037	5.566%	$66,792,000	22
23	6.845%	Proforma Series#4	01/15/24	01/15/54	30	$500,000,000	$400,000,000	($3,656,000)	$0	$396,344,000	$99.086	6.918%	$27,672,000	23
24	6.820%	Proforma Series#5	07/15/24	07/15/54	30	$700,000,000	$280,000,000	($2,595,200)	$0	$277,404,800	$99.073	6.894%	$19,303,200	24
25	**4.989%**	**Subtotal - Bullet FMBs**			**27**		**$11,000,000,000**	**($125,555,830)**	**($2,073,225)**	**$10,872,370,945**		**5.070%**	**$557,752,100**	25
26														26
27	6.710%	Series G due Jan 2026	01/23/96	01/15/26	30	$100,000,000	$100,000,000	($904,467)	$0	$99,095,533	$99.096	6.781%	$6,781,000	27
28	**6.710%**	**Subtotal - Series G MTNs**			**30**		**$100,000,000**	**($904,467)**	**$0**	**$99,095,533**		**6.781%**	**$6,781,000**	28
29														29
30	**5.004%**	**Total First Mortgage Bonds**			**27**		**$11,100,000,000**	**($126,460,296)**	**($2,073,225)**	**$10,971,466,479**		**5.086%**	**$564,533,100**	30
31														31
32														32
33	4.689%	Converse 94 due Nov 2024	11/17/94	11/01/24	30	$8,190,000	$6,552,000	($209,778)	($86,323)	$6,255,899	$95.481	4.980%	$326,290	33
34	4.657%	Emery 94 due Nov 2024	11/17/94	11/01/24	30	$121,940,000	$97,552,000	($3,274,246)	($1,925,767)	$92,351,987	$94.669	5.001%	$4,878,576	34
35	4.799%	Lincoln 94 due Nov 2024	11/17/94	11/01/24	30	$15,060,000	$12,048,000	($422,858)	($81,427)	$11,543,715	$95.814	5.071%	$610,954	35
36	4.723%	Sweetwater 94 due Nov 2024	11/17/94	11/01/24	30	$21,260,000	$17,008,000	($510,479)	($88,352)	$16,409,169	$96.479	4.949%	$841,726	36
37	4.639%	Converse 95 due Nov 2025	11/17/95	11/01/25	30	$5,300,000	$5,300,000	($132,043)	$0	$5,167,957	$97.509	4.796%	$254,188	37
38	4.742%	Lincoln 95 due Nov 2025	11/17/95	11/01/25	30	$22,000,000	$22,000,000	($404,262)	$0	$21,595,738	$98.162	4.859%	$1,068,980	38
39	**4.687%**	**Subtotal - Secured PCRBs**			**30**		**$160,460,000**	**($4,953,665)**	**($2,181,869)**	**$153,324,466**		**4.974%**	**$7,980,713**	39
40														40
41	4.658%	Sweetwater 95 due Nov 2025	12/14/95	11/01/25	30	$24,400,000	$24,400,000	($225,000)	($428,469)	$23,746,531	$97.322	4.828%	$1,178,032	41
42	**4.658%**	**Subtotal - Unsecured PCRBs**			**30**		**$24,400,000**	**($225,000)**	**($428,469)**	**$23,746,531**		**4.828%**	**$1,178,032**	42
43														43
44	**4.683%**	**Total PCRB Obligations**			**30**		**$184,860,000**	**($5,178,665)**	**($2,610,338)**	**$177,070,997**		**4.954%**	**$9,158,745**	44
45														45
46			**REACQ**	**ORG MAT**										46
47			**DATE**	**DATE**										47
48		8.375% Series A QUIDS	11/17/00	06/30/35									$107,887	48
49		8.55% Series B QUIDS	11/17/00	12/31/25									$84,084	49
50		Carbon '94 PCRB Series	02/18/16	11/01/24									$10,524	50
51		**Long-Term Debt Reacquisition, without refunding amortization**											**$202,495**	51
52														52
53	**4.999%**	**Total Long-Term Debt**			**27**		**$11,284,860,000**	**($131,638,962)**	**($4,683,563)**	**$11,148,537,475**		**5.086%**	**$573,894,340**	53
54														54

Exh. NLK-9
Docket UE-230172
Witness: Nikki L. Kobliha

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP dba PACIFIC POWER & LIGHT COMPANY Respondent.	Docket UE-230172 ***(Consolidated)***
In the Matter of ALLIANCE OF WESTERN ENERGY CONSUMERS' Petition for Order Approving Deferral of Increased Fly Ash Revenues	Docket UE-210852 ***(Consolidated)***

PACIFICORP

EXHIBIT OF NIKKI L. KOBLIHA

Cost of Short-Term Debt

October 2023

PacifiCorp
12 months ended 12/31/24
5QE Ave % Cost of Short-term Debt
$000s

	Fcst Dec 2023	Fcst Mar 2024	Fcst Jun 2024	Fcst Sep 2024	Fcst Dec 2024	5QE Ave Fcst Dec 2024
Short-term Debt (balance)	**$ 508,217**	**$ -**	**$263,583**	**$ -**	**$80,422**	$ 170,444
1-Mo BSBY Index[1] Fwd Rate	5.683%	5.518%	5.177%	4.756%	4.520%	
CP Spread	0.092%		0.092%		0.092%	
CP Rate	5.775%		5.269%		4.612%	5.509%
Credit Agreement Commitment Fee	0.101%		0.101%		0.101%	
Credit Agreement Upfront Cost	0.053%		0.053%		0.053%	
Credit Agreement Agent Fee	0.002%		0.002%		0.002%	
	0.156%		0.156%		0.156%	0.156%
Wt Ave all-in % Cost of Short-term Debt	5.931%		5.425%		4.768%	5.665%

5.408%	O/N BSBY Index Rate (10/10/24)
0.092%	Implied CP Spread
5.500%	Mizuho O/N CP Rate (10/10/24)

[1]Beginning with Jan 2022, the Bloomberg 1-Month Short Term Bank Yield Index (USD) replaced 30 Day LIBOR as the referenced short-term borrowing rate index.

[2] Source: Bloomberg L.P. (8/17/23)

PacifiCorp
12 months ended 12/31/24
5QE Ave % Cost of Short-term Debt
$000s

	Fcst Dec 2023	Fcst Mar 2024	Fcst Jun 2024	Fcst Sep 2024	Fcst Dec 2024	5QE Ave Fcst Dec 2024
Short-term Debt (balance)	**$ 508,217**	**$ -**	**$263,583**	**$ -**	**$80,422**	$ 170,444
1-Mo BSBY Index[1] Fwd Rate	4.624%		3.615%		3.057%	
CP Spread	0.183%		0.183%		0.183%	
CP Rate	4.807%		3.797%		3.240%	4.347%
Credit Agreement Commitment Fee	0.076%		0.076%		0.076%	
Credit Agreement Upfront Cost	0.052%		0.052%		0.052%	
Credit Agreement Agent Fee	0.003%		0.003%		0.003%	
	0.131%		0.131%		0.131%	0.131%
Wt Ave all-in % Cost of Short-term Debt	4.938%		3.928%		3.371%	4.478%

3.867%	O/N BSBY Index Rate (11/30/22)
0.183%	Implied CP Spread
4.050%	Mizuho O/N CP Rate (11/30/22)

[1]Beginning with Jan 2022, the Bloomberg 1-Month Short Term Bank Yield Index (USD) replaced 30 Day LIBOR as the referenced short-term borrowing rate index.

[2] Source: Bloomberg L.P. (2/2/23)