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August 11, 2022

Via Electronic Filing

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Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301

RE: In the Matter of PACIFICORP d/b/a PACIFIC POWER
Request for a General Rate Revision
Docket No. UE 399

Dear Filing Center:

Please find enclosed the Rebuttal Testimony of Lloyd C. Reed (KWUA-OFBF/200) on behalf of the Klamath Water Users Association and Oregon Farm Bureau Federation in the above-referenced docket.

Thank you. If you have any questions, please contact the undersigned.

Very truly yours,

Crystal Rivera, Secretary to
Paul S. Simmons

Encs.

Docket No. UE 399
Exhibit KWUA-OFBF/200
Witness: Lloyd C. Reed

BEFORE THE

PUBLIC UTILITY COMMISSION OF OREGON

KLAMATH WATER USERS ASSOCIATION
AND THE OREGON FARM BUREAU FEDERATION

REBUTTAL TESTIMONY OF

LLOYD C. REED

August 11, 2022

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Q. Are you the same Lloyd C. Reed that previously provided direct testimony in this case on behalf of the Klamath Water Users Association ("KWUA") and the Oregon Farm Bureau Federation ("OFBF")?

A. Yes.

I. PURPOSE AND SUMMARY

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony responds to certain revisions that PacifiCorp d/b/a Pacific Power (also referred to herein as "The Company" or "PAC") made in its July 19, 2022 reply testimony in its 2023 General Rate Case ("2023 GRC") in Docket UE 399 regarding three discrete issues that I addressed in my opening testimony. Specifically, these three issues are: (1) the forecast of the normalized Test Year annual energy load for the Schedule 41 customer class; (2) the computation of the Test Year weighted average of the monthly distribution peak loads for the Schedule 41 customer class; and (3) the Schedule 41 rate spread.

II. RESPONSE TO PACIFICORP'S REPLY TESTIMONY

Q. How do you organize your response to the Company's reply testimony?

A. I organize my response by topic: first, I address the forecasted Test Year normalized energy load for the Schedule 41 customer class. Next, I address the computation of the Test Year weighted average monthly distribution peak load for the Schedule 41 customer class. And finally, I address the Company's proposed revised rate spread and reiterate my proposal for a 1.0 rate spread to be applied to Schedule 41.

A. Forecasted Test Year Normalized Energy Load for the Schedule 41 Customer Class

Q. In your opening testimony, you expressed a concern regarding the magnitude of the forecasted Test Year annual normalized energy load for the Schedule 41 customer class. Can you briefly summary your concern?

A. Yes. In my opening testimony, I stated that it appeared that PacifiCorp had significantly overstated the normalized annual energy load forecast for the Schedule 41 customer class for the Test Year running from January 1, 2023-December 31, 2023.[1] Specifically, I noted that the Company's Schedule 41 Test Year annual normalized energy forecast was 17.5% higher than the normalized Base Period annual energy load. I also noted that representatives of KWUA and OFBF were not aware of any current trends in the agricultural industry in Oregon that might result in such a large increase in irrigation/pumping-related energy usage.

Q. It its reply testimony, did the Company respond to your concern regarding the forecasted Test Year annual normalized energy load for the Schedule 41 customer class?

A. Yes. In his reply testimony, Mr. Elder provided a response to my concern.[2] Upon further investigation of the original forecasted Test Year annual normalized energy load for the irrigation/pumping class that was incorporated into its opening testimony, PAC identified that the load forecast for irrigation/pumping customers who take service under Schedule 48 was disproportionally too low, which in turn caused the load forecast for

[1] *In the Matter of PacifiCorp d/b/a Pacific Powe Request for a General Rate Revision*, Docket No. UE 399 (Mar. 1, 2022). See Exhibit KWUA-OFBF/100, Reed/11-16.
[2] See Exhibit PAC/1800, Elder/1-2.

irrigation/pumping customers who take service under Schedule 41 to be disproportionally high.[3] Therefore, in its reply testimony the Company revised the allocation of the overall irrigation class-level forecasted Test Year normalized annual energy load between Schedules 23, 41, and 48 to incorporate four years of actual historical load data rather than the single year of historical data that was used in its original computations. This revision resulted in a forecasted Test Year annual normalized energy load for the Schedule 41 customer class that is 4.7% higher than the historical Base Period annual normalized energy load.

Q. Do you believe that the Company's revised forecasted Test Period annual normalized energy load for the Schedule 41 customer class, as incorporated in its reply testimony, is a reasonable forecast?

A. Yes.

B. <u>Computation of the Test Year Weighted Average of the Monthly Distribution Peak Loads for the Schedule 41 Customer Class</u>

Q. In your opening testimony, you expressed a concern regarding the Company's computation of the weighted average of the monthly distribution peak loads for the Schedule 41 customer class. Can you briefly summarize your concern?

A. Yes. First of all, the Company utilizes the weighted average of the monthly distribution peak loads to allocate certain Test Period demand-related distribution costs across all of its customer classes. In its opening testimony, the weighted average monthly distribution

[3] As Mr. Elder explains in his reply testimony, PAC first derives the forecasted Test Year annual energy load for the overall irrigation/pumping class, then it allocates that forecast among Schedules 23, 41, and 48 using historical actual load data. So, if the load forecast for one of the individual service schedules happens to be under-forecasted (for example, due to an anomaly in the chosen historical data period), a portion of the overall load forecast will be shifted to the other two schedules since the overall Test Year irrigation/pumping class load forecast remains constant.

peak loads for all customer classes were derived in the Company's Oregon Marginal Cost of Service Study ("2023 MCS") that was sponsored by Mr. Meredith.[4] In reviewing the computations contained in the 2023 MCS, I noted that the weighted average of the monthly distribution peak loads for the Schedule 41 customer class was approximately 88.1% higher than the comparable figure that was derived in the Company's previous 2021 MCS.[5] This result did not appear reasonable given that the highest Schedule 41 monthly distribution peak load incorporated in the 2023 MCS was only 7.7% higher than the highest Schedule 41 monthly distribution peak load that was previously incorporated in the 2021 MCS.

Q. In your opening testimony, did you make a proposal to address the apparent computational anomaly that you describe above regarding the derivation of the Test Year weighted average of the monthly distribution peak loads for Schedule 41 in the Company's 2023 MCS?

A. Yes. In my opening testimony, I proposed a three-step process to address this apparent computational anomaly.[6] First of all, in order to reduce the burden on the Company of re-computing the Test Year weighted average of the monthly distribution peak loads, I proposed no changes to the Company's general computational methodology that it employed in both its 2021 MCS and in its 2023 MCS; this same methodology would, however, be used to derive a preliminary set of weighted average distribution peak loads for all customer classes. Second, I proposed that a reasonableness check be performed on the preliminary results from Step 1 that would compare the percentage increase or

[4] See Exhibit PAC/1108, Meredith.
[5] Docket UE 374, Exhibit PAC/1408, Meredith/81.
[6] See Exhibit KWUA-OFBF/100, Reed/23-24.

decrease in each customer class's Test Year weighted average distribution peak load between the 2021 MCS and the 2023 MCS against the percentage increase or decrease in each customer class's highest monthly distribution peak load that occurred during the two 12-month historical Base Periods used in the 2021 MCS and the 2023 MCS. Lastly, I proposed that if the two peak load percentage increases/decreases derived in Step 2 varied by more than 5% for any customer class that PAC would apply a set of adjustments on a pro-rata basis to those class's preliminary Test Year weighted average of the monthly distribution peak load figures such that the final Test Year weighted average peak load figures were within the +/- 5% bandwidth. The results of this three-step re-allocation process were summarized in Table 2 of my opening testimony.

Q. It its reply testimony, did the Company respond to your concern regarding the apparent anomaly in the computation of the Test Year weighted average of the monthly distribution peak loads for the Schedule 41 customer class?

A. Yes. In his reply testimony, Mr. Meredith provided a response to my concern.[7] Mr. Meredith noted that the computational anomaly I identified was primarily due to the severe "heat dome" event that engulfed the West Coast in late June 2021. This unprecedented weather event caused a shift in monthly peak load usage patterns for the Company's Oregon customers during the historical Base Period which, in turn, impacted the computation of the Test Year weighted average monthly distribution peak loads for the Schedule 41 customer class in PAC's 2023 MCS.

[7] See Exhibit PAC/2100, Meredith/7-8.

Q. Did the Company agree to implement your proposed adjustment to the computation of the Test Year weighted average of the monthly distribution peak loads in order to compensate for the unprecedented weather event that occurred in June 2021?

A. No. However, in his reply testimony, Mr. Meredith performed an updated 2023 MCS in which he recalculated the Test Year weighted average of the monthly distribution peak loads using 36-months of historical peak load data instead of the 12-months of peak load data that were incorporated into his initial 2023 MCS.[8] This revision acted to "smooth out" the impacts of the unusual June 2021 heat dome event across a longer time period. I also note that utilizing a 36-month historical time period (instead of only a 12-month period) to forecast the Test Period weighted average of the monthly distribution peak loads is akin to the temperature normalization process that the Company routinely uses in forecasting its Test Year energy loads for all of its customer classes. The end result of Mr. Meredith's revised computations resulted in the Test Year weighted average of the distribution peak loads for the Schedule 41 customer class increasing by 26% as compared against the figure derived in the Company's previous 2021 MCS.[9]

Q. Do you believe that the Company's revised methodology for deriving the Test Year weighted averages of the monthly distribution peak loads adequately responded to the concern you raised in your opening testimony?

A. Yes. Although PAC did not adopt the adjustment process that I proposed in my opening testimony, I nevertheless believe that the Company's reply testimony methodology for

[8] See Exhibit PAC/2103, Meredith.
[9] See Exhibit PAC/2100, Meredith/8.

deriving the Test Year weighted averages of the monthly distribution peak loads produces reasonable results.

C. Schedule 41 Rate Spread

Q. Can you please summarize your proposal from your opening testimony regarding the Rate Spread to be applied to the Company's Schedule 41 irrigation/pumping customers?

A. Yes. In my opening testimony, I proposed that the rate spread for the Schedule 41 customer class be established at 1.0; that is the rate increase for Schedule 41 customers would be established at 1.0 times the average rate increase across all of PacifiCorp's customer classes.[10] In making this proposal, I noted that a rate spread of 1.0 is currently in place for Pacific Power's similarly situated irrigation/pumping customers located in Washington and that Pacific Power has also proposed in its currently ongoing General Rate Case in California that a rate spread of 1.0 would also be applied to its similarly situated irrigation/pumping customers located in that state.[11] Therefore, the only state in which Pacific Power serves irrigation/pumping customers that does not have a 1.0 rate spread incorporated into the applicable service tariff are those Pacific Power customers located in Oregon.

Q. In its reply testimony, did the Company respond to your proposal regarding the 1.0 rate spread to be applied to the Schedule 41 customer class?

A. No.

[10] See Exhibit KWUA-OFBF/100, Reed/27-28.
[11] See Exhibit KWUA-OFBF/100, Reed/26-27.

Q. In its reply testimony, did the Company make any revisions to the rate spread as it applies to all customer classes?

A. Yes. In its opening testimony, the Company proposed that the maximum rate increase to any individual customer class would be limited to 2.0 times the average rate increase across all customer classes.[12] However, in its reply testimony, PAC proposed that the maximum rate increase to any individual customer class would be limited to 1.5 times the average rate increase across all customer classes.[13] In addition, in its reply testimony, PAC revised some of the Rate Mitigation Adjustments ("RMAs"); these adjustments also acted to change the rate spread as it applies to several individual customer classes.[14]

Q. Can you briefly summarize the revisions to the rate spread that the Company proposed in its reply testimony?

A. Yes. The Company's rate spread as it proposed in its opening testimony and the revised rate spread as it proposed in its reply testimony are summarized for all customer classes in Table 1:

[12] See Exhibit PAC/1100, Meredith/15.
[13] See Exhibit PAC/2100, Meredith/14.
[14] See Exhibit PAC/2016, Meredith/1-3.

Table 1

Rate Schedule	PAC Opening Testimony		PAC Reply Testimony	
	Proposed Rate Increase (%)	Proposed Rate Spread	Proposed Rate Increase (%)	Proposed Rate Spread
Residential Schedule 4	9.1	1.38	9.3	1.35
Schedule 23/723 (0-30 KW)	9.5	1.44	10.4	1.50
Schedule 28/728 (31-200 KW)	0.0	0.00	0.0	0.00
Schedule 30/730 (201-999 KW)	0.0	0.00	0.0	0.00
Schedules 47/747, 48/748 (>=1,000 KW)	5.9	0.89	7.0	1.01
Irrigation/Pumping Schedule 41	13.2	2.00	10.4	1.50
Lighting Schedules	0.0	0.00	0.0	0.00
Overall	6.6		6.9	

Q. You previously mentioned that the Company made some revisions to the RMAs in its reply testimony as compared to what it proposed in its opening testimony. Did PAC make a revision to the Schedule 41 RMA?

A. Yes. In its opening testimony, the Company proposed to apply an RMA credit of $5.90M to the Schedule 41 Base Rate increase, which resulted in a Schedule 41 Net Rate increase of 13.2%.[15] However, in its reply testimony, PAC proposed to apply *a reduced RMA credit* of $3.53M to the Schedule 41 Base Rate increase, which resulted in a Schedule 41 Net Rate increase of 10.4%.[16]

[15] See Exhibit PAC/1110, Meredith/2, line 9.
[16] See Exhibit PAC/2106, Meredith/2, line 9.

Q. Do you agree with the Company's proposal in its reply testimony to reduce the RMA credit to the Schedule 41 customer class by $2.37M as compared to what it previously proposed in its opening testimony?

A. No. However, I believe that some middle ground exists whereby the RMA credit to be applied to the Schedule 41 Base Rate increase can be established at a point in between the Company's initial proposal and its revised proposal that would produce my recommended result of a 1.0 rate spread for the Schedule 41 customer class. Specifically, I note that with all other factors held constant, establishing the Schedule 41 RMA credit at approximately $4.31M would result in a 1.0 rate spread for the Schedule 41 customer class. In other words, my recommendation of establishing the rate spread for Schedule 41 at 1.0 could be achieved by employing an RMA that is *within the range of the RMA credits that the Company has already proposed in this proceeding.* Furthermore, I am not aware of any party objecting in its opening testimony to the magnitude of the higher $5.90M RMA credit that the Company initially proposed be applied to Schedule 41. In summary, with all other factors held constant, a 1.0 rate spread for the Schedule 41 customer class can be achieved by the Company applying an RMA credit that is actually smaller than what PAC initially proposed in its opening testimony. I therefore continue to recommend that the Company establish the rate spread for the Schedule 41 customer class at 1.0.

Q. Does this conclude your testimony?

A. Yes.