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September 23, 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 Second Partial Stipulation.

Please contact this office with any questions.

Sincerely,

Katherine McDowell

Attachment

Docket No. UE 399
Exhibit: Stipulating Parties/300

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

STIPULATING PARTIES

JOINT TESTIMONY IN SUPPORT OF SECOND PARTIAL STIPULATION

September 23, 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 (Staff), the Oregon Citizens' Utility Board (CUB), the Alliance of Western Energy Consumers (AWEC), Calpine Energy Solutions, LLC (Calpine Solutions), Walmart Inc. (Walmart), Vitesse, LLC (Vitesse), and the Klamath Water Users Association and Oregon Farm Bureau Federation (KWUA/OFBF), 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, Kevin Higgins, Alex Kronauer, Bradley Cebulko, and Lloyd C. Reed. 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. Higgins, the sponsor for Calpine Solutions, are set forth in Calpine Solutions/100, Higgins/1-2. The qualifications for Mr. Kronauer, the sponsor for Walmart, are set forth in Exhibit Walmart/101. The qualifications for Mr. Cebulko, the sponsor for Vitesse, are set forth in Exhibit Vitesse/101. The qualifications for Mr. Reed, the sponsor for KWUA/OFBF are set forth in Exhibit KWUA-OFBF/101.

Q. What is the purpose of this joint testimony?

A. This joint testimony describes and supports the Second Partial Stipulation filed in Docket UE 399, PacifiCorp's 2022 general rate case. The Second Partial Stipulation resolves certain issues remaining in this case following the First Partial Stipulation, which addressed all issues involving wildfire mitigation and vegetation management.

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

A. No. The Second 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 2023 general rate case, which included direct testimony and exhibits on issues addressed in this Second Partial Stipulation. The Company filed this case concurrently with the 2023 Transition Adjustment Mechanism (TAM), 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 intervenors thoroughly reviewed PacifiCorp's initial filing and parties 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, Walmart, Vitesse, and KWUA/OFBF filed testimony addressing various issues, including those resolved by the Second 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 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 August 19 and 24, 2022. A settlement conference focused exclusively on addressing wildfire mitigation and vegetation management issues was held on August 10, 2022.

As a result of these settlement conferences, the Stipulating Parties have reached an agreement that resolves the issues contained herein. The terms of the settlement are captured in this Second Partial Stipulation.

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 now filing this joint testimony supporting the Second Partial Stipulation and separately filing joint testimony supporting the First Partial Stipulation.

III. KEY PROVISIONS OF THE SECOND PARTIAL STIPULATION

A. Overview of the Second Partial Stipulation

Q. Please provide an overview of the Stipulation.

A. The Stipulation represents the settlement of certain revenue requirement issues among the Stipulating Parties, including the removal of costs associated with certain capital projects, an update to fuel stock inventory, several revenue requirement corrections, the adjustment of the depreciable lives of Jim Bridger Units 1 and 2, and certain other issues.

B. Wyoming Wind Tax Update

Q. Please describe the Stipulating Parties' agreement on PacifiCorp's accounting of Wyoming's wind generation tax.

A. The Stipulating Parties agree that PacifiCorp will include a phased calculation for the Wyoming wind generation tax for the Ekola Flats and TB Flats wind projects based on the staggered in-service dates for the various turbines. This adjustment resolves Issue 5 in Staff/200 and will result in a $45,000 reduction in PacifiCorp's Oregon-allocated revenue requirement from the Company's initial filing.

C. Merwin Downstream In-Lieu Project Removal

Q. Please describe the Merwin Downstream In-Lieu Project.

A. In its initial filing, PacifiCorp identified capital projects that will be used and useful by

December 31, 2022. One such project was the "Merwin Downstream In-Lieu" permitted under the Lewis River Settlement Agreement, which allows for the potential of improving offsite aquatic habitat "in-lieu of" building fish passage for the Merwin reservoir.[1] The National Marine Fisheries Service and the US Fish and Wildlife Services initially selected the habitat enhancement in lieu of fish passage in December 2020.[2]

Q. Please describe the Stipulating Parties' agreement on the removal of the Merwin Downstream In-Lieu Project from rate base.

A. The Stipulating Parties agree to remove the Merwin Downstream In-Lieu capital project from PacifiCorp's test year rate base due to a change in project scope and timing, which will result in a $438,000 reduction to the Oregon-allocated revenue requirement from the Company's initial filing. This resolves Issue 1 in Staff/800.

D. Meter Replacement Amortization Adjustment Removal

Q. Please describe the Stipulating Parties' agreement on the expenses related to the Advanced Metering Infrastructure (AMI) replacement meters.

A. The Stipulating Parties agree that PacifiCorp will remove the annual amortization expenses related to the AMI replaced meters that were recorded as a regulatory asset in Order No. 20-473, issued in the Company's last general rate case. This resolves Issue A11 in AWEC/100.

Q. Is the amortization of these expenses outside of this rate case?

A. Yes, these expenses are being amortized over five years in a separate tariff schedule as ordered in the Company's last general rate case, Docket UE 374.

Q. What is the impact of this adjustment to the revenue requirement?

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[1] Exhibit PAC/1002, Cheung/226, 234.
[2] *See* Exhibit Staff/802, Response to Staff Data Request No. 228.

A. Removing this adjustment from base rates will result in $1.0 million reduction to the Oregon-allocated revenue requirement in the Company's initial filing.

E. Clean Fuels Revised Amortization Removal

Q. What is the Clean Fuels Program (CFP) credit revenue?

A. CFP credit revenue is money PacifiCorp receives from selling CFP credits. PacifiCorp receives CFP credits from the Oregon Department of Environmental Quality (ODEQ) for the use of electricity as a motor fuel. PacifiCorp sells its CFP credits to fossil fuel companies seeking permits to sell carbon-emitting fuel beyond the level ODEQ has allocated.

Q. What was PacifiCorp's request in its initial filing regarding CFP credits?

A. PacifiCorp was seeking to recover expenditures of CFP credit revenue. However, the Company noted in response to OPUC DR 428 that "The referenced expenses should have been excluded as they should not be included in base rates."[3]

Q. Please describe the Stipulating Parties' agreement on removal of the CFP credit revenue.

A. The Stipulating Parties agree that PacifiCorp will remove $1.24 million in expenses associated with the Oregon CFP amortization from the base period. This includes the amortization amounts recorded in the 12-month period ending in June 2021. The estimated Oregon-allocated revenue requirement impact for this change is a $1.28 million reduction from the Company's initial filing. This resolves Issue 1 in Staff/1600.

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[3] Exhibit Staff/1602, 1.

F. Long-Term Debt

Q. What does cost of debt refer to in this case?

A. Cost of debt refers to the cost of long-term debt incurred by PacifiCorp to construct or expand its system. The cost of debt is the effective interest rate that a company pays on its debts, such as bonds and loans. The actual embedded cost of debt is the weighted average of all long-term debt issued and the cost at which the debt was issued.

Q. What was PacifiCorp's cost of long-term debt in its initial filing?

A. PacifiCorp proposed a cost of long-term debt of 4.38 percent. This value represents the cost of servicing all outstanding and forecasted long-term debt as of the 2023 test year.

Q. Did PacifiCorp propose an adjustment to the cost of long-term debt in its reply testimony?

A. Yes. PacifiCorp increased its cost long-term debt to 4.717 percent. This updated pricing reflects long-term debt costs in the market closer to the Company's planned 2022 issuance and other test period borrowing activity.

Q. Please describe the Stipulating Parties' agreement on the cost of long-term debt.

A. The Stipulating Parties agree that PacifiCorp will update the cost of debt embedded in the revenue requirement to 4.717 percent. As a result, the cost of long-term debt included in the Oregon-allocated revenue requirement will increase by $6.96 million from the Company's initial filing.

G. Fuel Stock Inventory Update

Q. Please describe the Stipulating Parties' agreement on updating the Fuel Stock Inventory.

A. The Stipulating Parties agree that PacifiCorp will update its fuel stock inventory forecast and decrease the total-company forecast by $22.9 million to $151.6 million. The estimated Oregon-allocated revenue requirement impact of this update is a $525,000 reduction to the Company's initial filing. This resolves Issues A9 and A10 in AWEC/100.

H. 30-Day Work Papers in the TAM

Q. Please describe the Stipulating Parties' agreement on the timeline for PacifiCorp to submit the calculations used to calculate the Consumer Opt-out Charge.

A. The Stipulating Parties agree that, as addressed in PacifiCorp's 2023 TAM Docket UE 400, the Company will provide all Schedule 296 calculations used to calculate the Consumer Opt-Out Charge, including all supporting work papers, within 30 days of filing the TAM.

Q. Does this change result in any adjustment to revenue requirement?

A. No, this change will not result in any adjustment to PacifiCorp's Oregon-allocated revenue requirement.

Q. Will the TAM Guidelines be updated to address this change?

A. Yes, the provision of the TAM Guidelines addressing the 30-day work papers will be amended as follows:

> Within 30 days of the Initial Filing, PacifiCorp will deliver to the Parties a sample calculation, including all supporting work papers, of Schedule 296 as applicable to customers currently served under rate schedules 30 and 48 (Primary). PacifiCorp may file a motion to waive this requirement of the TAM Guidelines and would ensure that motion is served on Calpine Solutions, LLC on or before PacifiCorp makes the

initial filing in the TAM.

I. Correction to Interest Calculation

Q. Please explain an interest synchronization adjustment.

A. According to long-standing Commission policy, for ratemaking purposes, Staff routinely synchronizes interest expense to reflect changes in the regulated utility's cost of capital as initially filed in a general rate case.[4]

Q. Why are the Parties concerned with the interest synchronization in this case?

A. In reviewing PacifiCorp's initial filing, Staff noted an adjustment may be necessary in addition to the customary rate case adjustments.[5] In response to a Staff DR, PacifiCorp agreed and stated that correcting the interest expense calculation results in a reduction to revenue requirement of approximately $1.27 million.[6]

Q. Please describe the Stipulating Parties' agreement on the correction to the interest calculation.

A. The Stipulating Parties agree that PacifiCorp will correct the calculation of the amount of interest synchronization and reduce Oregon-allocated revenue requirement by $1.3 million from the Company's initial filing. This resolves Issue 1 in Staff/200.

J. Update of Jurisdictional Load Factors

Q. What jurisdictional loads adjustments were at issue in this case?

A. In its initial filing, PacifiCorp included jurisdictional allocation factor inputs that were incorporated in the Company's concurrent TAM filing, Docket UE 400. Following its direct filing, the Company became aware of a delay in the in-service date for new

[4] Staff/200, Fox/9.
[5] Staff/200, Fox/9.
[6] Staff/202, Fox/2.

dedicated solar generation facilities, previously expected to be placed online by the rate effective period of this case. These facilities are associated with a specific customer that would have offset Utah's jurisdictional load in the calculation of allocation factors for the test period. Because of the delay, in its reply testimony, PacifiCorp removed the generation offset that reduced Utah's jurisdictional load factors.

Q. Please describe the Stipulating Parties' agreement on updating the jurisdictional load factors.

A. The Stipulating Parties agree that PacifiCorp will remove the generation offset previously included as a reduction to Utah's jurisdictional load factors. The estimated Oregon revenue requirement impact for this change is a $2.05 million reduction from the Company's initial filing. This resolves Issue A17 in AWEC/100.

K. Update to Commission Fees

Q. Please describe the Stipulating Parties' agreement on updating Commission fees.

A. The Stipulating Parties agree that the Company's Commission fee will be updated to reflect the latest approved fee of 0.43 percent as approved by Order No. 22-062.[7] The estimated Oregon revenue requirement impact for this change is a $93,000 increase to the Company's initial filing. This resolves Issue 4 in Staff/200.

L. Oregon Corporate Activity Tax (OCAT)

Q. What was PacifiCorp's request regarding the OCAT?

A. PacifiCorp proposed to recover the OCAT in base rates instead of through a separate tariff.

Q. Please describe the Stipulating Parties' agreement on recovery of the OCAT.

[7] *In the Matter of Public Utility Commission of Oregon, the Imposition of Annual Regulatory Fees Upon Public Utilities Operating with the State of Oregon*, Docket UM 1012, Order No. 22-062 (Feb. 24, 2022).

A. The Stipulating Parties agree that the OCAT will be moved from FERC Account 409.11 (State Income Tax) to FERC Account 408 (Taxes Other than Income). The estimated Oregon revenue requirement impact for this change is a $276,000 reduction from the Company's initial filing.

M. Jim Bridger Units 1 and 2 Depreciable Lives

Q. Please describe the Stipulating Parties' agreement on the adjustment of depreciable lives for Jim Bridger Units 1 and 2.

A. The Stipulating Parties agree that Oregon's depreciable lives for Jim Bridger Unit 1, Unit 2 and Common Lives will be extended to December 31, 2029, reflecting the conversion of Units 1 and 2 to natural gas-fired resources in 2024, consistent with PacifiCorp's acknowledged 2021 Integrated Resource Plan.

Q. What is the estimated reduction to revenue requirement from this update?

A. The Company's calculation of updated depreciation rates reflects a revenue requirement reduction of approximately $12 million from its reply revenue requirement, and the Stipulating Parties agree this is a reasonable approximation of new rates for purposes of extending the lives. PacifiCorp will confirm the final revenue requirement impact in its compliance filing.

Q. Are there additional terms that the Parties agree to that extend beyond this rate case?

A. Yes. The Stipulating Parties further agree that:

(a) all components of the depreciation rates, including those for Jim Bridger Units 1 and 2, will be updated in the Company's next depreciation study;

(b) all coal-specific assets retired as part of the gas conversion project will be fully depreciated at the time of retirement, and the remaining assets at Jim Bridger Units 1 and 2 are used and useful for purposes of natural gas fired generation providing energy to Oregon customers; and

(c) the agreement to extend the depreciable lives of Jim Bridger Units 1 and 2 is not designed to address the Oregon exit dates or operational lives for these units.

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

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

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

A. No. The Parties agree that by entering into the Second 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 Second Partial Stipulation addresses the reasonableness of the costs in rates for the 2023 test period and the Stipulating Parties agree that no provision of the Second Partial Stipulation is appropriate for resolving issues for future periods or proceedings, except as specifically identified in the Second Partial Stipulation.

IV. REASONABLENESS OF THE SECOND PARTIAL STIPULATION

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

A. Through multiple 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 and negotiations. The Second Partial Stipulation resolved several important issues and narrowed the issues in dispute in this case.

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

A. When combined with the First Partial Stipulation and as set forth in the Company's reply and surrebuttal testimonies, the Second Partial Stipulation reduces the Company's base revenue requirement increase to approximately $73.9 million, or 5.9 percent overall.[8] In addition, the Second Partial Stipulation represents a reasonable compromise of the numerous and complex issues raised in this case:

- through the removal or adjustment of certain revenue requirement issues that address a broad range of matters raised by the parties; and
- by providing updates to forecasts and calculation factors that result in a more accurate revenue requirement that reflects current economic conditions.

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

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

[8] PAC/2200, Steward/2-3.

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

A. The Stipulating Parties recommend that the Commission adopt the Second 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 Second Partial Stipulation in its final order in this case.

Q. Does this conclude your joint testimony?

A. Yes.