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September 21, 2022

VIA ELECTRONIC FILING

Attention: Filing Center
Public Utility Commission of Oregon
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97308-1088

Re: Docket UE 399 – In the Matter of PACIFICORP, dba PACIFIC POWER, Request for a General Rate Revision

Attention Filing Center:

Attached for filing in the above-referenced docket is the Stipulating Parties' Joint Testimony in Support of the Third Partial Stipulation.

Concurrently with this Motion, PacifiCorp is filing the Stipulating Parties' Third Partial Stipulation and a Motion to Admit the Third Partial Stipulation.

The parties intend to file joint testimony in support of the First and Second Stipulations by Friday, September 23, 2022.

Please contact this office with any questions.

Sincerely,

Katherine McDowell

Attachment

Docket No. UE 399
Exhibit: Stipulating Parties/100

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

STIPULATING PARTIES

JOINT TESTIMONY IN SUPPORT OF THIRD PARTIAL STIPULATION

September 21, 2022

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I. PURPOSE OF TESTIMONY

Q. Who is sponsoring this testimony?

A. This testimony is jointly sponsored by PacifiCorp (PacifiCorp or Company), Staff of the Public Utility Commission of Oregon (Commission) (Staff), the Oregon Citizens' Utility Board (CUB), the Alliance of Western Energy Consumers (AWEC), Fred Meyer and Quality Food Centers (Fred Meyer), Walmart Inc. (Walmart), Small Business Utility Advocates (SBUA), Klamath Water Users Association and the Oregon Farm Bureau Federation (KWUA/OFBF), Vitesse, LLC (Vitesse), and Calpine Energy Solutions, LLC (Calpine Solutions), together referred to as the Stipulating Parties.

Q. Please provide your names and qualifications.

A. Our names are Joelle Steward, Matt Muldoon, Bob Jenks, Bradley Mullins, Justin Bieber, Alex Kronauer, William Steele, Danny P. Kermode, Lloyd C. Reed, Bradley Cebulko, and Kevin C. Higgins. The qualifications for Ms. Steward, the sponsor for PacifiCorp, are set forth in PAC/100, Steward/1. The qualifications for Mr. Muldoon, the sponsor for Staff, are set forth in Exhibit Staff/101. The qualifications for Mr. Jenks, the sponsor for CUB, are set forth in CUB/101. The qualifications for Mr. Mullins, the sponsor for AWEC, are set forth in Exhibit AWEC/101. The qualifications for Mr. Bieber, the sponsor for Fred Meyer, are set forth in Exhibit FM/100, Bieber/1-2. The qualifications for Mr. Kronauer, the sponsor for Walmart, are set forth in Exhibit Walmart/101. The qualifications for Mr. William A. Steele, a sponsor for SBUA, are set forth in SBUA/101, and the qualifications for Danny P. Kermode, another sponsor for SBUA, are set forth in SBUA/301 Kermode/1. The qualifications for Mr. Reed, the sponsor for KWUA/OFBF are set forth in Exhibit KWUA-OFBF/101. The qualifications for Mr. Cebulko, the sponsor for Vitesse, are set forth in Exhibit Vitesse/101. The qualifications for Kevin C. Higgins are set forth in Calpine Solutions are set forth in Calpine Solutions/100.

Q. What is the purpose of this joint testimony?

A. This joint testimony describes and supports the Third Partial Stipulation filed in Docket UE 399, PacifiCorp's 2022 general rate case. The Third Partial Stipulation resolves most of the issues remaining in this case following the First and Second Partial Stipulations.

Q. Has any party to Docket UE 399 objected to the Third Partial Stipulation?

A. No. The Third Partial Stipulation is supported or not opposed by all parties to Docket UE 399.

II. BACKGROUND

Q. Please describe how Docket UE 399 began.

A. On March 1, 2022, PacifiCorp filed its 2022 general rate case, which included direct testimony and exhibits on issues addressed in this Third Partial Stipulation. The Company filed this case concurrently with the 2023 Transition Adjustment Mechanism, Docket UE 400, and proposed that new rates become effective on January 1, 2023. The test year for this rate case is the 12-month period ending December 31, 2023.

Q. What did PacifiCorp request in its direct filing?

A. The Company's filing requested a base rate revenue requirement increase of $84.4 million, which includes the impact of moving the Oregon Corporate Activity Tax (OCAT) into base rates, or $82.2 million net of the rebalancing of the rate mitigation adjustment (RMA). This constitutes a 6.6 percent overall rate increase. The base revenue requirement increase included $7.7 million in proposed amortization of deferral accounts.

Q. Did Staff and other parties review and analyze the Company's filing?

A. Yes. Staff and intervening parties thoroughly reviewed PacifiCorp's initial filing, and parties including Staff, CUB, AWEC, and SBUA conducted extensive discovery.

Q. In their opening testimonies dated June 22, 2022, did the parties propose adjustments to PacifiCorp's proposed revenue requirement or challenge other aspects of PacifiCorp's filing?

A. Yes. Staff, CUB, AWEC, KWUA/OFBF, SBUA, and Walmart filed testimony addressing various issues, including those resolved by the Third Partial Stipulation.

Q. Did the Company update its filing and respond to these adjustments and recommendations in its reply testimony?

A. Yes, PacifiCorp filed reply testimony on July 19, 2022. The Company's reply filing requested an increase of $93.8 million, including PacifiCorp's proposed amortization of deferrals. This was an increase of $9.7 million from the Company's direct filing. Because the Company agreed to move the amortization of deferrals to separate schedules as proposed by Staff, however, the base reply revenue requirement without the deferrals was $86.4 million.

Q. Did PacifiCorp cap its rate increase at the level reflected in its direct filing?

A. Yes. PacifiCorp capped the rate increase in its reply testimony at $76.7 million, which is its original rate request of $84.4 million, less $7.7 million in deferral amortizations moved to separate schedules. With the amortization of the COVID-19 deferral proposed by Staff, the deferral amortizations in this case totaled $12.1 million.

Q. Did PacifiCorp and the parties each file a final round of testimony?

A. Yes. On August 11, 2022, Staff and intervenors filed rebuttal testimony. The rebuttal testimony of Staff, CUB, AWEC, Fred Meyer, KWUA/OFBF, SBUA, and Calpine Solutions addressed the issues resolved by the Third Partial Stipulation. PacifiCorp filed surrebuttal testimony on August 26, 2022, responding to the parties and addressing the issues contained in the Third Partial Stipulation.

Q. Did the parties hold settlement discussions after Staff and intervenors filed opening testimony?

A. Yes. The parties participated in settlement conferences on July 1 and 28, 2022, and on August 10, 19, 24, 26 and 30, 2022.

Q. Did PacifiCorp file the First and Second Partial Stipulations on August 25, 2022, reflecting agreements reached during the first five settlement conferences?

A. Yes. The First Partial Stipulation addresses wildfire mitigation and vegetation management cost recovery. The Second Partial Stipulation addresses several revenue requirement corrections and adjustments. The parties are separately filing joint testimony supporting the First and Second Partial Stipulations.

Q. When did the Stipulating Parties reach the settlement reflected in the Third Partial Stipulation?

A. The Stipulating Parties reached an agreement in principle on the Third Partial Stipulation on August 30, 2022.

Q. Did the parties request a change in the hearing schedule in this case after reaching the agreements reflected in the Third Partial Stipulation?

A. Yes. On behalf of all the parties, PacifiCorp requested that the Commission vacate the current schedule, postpone the hearing, and allow the Stipulating Parties an opportunity to document and support the Third Partial Stipulation. In response, the Commission cancelled the hearing set on September 8, 2022.

III. KEY PROVISIONS OF THE THIRD PARTIAL STIPULATION

A. Overview of the Third Partial Stipulation

Q. What is the Stipulating Parties' agreement on the Company's 2022 rate case filing?

A. The Stipulating Parties agree that, together with the agreements in the First and Second Partial Stipulations and this Third Partial Stipulation, PacifiCorp shall implement rate changes based on a total revenue requirement increase of $51.4 million or $48.9 million, including the impacts of the OCAT and RMA. This results in an overall increase of 3.9 percent. The Stipulating Parties also agree to the amortization of certain deferrals through separate schedules, totaling approximately $10.4 million in the first year of amortizations, or 0.8 percent overall. The combined increase is $59.3 million, or 4.7 overall.

Q. Did the Stipulating Parties prepare an appendix to the Third Partial Stipulation to show the agreed-upon calculation of the base rate change and the change related to the deferral amortizations?

A. Yes. Appendix A to the Third Partial Stipulation reflects these calculations. As shown in Appendix A and in the First and Second Partial Stipulations, the Stipulating Parties agree that the proposed total $59.3 million increase reflects specific updates and adjustments to the Company's filed case, as well as an additional non-specific adjustment related to a compromise of issues on which resolution could not be reached.

Q. Please explain the Stipulating Parties' agreement on a non-specific adjustment to PacifiCorp's proposed revenue requirement.

A. To resolve all outstanding revenue requirement items not specifically addressed in the First, Second and Third Partial Stipulations, the Stipulating Parties agreed to a $6.0

million reduction to the Company's revenue requirement. This adjustment fully resolves all contested revenue requirement items in this case not addressed in an issue-specific settlement.

Q. Will the revenue requirement calculated in Appendix A to the Third Partial Stipulation exactly match the final amount that will become effective?

A. No. While the Company recovers its net power costs (NPC) through the transition adjustment mechanism (TAM), to model non-NPC revenue requirement in this case, the Company computes an overall test period revenue requirement including the NPC as filed in the TAM, and then removes NPC components from the overall price change. This approach is required to compute certain non-NPC components of the test period revenue requirement that are impacted by NPC-related items, such as income taxes, and various revenue-sensitive items. Accordingly, when the Company files its 2023 TAM final update in November, there will be a corresponding impact to the final revenue requirement calculated in this case. This impact is expected to be small but will vary depending on the final NPC supported in the 2023 TAM final update.

Q. Did the Stipulating Parties agree on when the rate changes reflected in the Third Partial Stipulation will become effective?

A. Yes. The rate change attributable to the base revenue requirement increase will be effective for service on and after January 1, 2023. The rate change attributable to the deferral amortizations will be effective for service on or after April 1, 2023.

Q. Please explain what issues remain in this case after the settlements reflected in the First, Second and Third Partial Stipulations?

A. There are two outstanding issues. First, the Company has proposed a Voluntary

Renewable Energy Tariff (VRET) in Schedule 273, the Accelerated Commitment Tariff (ACT). Parties intend to file a Fourth Partial Stipulation resolving the contested issues around the ACT. Second, Calpine Solutions has recommended that the Commission determine that customers in the Company's three-year direct access program should be permitted to switch to the five-year opt-out program in advance of the end of their three-year commitment period, without being subject to a service charge or other penalty. PacifiCorp opposes Calpine Solutions' position, and the parties have agreed to litigate this issue.

B. Rate of Return

Q. Please describe the Stipulating Parties' agreement on rate of return.

A. The Stipulating Parties agree that PacifiCorp will maintain the capital structure and cost of equity the Commission approved in Docket UE 374, which consists of 50 percent equity in the capital structure and a 9.5 percent return on equity. In the Second Partial Stipulation, the parties agreed to update the cost of long-term debt to 4.717 percent. Together, these components result in a rate of return of 7.109 percent.

C. Deferral Amortizations

Q. Did the Commission consolidate certain deferred accounting dockets into this case?

A. Yes. At PacifiCorp's request, the Commission consolidated Dockets UM 1964 (Transportation Electrification), UM 2134 (Cedar Springs II), UM 2142 (Cholla Property Tax), UM 2167 (Pryor Mountain REC Revenues), UM 2185 (Non-Contributory Defined Benefit Pension Plans) and UM 2186 (TB Flats) with this case. At AWEC's request, the Commission also consolidated Docket UM 2201 (Fly-Ash Revenues).[1] Although Docket

[1] Ruling, Docket No. UE 399, et al., (April 11, 2022).

UM 2063 (COVID-19) was not consolidated, Staff proposed to begin amortizing that deferral in this case.

Q. Did the Stipulating Parties reach agreements on these deferrals in the Third Partial Stipulation?

A. Yes. The Stipulating Parties agreed to the approval, as applicable, and amortization of the following deferrals:

- Docket UM 1964, Deferred Accounting for costs associated with PacifiCorp's Transportation Electrification Program;[2]
- Docket UM 2134, Deferred Accounting for costs associated with Cedar Springs II;[3]
- Docket UM 2142, Deferred Accounting for costs associated with Cholla Unit 4 property taxes (previously approved);[4]
- Docket UM 2167, Deferred Accounting for revenues associated with Renewable Energy Credits (RECs) from Pryor Mountain;[5]
- Docket UM 2185, Deferred Accounting for costs associated with Non-Contributory Defined Benefit Pensions Plans;[6]
- Docket UM 2186, Deferred Accounting for the costs associated with the TB Flats

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[2] *In the Matter of PacifiCorp dba Pacific Power Application for Approval of Deferred Accounting for a Balancing Account Related to PacifiCorp's Transportation Electrification Program,* Docket No. UM 1964, Application filed July 27, 2018.

[3] *In the Matter of PacifiCorp dba Pacific Power Application for Approval of Deferred Accounting for Costs Relating to a Renewable Resource Pursuant to ORS 469A.120,* Docket No. UM 2134, Application filed Dec. 10, 2020.

[4] *In the Matter of PacifiCorp dba Pacific Power Application for Approval of Deferred Accounting for a Balancing Account Related to Cholla Unit 4-Related Property Tax Expense,* Docket No. UM 2142, Application filed December 24, 2020, Order No. 21-044 (Feb. 12, 2021).

[5] *In the Matter of PacifiCorp dba Pacific Power Application for Approval of Deferred Accounting for Revenues Associated with RECs from Pryor Mountain,* Docket No. UM 2167, Application filed May 13, 2021.

[6] *In the Matter of PacifiCorp dba Pacific Power Application for Approval of Deferred Accounting and Accounting Order Related to Non-Contributory Defined Benefit Pensions Plans,* Docket No. UM 2185, Application filed July 27, 2021.

Wind Project;[7]

- Docket UM 2063, Deferred Accounting for the costs associated with the COVID-19 Public Health Emergency (previously approved);[8] and
- Docket No. UM 2201, Application for an Accounting Order Requiring PacifiCorp to Defer Fly-Ash Revenues.[9]

Q. Did the Stipulating Parties agree to specific amortization balances and schedules for these deferrals?

A. Yes. The Stipulating Parties have agreed to the balances and the amortization periods of the above deferrals as follows:

Table 1: Amortization of the Deferral Balances

Deferral Docket	December 2022 Balance	Amortization Period	Year 1 Annual Amortization
UM 1964 Transportation Electrification Program	2,839,892	3 Years	978,604
UM 2134 Cedar Springs II	681,475	3 Years	234,831
UM 2186 TB Flats	17,900,662	3 Years	6,168,426
UM 2167 Renewable Energy Credits from Pryor Mountain	(364,127)	3 Years	(125,475)
UM 2142 Cholla Unit 4-Related Property Tax Expense	639,589	3 Years	220,063
UM 2063 COVID-19 Deferral	17,887,722	4 Years	4,664,754
UM 2201 Fly-Ash Deferral – One Half	(1,700,000)	1 Year	(1,723,322)
Total Balance and Annual Amortization	**37,885,213**		**10,417,881**

The pension plan deferral, Docket UM 2185, is being amortized as part of pension costs

[7] *In the Matter of PacifiCorp dba Pacific Power Application for Approval of Deferred Accounting for Costs Related to a Renewable Resource Pursuant to ORS 469A.120,* Docket No. UM 2186, Application filed July 27, 2021.
[8] *In the Matter of PacifiCorp dba Pacific Power Application for Order Approving the Deferred of Costs Associated with the Response to COVID-19 Public Health Emergency,* Docket No. UM 2063, Order No. 20-375 (Oct. 27, 2020); Reauthorization Order No. 22-090 (Mar. 24, 2022) and Reauthorization Order No. 22-139 (May 9, 2022).
[9] *In the Matter of Alliance of Western Energy Consumers, Application for an Accounting Order Requiring PacifiCorp to Defer Fly-Ash Revenues,* Docket No. UM 2201.

reflected in the stipulated revenue requirement in this case.

Q. Did the Stipulating Parties agree to delay the start date of amortization of the deferrals?

A. Yes. The Stipulating Parties agreed to commence amortization of the deferrals listed in Table 1 on April 1, 2023. PacifiCorp had proposed to begin amortizing the deferrals concurrent with the base rate change on January 1, 2023 to avoid multiple rate changes. The Stipulating Parties agreed to delay the commencement of the deferral amortization until April 2023, however, to lessen the impact of the rate changes from this case during the winter heating season. The deferral balances in Table 1 reflect the April 1, 2023 start date for amortization.

Q. Did the Stipulating Parties agree on a reduced carrying charge for the deferrals subject to amortization?

A. Yes. Beginning on January 1, 2023, interest on the deferrals listed in Table 1 will accrue at the Commission's modified blended treasury rate (MBTR) published in January 2023, starting January 1, 2023. Since the 2023 MBTR will not be available until January 2023, the deferral balances in Table 1 are an estimate using the current MBTR.

Q. How do the Stipulating Parties propose to address AWEC's fly-ash deferral, Docket UM 2201?

A. The Stipulating Parties agree that 50 percent of the fly-ash revenues deferred in Docket UM 2201 will be returned to customers through a deferral rider over 1 year (current forecast is a total of $3.4 million). This disposition reflects a compromise between parties supporting and opposing this deferral.

D. Capital Additions

Q. Did the Stipulating Parties agree on the attestations PacifiCorp will file for discrete, non-wildfire capital projects?

A. Yes. The First Partial Stipulation addresses attestations for wildfire-related capital projects. For other discrete capital projects in excess of $1 million on an Oregon-allocated basis scheduled for completion in the fourth quarter of 2022, PacifiCorp agrees to file attestations affirming the in-service date before those projects may be included in rates.

Q. Have the Stipulating Parties agreed to make certain commitments in this case in conjunction with PacifiCorp's power cost adjustment mechanism (PCAM) filing in Docket UE 404?[10]

A. Yes. The parties to the PCAM have negotiated a settlement concurrently with the Third Partial Stipulation. The Stipulating Parties who are also parties to Docket UE 404 agree to support the stipulation in Docket UE 404, based on the terms reflected in the September 1, 2022 Term Sheet. As part of that support, the Company affirms that none of the plant repairs that resulted from the transformer outage at the Aeolus Substation on September 30, 2021 have been included in this rate case. The Stipulating Parties agree that any funds recovered from third parties related to such repairs, not related to reimbursement of power costs, will be used to credit rate base to offset, in part or in full, the plant repair costs in the event the Company includes such costs in any future rate filing. PacifiCorp agrees to provide an informal status update on its efforts to recover funds prior to PacifiCorp filing its next general rate case.

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[10] *In the Matter of PacifiCorp d/b/a Pacific Power, 2021 Power Cost Adjustment Mechanism,* Docket No. UE 404, Application (May 16, 2022), amended (July 13, 2022).

E. Exit Orders

Q. Please describe the Stipulating Parties' agreement on Exit Orders in this case.

A. The Stipulating Parties' agreement on Exit Orders covers four generation units.

First, the Stipulating Parties agree to support updating the Exit Order for Craig Unit 2 as approved by the Commission in PacifiCorp's last general rate case, Docket UE 374, to reflect an Exit Date of September 30, 2028.[11]

Second, the Stipulating Parties agree to support the issuance of Exit Orders for Hayden Units 1 and 2 with Exit Dates of December 31, 2028, and December 31, 2027, respectively.

Third, the Stipulating Parties support a modification to the Jim Bridger Unit 1 Exit Order approved in Order 20-473 to specify that the Exit Order only applies to this unit as a coal-fired unit.[12]

Q. Does the Third Partial Stipulation reflect additional provisions related to Jim Bridger Unit 1's Exit Order date in conjunction with its planned conversion to natural gas?

A. Yes. PacifiCorp agrees that if Jim Bridger Unit 1 is not converted to gas by December 31, 2023, PacifiCorp will file a notification with the Commission and request a change to the Exit Order for Jim Bridger Unit 1 as soon as the Company becomes aware that coal-fueled operations at Jim Bridger Unit 1 are expected to continue past December 31, 2023 – but at any rate no later than September 30, 2023.

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[11] *In Re PacifiCorp, dba Pacific Power, Request for a General Rate Revision*, Docket No. UE 374, Order No. 20-473 at 1 (Dec. 18, 2020).
[12] The Commission approved an Exit Order for Jim Bridger Unit 1 in Order No. 20-473 at 12.

F. Pricing and Cost of Service

Q. Does the Third Partial Stipulation include a comprehensive agreement on pricing and cost of service issues among the Stipulating Parties?

A. Yes. The Stipulating Parties have agreed on pricing and cost of service parameters for the stipulated revenue requirement and deferral amortizations, which are described below. The estimated rate spread and rates calculated using these parameters are reflected in Appendix B to the Third Partial Stipulation.

Q. Please describe the Stipulating Parties' agreement on rate spread for the overall net rate increase, not including deferral amortizations.

A. The Stipulating Parties have agreed to establish the rate spread amongst classes using the following parameters:

- Adjustments to net rate spread will be achieved through the use of the Schedule 299 Rate Mitigation Adjustment through the setting of surcharge or credit rates applicable to each delivery service rate schedule.

- No class shall receive a net price change less than zero.

- The initial increase allocation to residential Schedule 4 will be approximately 136 percent of the overall net rate increase. The initial increase allocation to Schedule 23 and Schedule 41 will be approximately 140 percent of the overall net rate increase. The initial allocation to Schedule 48 will be approximately 103 percent of the overall net rate increase. The initial allocation to lighting schedules will be approximately 50 percent of the overall net rate increase. The initial allocation to Schedule 28 and Schedule 30 will be approximately zero percent.

- The remaining increase will be spread as an equal percentage of the overall net rate increase to Schedules 4, 23, 28, 30 and 41. This additional allocation will increase the allocation to each of those rate schedules on top of the initial allocation described above.

- The total dollar amount designed to be collected and distributed amongst the classes under the RMA for the test period will sum to approximately zero.

Q. Please describe the Stipulating Parties' agreement on rate spread for the deferral amortizations set forth in Table 1 above.

A. The Stipulating Parties agree that the deferral amortizations referenced in Table 1 above will generally be collected from customers as described in the reply testimony of PacifiCorp witness Mr. Robert Meredith, Exhibit PAC/2100, with costs spread to the classes as follows:

- Recovery of deferrals related to Docket UM 2134 Cedar Springs II and docket UM 2186 TB Flats will be spread to the classes based on a generation rate spread.

- Recovery of deferral related to Docket 2063 COVID-19 costs will be spread to customer classes in the following manner:

    - 73.9 percent to residential
    - 11.5 percent to Schedule 23
    - 5.5 percent to Schedule 28
    - 2.3 percent to Schedule 30
    - 5.8 percent to Schedule 48
    - 1.1 percent to Irrigation
    - 0.03 percent to Lighting[13]

- Recovery for all other deferrals listed in Table 1 above will be spread to classes based on an equal percentage of base revenues rate spread.

Q. Have the Stipulating Parties reached an agreement on residential rate design?

A. Yes. The Stipulating Parties resolved all issues on residential rate design by agreeing to the following:

- The residential single-family basic charge will be set at $11.

- Residential energy rates will be un-tiered (single rate per kWh for all kWh).

- Residential energy rates will not be seasonal.

- The BPA residential exchange credit will be a single per kWh credit with a cap on monthly usage of 2,000 kWh.

[13] SBUA's agreement to the above rate spread was contingent on the acceptance of an approximate $500,000 offsetting reduction of revenue requirement from the general rate spread to mitigate the impact of the proposed allocation.

Q. Did the Stipulating Parties also resolve rate design issues for non-residential customers?

A. Yes. The Stipulating Parties agreed to the following changes from PacifiCorp's filed case for rate design for non-residential rate schedules:

- Schedule 48 basic charges do not decrease from current level.
- Schedule 48 Facilities Charge for primary voltage customers greater than 4,000 kW will decrease by 41 percent.

Q. Given the changes in PacifiCorp's resource mix, did the Stipulating Parties agree to meet and discuss the methodology for setting the marginal cost of generation?

A. Yes. The Stipulating Parties agreed to convene a workshop to discuss different marginal generation methodologies for use in the cost-of-service study that reflect a non-emitting resource portfolio.

Q. Did the Stipulating Parties agree that PacifiCorp will prepare a report with certain information regarding its Schedule 4 residential customers?

A. Yes. PacifiCorp has agreed to prepare a report using its 2021 Residential Email Survey that will be distributed to the Stipulating Parties. PacifiCorp will complete the report by September 30, 2023, and demonstrate that the data used is consistent with a random, representative sample of the Company's service territory, or provide the steps used to correct for bias introduced by non-random sampling. The analysis will answer the following questions:

- Question 1: How many residential customers (customers) are classified at the various discount levels associated with "low income" or "energy burdened" in the Company's service territory, and how are they distributed geographically? Please assume that a customer is energy burdened if more than 6 percent of their monthly income goes to energy bills, and is low income if they would qualify for any of the Schedule 7 discounts.

- Question 2: How do customer bills vary with income, geography, and time of year?

- Question 3: How does ownership of air conditioning equipment vary with income levels and location in the Company's service territory? Further, please discuss any correlations between income, location, and the type of air conditioning equipment (i.e. heat pump, central A/C, window units, etc.).

- Question 4: How does the residential choice of winter heating equipment (i.e. electric resistance, natural gas, heat pump, etc.) vary with income and location in the Company's service territory?

- Question 5: What does the Company believe that residential customers' price elasticity to be in its service territory, and how does price elasticity vary with income and location in the Company's service territory?

Responses to Questions 2 through 5 will provide specific statistics and percentages (rather than general statements) that could potentially be carried over to a complete residential billing distribution.

Q. Did the Stipulating Parties also agree that PacifiCorp will complete an analysis with certain information regarding its Schedule 23 small commercial customers?

A. Yes. The Stipulating Parties agreed that PacifiCorp will complete an analysis of the usage characteristics of Schedule 23 customers and will provide the results to the Stipulating Parties at the same time it provides the residential report described in response to the preceding question. The analysis will:

- Provide by SIC code the current number of Schedule 23 customers in Oregon, and the electricity consumption of those customers. If a particular SIC code contains a very small number of customers or seems that the data will easily be identifiable to a particular customer, the Company may aggregate to a broader SIC code grouping.

- Provide time of usage patterns (on- and off-peak kWh usage using the time periods specified in Schedule 210 and Residential Schedule 6) by SIC code for Schedule 23 where available. If a particular SIC code contains a very small number of customers or seems that the data will easily be identifiable to a particular customer, the Company may aggregate to a broader SIC code grouping.

Q. Did the Stipulating Parties agree that PacifiCorp will provide a new webpage describing rate options for its small commercial customers?

A. Yes. PacifiCorp will create a webpage specifically for small commercial rate options including Schedule 210, equal payment plans, electric vehicle charging incentives, Blue Sky options. This webpage will be available in no more than two clicks on the Pacific Power homepage https://www.pacificpower.net/ .

G. TAM and PCAM

Q. Does the Third Partial Stipulation address certain design changes PacifiCorp proposed in this case related to its TAM and PCAM?

A. Yes. First, the Stipulating Parties agreed to withdraw all recommendations on changes to PacifiCorp's TAM (and TAM Guidelines) and PCAM (with the exception of the provision of workpapers on the Schedule 296 calculation as described in the Second Partial Stipulation). Second, the Stipulating Parties agreed to hold collaborative discussions and provide recommendations or report back to the Commission on the following issues associated with PacifiCorp's power costs by December 31, 2023:

- Changes to the TAM Guidelines to include updates and increase the administrative efficiency of the TAM proceeding; and

- Changes to the structure of the PCAM that may be necessary in light of the changing resource mix, the move to structured markets, and other shifts in the energy landscape.

H. Stay-Out Provisions

Q. Did the Stipulating Parties include a provision in the Third Partial Stipulation regarding how long PacifiCorp must wait to file its next general rate case in Oregon?

A. Yes. Under the Third Partial Stipulation, PacifiCorp has agreed to a one-year general rate case stay-out for calendar year 2023, meaning it will not file a general rate case with rates effective earlier than January 1, 2025.

Q. Did the Stipulating Parties address whether parties could file deferral applications during the stay-out period?

A. Yes. With respect to deferral applications, for the calendar year 2023, the Stipulating Parties agree not to request the deferral of costs or revenues, unless (a) the deferral is authorized by statute or Commission order, resulting from a Commission-initiated deferral mechanism, a reauthorization of an existing deferral, or approval of an agreed-upon deferral mechanism in a proceeding, (b) the Stipulating Parties seek reauthorization of a previously filed deferral, (c) laws, regulations or orders become effective that require significant cost reductions or expenditures, (d) the Company incurs major expenses or savings as a result of a state or federal declaration of emergency, or (e) a deferral is necessary to respond to material threat to the financial stability of the Company resulting from unique and unforeseen circumstances outside the Company's reasonable control.

Q. What is the Stipulating Parties' goal with respect to amortizing deferrals during the rate case stay-out period?

A. The Stipulating Parties agree that their goal is to minimize rate changes during calendar years 2023 and 2024 with regards to amortizations resulting from any deferral of costs approved during the 2023 Stay-out Period. Any Stipulating Party may take any position before the Commission on whether these deferred costs are appropriate to be recovered or credited in retail customers rates.

I. General Terms

Q. If the Commission rejects any part of the Third Partial Stipulation, are the Stipulating Parties entitled to reconsider their participation in the Third Partial Stipulation?

A. Yes. The Stipulating Parties have negotiated the Third Partial Stipulation as an integrated document. If the Commission rejects all or any material portion of the Third Partial Stipulation or imposes additional material conditions, any of the Stipulating Parties are entitled to withdraw from the Third Partial Stipulation.

Q. Are the agreements reflected in the Third Partial Stipulation binding on the Stipulating Parties in future proceedings?

A. No. The Parties agree that by entering into the Third Partial Stipulation, no Stipulating Party approved, admitted, or consented to the facts, principles, methods, or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation, other than those specifically identified and resolved in the body of the Stipulation. The Third Partial Stipulation addresses the reasonableness of the costs in rates for the 2023 test period and the Stipulating Parties agree that no provision of this Third Partial Stipulation is appropriate for resolving issues for future periods or proceedings, except as specifically identified in the Third Partial Stipulation.

IV. REASONABLENESS OF THE THIRD PARTIAL STIPULATION

Q. What is the basis for the Third Partial Stipulation?

A. Through five rounds of testimony, the Stipulating Parties created an extensive record in this case. The Company responded to hundreds of data requests and served discovery on other parties. Parties had multiple settlement conferences and resolved their differences incrementally through dialogue, negotiations, and partial settlements. The First and Second Partial Stipulations resolved several important issues and paved the way for the resolution of the balance of revenue requirement issues in the Third Partial Stipulation.

Q. Please explain why the Stipulating Parties believe that the Commission should adopt the Third Partial Stipulation.

A. The Third Partial Stipulation represents a reasonable compromise of the numerous and complex issues raised in this case for many reasons, including, but not limited to the fact that the Third Partial Stipulation:

- results in a base rate change of approximately 3.9 percent, or 4.7 percent including the deferral amortizations, a reduction from the 6.6 percent increase PacifiCorp initially sought;
- allows for approval and amortization of several pending deferrals (covering both costs and revenues), and schedules the amortizations in a manner that minimizes rate impacts on customers;
- resolves pricing and cost of service issues in a manner that is fair to all customer classes and permits development of additional information and analysis to inform decisions on these issues in future filings;
- outlines a collaborative process to review potential changes to the TAM and the PCAM; and
- imposes a rate-case stay-out that will provide price stability for customers by precluding another general rate change before January 1, 2025, and limiting deferral filings in 2023 and 2024.

While the above list is not an exhaustive description of every term in the Third Partial Stipulation, the compromises on the remaining issues are reasonable.

Q. Have the Stipulating Parties evaluated the overall fairness of the Third Partial Stipulation?

A. Yes. Each Stipulating Party has reviewed the record in this case and the Third Partial Stipulation. The Stipulating Parties agree that the rates resulting from the Third Partial

Stipulation meet the standard set forth in ORS 756.040 and represent a reasonable compromise of the issues presented in this case.

Q. What do the Stipulating Parties recommend regarding the Third Partial Stipulation?

A. The Stipulating Parties recommend that the Commission adopt the Third Partial Stipulation as the basis for resolving many of the issues in this case, and request that the Commission include the terms and conditions of the Third Partial Stipulation in its final order in this case.

<u>Statement of Staff</u>

Q. Mr. Muldoon, please explain why Staff believes the Third Partial Stipulation is in the public interest.

A. Staff supports the Third Partial Stipulation as a reasonable compromise of the issues in this rate case that balances customers' interests and shareholder interests, and that results in fair, just and reasonable rates. Staff wants to emphasize that with respect to rate spread, Staff views the settlement as a whole and bases its support on the overall impact to customers, given the combined rate spread of the general rate case portion as well as power costs and deferral amortizations, and less so on any individual cost component. Staff is confident none of the terms of the Third Partial Stipulation are contrary to Commission precedent. For those agreed-to terms for which there is no Commission precedent, Staff's agreement was based on Staff's evaluation and analysis of the issues, further informed by Staff practice in other rate cases. Staff's position on these adjustments is supported by its pre-filed testimony, a further evaluation of the available information and the conclusion that the agreed-to adjustments fall within a reasonable range of outcomes at this time.

With respect to stipulated terms for the 2023 rate case Stay-out Period, Staff support for the Third Partial Stipulation is based on Staff's understanding that the limitations on deferral filings align with the Stipulating Parties' goal to minimize rate changes associated with any deferral of costs approved during the 2023 Stay-out Period. Any such deferral applications filed on the basis of new laws, regulations or orders or unique or unforeseen circumstances should effectively be limited to significant deferrals that are not reasonably anticipated in the course of normal utility business, e.g. an application anticipated to result in deferred amounts equal to 100 basis points or more.

Statement of SBUA

Q. Mr. Steele, please explain why SBUA believes the Third Partial Stipulation is in the public interest.

A. SBUA's members are small business customers who take electric service from the Company under Schedule 23. SBUA advocated for reducing any rate increase for the Schedule 23 rate class. This rate class includes small businesses that were financially hard hit with the impacts of COVID-19 shutdowns. Some Schedule 23 ratepayers went out of business and some others are still struggling to financially survive. By implementing the additional rate mitigation proposed in the Third Partial Stipulation, the Commission can lessen the financial impact of the rate increase the Company proposes for Schedule 23 customers until some point in the future when these businesses can get back on their feet and can bear the financial burden of higher rates.

In the opening testimony of Mr. Robert Meredith,[14] the Company proposed a 10.3% Base Rate increase and a proposed 9.5% for net rates for the Schedule 23 rate

[14] Exhibit PAC/1110, Meredith/1, Schedule 23.

class. In Appendix B to the Third Partial Stipulation, there is a spreadsheet titled "Estimated General Rate Case Rate Impact for UE 399 Stipulation". In this spreadsheet, the Schedule 23 rate class Base Rate increase is an 8.4% increase compared to the Company's initial proposal of a 10.3% Base Rate increase. The Third Partial Stipulation also calls for an increase in the Net Rates by 5.51% compared to the Company's initial proposed increase of 9.5%.

In conclusion, I recommend the Commission approve the rate spread proposal of the Third Partial Stipulation because it will result in just and reasonable rates and is in the public interest. Also, since the previous rate case, SBUA addressed the issue of the need for additional Schedule 23 customer outreach and education. The Third Partial Stipulation includes a provision to address this issue. Therefore, I support and recommend the Commission approve the Third Partial Stipulation since it is in the public interest.

Since the previous rate case, SBUA also sought current usage information regarding the small commercial customers. The Third Partial Stipulation provision that the Company will analyze and report on report on usage characteristics of Schedule 23 customers would address this. Also, SBUA had addressed the issue of the need for additional Schedule 23 customer outreach and education. The Third Partial Stipulation includes a provision to address this issue. Therefore, I support and recommend the Commission approve the Third Partial Stipulation since it is in the public interest.

Q. Mr. Kermode, does the Third Partial Stipulation's proposal regarding the recovery of deferred COVID-19 costs address your concerns regarding the allocation to ratepayers?

A. While the Third Partial Stipulation does not resolve the question as to the proper allocation of costs, the end result of the Third Partial Stipulation's proposed treatment of the COVID-19 costs does result in an outcome that is fair and in the public interest.

Q. Mr. Kermode, please explain why SBUA believes the Third Partial Stipulation's proposal regarding the recovery of deferred COVID-19 costs is in the public interest.

A. The Third Partial Stipulation proposes recovery of deferred COVID-19 costs spread to customer classes in the following manner:

- 73.9 percent to residential
- 11.5 percent to Schedule 23
- 5.5 percent to Schedule 28
- 2.3 percent to Schedule 30
- 5.8 percent to Schedule 48
- 1.1 percent to Irrigation
- 0.03 percent to Lighting

SBUA's agreement to the above rate spread includes an approximate $500,000 offsetting reduction for Schedule 23 ratepayers from the general rate spread. SBUA believes the revenue offset effectively mitigates the impact of the proposed COVID-19 cost allocation on small business. The reduction of revenue requirement for Schedule 23 ratepayers is an integral part of SBUA's acceptance which, when taken as a whole, results in a settlement of the deferred COVID-19 cost recovery issue that is fair, just, and reasonable for the Company's small business owners and is in the public interest.

Q. Does this conclude the joint testimony of all Stipulating Parties?

A. Yes.