



KATHERINE MCDOWELL
Direct (503) 595-3924
katherine@mrg-law.com

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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 First Partial Stipulation.

Please contact this office with any questions.

Sincerely,

Katherine McDowell

Attachment

Docket No. UE 399
Exhibit: Stipulating Parties/200

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

STIPULATING PARTIES

JOINT TESTIMONY IN SUPPORT OF FIRST PARTIAL STIPULATION

September 23, 2022

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1 **I. PURPOSE OF TESTIMONY**

2 **Q. Who is sponsoring this testimony?**

3 A. This testimony is jointly sponsored by PacifiCorp (PacifiCorp or Company), Staff of the
4 Public Utility Commission of Oregon (Staff), and the Oregon Citizens' Utility Board
5 (CUB), together referred to as the Stipulating Parties.

6 **Q. Please provide your names and qualifications.**

7 A. Our names are Joelle Steward, Steve Storm, and Bob Jenks. The qualifications for Ms.
8 Steward, the sponsor for PacifiCorp, are set forth in PAC/100, Steward/1. The
9 qualifications for Mr. Storm, the sponsor for Staff, are set forth in Exhibit Staff/1701.
10 The qualifications for Mr. Jenks, the sponsor for CUB, are set forth in CUB/101.

11 **Q. What is the purpose of this joint testimony?**

12 A. This joint testimony describes and supports the First Partial Stipulation on Wildfire
13 Mitigation and Vegetation Management Issues (First Partial Stipulation) filed in Docket
14 UE 399, PacifiCorp's 2022 general rate case. The Stipulation resolves all issues related to
15 wildfire mitigation and vegetation management in this case.

16 **Q. Has any party to Docket UE 399 objected to the First Partial Stipulation?**

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

19 **II. BACKGROUND**

20 **Q. Please describe PacifiCorp's direct filing in Docket UE 399 specific to wildfire**
21 **mitigation and vegetation management issues.**

22 A. On March 1, 2022, PacifiCorp filed its 2023 general rate case, which included direct
23 testimony on wildfire mitigation and vegetation management issues. PacifiCorp also filed

1 a revised Wildfire Mitigation and Vegetation Management Mechanism (WMVM) and a
2 revised tariff sheet for Schedule 94 to implement its proposed WMVM adjustments.

3 **Q. What did PacifiCorp request in its direct filing?**

4 A. In its direct testimony, the Company supported an increase in base rates to cover its
5 expanded wildfire mitigation and vegetation management programs. The Company also
6 proposed to remove incremental wildfire mitigation costs covered by the Company's
7 Wildfire Protection Plan (WPP) from the WMVM. Instead, the Company proposed to
8 collect these costs through a WPP automatic adjustment clause, in accordance with ORS
9 757.963. Finally, the Company proposed modifications to certain components of the
10 WMVM to better align recovery of incremental vegetation management costs with the
11 Company's vegetation management program.

12 **Q. Is this the first time PacifiCorp requested recovery of wildfire mitigation and**
13 **vegetation management costs?**

14 A. No. In PacifiCorp's 2021 general rate case, Docket UE 374, the Company requested and
15 the Commission approved the WMVM to allow the Company to recover incremental
16 wildfire mitigation and vegetation management costs (i.e., those costs PacifiCorp
17 reasonably incurs above the amounts included in base rates) outside a general rate case.
18 The WMVM Mechanism approved in Order No. 20-473 allows the Company recovery of
19 capital costs and operations and maintenance (O&M) expenses related to wildfire
20 mitigation and vegetation management for a period of three years (2021 through 2023).¹

21 **Q. Did Staff review and analyze the issues related to wildfire mitigation and vegetation**
22 **management in this case?**

¹ *In Re PacifiCorp, dba Pacific Power, Request for a General Rate Revision*, Docket No. UE 374, Order No. 20-473 (Dec. 18, 2020).

1 A. Yes. Staff conducted extensive discovery on these issues.

2 **Q. In its opening testimony dated June 22, 2022, did Staff propose adjustments to**
3 **issues related to wildfire mitigation and vegetation management?**

4 A. Staff was the only party to submit testimony addressing wildfire mitigation and
5 vegetation management issues. Staff proposed certain adjustments to PacifiCorp's base
6 rate increase for wildfire mitigation and vegetation management costs, including
7 \$6.5 million reduction in vegetation management and wildfire mitigation costs in base
8 rates and a ten percent "holdback" of forecast costs for vegetation management and
9 wildfire mitigation in base rates. Staff also opposed PacifiCorp's proposed revisions to
10 the WMVM.

11 **Q. Did the Company respond to these adjustments and recommendations in its reply**
12 **testimony?**

13 A. Yes, PacifiCorp filed reply testimony from Joelle R. Steward and Allen Berreth on July
14 19, 2022, addressing wildfire mitigation and vegetation management issues. The
15 Company opposed Staff's proposed reduction in base rates and disagreed with Staff's
16 proposal for a ten percent "holdback" of forecast costs.

17 **Q. When did the Stipulating Parties reach the settlement reflected in the First Partial**
18 **Stipulation?**

19 A. The Stipulating Parties reached an agreement on the First Partial Stipulation on August
20 10, 2022.

21 **Q. Were Staff's proposed adjustments resolved by this First Partial Stipulation?**

22 A. Yes. The Stipulating Parties agree that the settlement resolves Staff's proposed
23 adjustments for a \$6.5 million reduction in vegetation management and wildfire

1 mitigation costs in base rates and a ten percent “holdback” of forecast costs for vegetation
2 management and wildfire mitigation in base rates.

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

4 A. Yes, however, because the wildfire mitigation and vegetation management issues were
5 addressed on August 10th, the subsequent testimony did not include discussion of these
6 issues.

7 **III. KEY PROVISIONS OF THE FIRST PARTIAL STIPULATION**

8 **A. Overview of the First Partial Stipulation**

9 **Q. What is the Stipulating Parties’ agreement on the Company’s 2022 wildfire
10 mitigation and vegetation management issues?**

11 A. The Stipulating Parties agree that PacifiCorp will:

- 12 • Increase wildfire mitigation and vegetation management expense included in the
13 Company’s base rates from \$30 million to \$69.7 million;
- 14 • Track its actual wildfire mitigation and vegetation management spending in base rates
15 and defer any unspent amounts for future Commission disposition; and
- 16 • Recover incremental vegetation management costs through the WMVM.

17 In addition, the Stipulating Parties agreed to:

- 18 • Address the recovery of incremental wildfire mitigation costs in PacifiCorp’s
19 application for a WPP automatic adjustment clause, now pending in Docket UE 407;
- 20 • Eliminate the two-tiered approach from the WMVM;
- 21 • Extend the WMVM through 2024, such that the modified WMVM will apply to
22 requests for recovery under WMVM filed in 2023, 2024, and unless the Company
23 files another general rate case, in 2025; and

- 1 • Modify the recovery of incremental costs associated with WMVM violation levels.

2 **B. Expense in Base Rates**

3 **Q. Please describe the Stipulating Parties' agreement on wildfire mitigation and**
4 **vegetation management expense in base rates.**

5 A. The Stipulating Parties agree to increase wildfire mitigation and vegetation management
6 expense included in PacifiCorp's base rates from \$30 million to \$69.7 million, which
7 includes \$50 million in vegetation management expense and \$19.7 million in wildfire
8 mitigation expense. These changes result in a reduction of expense of approximately
9 \$300 thousand.

10 **C. Capital Costs in Base Rates**

11 **Q. Please describe the Stipulating Parties' agreement on wildfire mitigation and**
12 **vegetation management capital costs in base rates.**

13 A. The Stipulating Parties agree that PacifiCorp's base rates should reflect the revenue
14 requirement impact of PacifiCorp's wildfire capital investments in this case. These
15 investments total \$34.7 million, and all will be in service by January 1, 2023. Prior to the
16 rate effective date, the Company will provide a single attestation from an officer of
17 PacifiCorp verifying the final dollar amount for wildfire capital projects that have been
18 placed in service by January 1, 2023.

19 **Q. Does the First Partial Stipulation address the potential issue of the wildfire capital**
20 **projects not being complete and in service by January 1, 2023?**

21 A. Yes, the Stipulating Parties agree that under those circumstances, the revenue
22 requirement associated with those projects will be removed from the test year rate base

1 and the January 1, 2023 base rate change so that customer rates do not reflect charges for
2 plant not presently used and useful.

3 **D. Incremental Costs**

4 **Q. Did the Stipulating Parties agree that PacifiCorp's incremental vegetation**
5 **management costs will be recovered through the WMVM?**

6 A. Yes, the Stipulating Parties agree that PacifiCorp's incremental vegetation management
7 costs will be recovered through the WMVM.

8 **Q. Did the Stipulating Parties agree that PacifiCorp's incremental wildfire mitigation**
9 **costs will be addressed in Docket UE 407?**

10 A. Yes. The Stipulating Parties agree that they will address the request for recovery of
11 incremental wildfire mitigation costs, as set forth in PacifiCorp's WPP, in PacifiCorp's
12 application for a WPP automatic adjustment clause, now pending in Docket UE 407.

13 **E. Modification of WMVM**

14 **Q. Please describe the modifications to the WMVM agreed upon by the Stipulating**
15 **Parties.**

16 A. The Stipulating Parties agree to modify the current WMVM in three ways.

17 First, the Stipulating Parties agree to eliminate the two-tiered approach, under
18 which the first tier is subject to a more rigorous earnings review than the second tier.
19 Specifically, under the two-tiered approach, the first incremental \$6.645 million in capital
20 and O&M expenditures is subject to recovery using certain violation and earnings
21 parameters, while the costs beyond the first incremental \$6.645 million are subject only
22 to an earnings test set at the Company's authorized return on equity, except in limited

1 circumstances.²

2 Second, the Stipulating Parties agree to extend the WMVM, which now covers
3 incremental costs incurred through the end of 2023, by one year to include incremental
4 costs incurred through 2024, unless PacifiCorp files a general rate case with a new
5 forecast for 2024.

6 Third, the Stipulating Parties agree to modify the WMVM violation levels as
7 follows:

Performance Metric	Number of Violations	Earnings Test
Below Violation Level 1	0-150	None
Above Violation Level I, but below Violation Level II	151-225	Authorized ROE minus 100 basis points
Above Violation Level II, but below Violation Level III	226-325	Authorized ROE minus 150 basis points
Above Violation Level III	326+	Authorized ROE minus 200 basis points

8 **Q. What periods are covered by the modifications to the WMVM reflected in the First**
9 **Partial Stipulation?**

10 A. The Stipulating Parties agree that the modified WMVM will apply to requests for
11 recovery under the WMVM filed in 2023 (for 2022 vegetation management and wildfire
12 mitigation costs incremental to \$30 million in base rates), 2024 (for 2023 vegetation

² Docket UE 374, Order No. 20-473 at 121-122.

1 management costs incremental to \$50 million in base rates), and, unless PacifiCorp has
2 filed another general rate case with new forecast costs for 2024, 2025 (for 2024
3 vegetation management costs incremental to \$50 million in base rates).

4 **F. Tracking of Costs**

5 **Q. Please describe the Stipulating Parties' agreement on PacifiCorp's tracking of**
6 **vegetation management costs.**

7 A. On an annual basis, PacifiCorp will track its actual vegetation management costs in
8 relation to the \$50.0 million of costs included in base rates to determine the amount of
9 incremental costs or costs below base rate levels. PacifiCorp will defer any annual
10 difference between what has been included in base rates and actual costs when actuals are
11 less than \$50.0 million to allow the Commission to consider how to address this
12 differential. The Stipulating Parties agree to support PacifiCorp's requests for ongoing
13 deferral of these costs.

14 **Q. Did the Stipulating Parties also agree to a process for tracking wildfire mitigation**
15 **costs?**

16 A. Yes. The Parties agree that on an annual basis, PacifiCorp will track its actual wildfire
17 mitigation costs in relation to the \$19.7 million of wildfire mitigation costs in base rates
18 to determine the amount of incremental costs or costs below base rate levels. The
19 Stipulating Parties agree to ask the Commission to address treatment of these differences
20 in the Company's WPP automatic adjustment clause filing, Docket UE 407.

21 **Q. If the Commission rejects any part of the First Partial Stipulation, are the**
22 **Stipulating Parties entitled to reconsider their participation in the First Partial**
23 **Stipulation?**

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

5 **IV. REASONABLENESS OF THE FIRST PARTIAL STIPULATION**

6 **Q. What is the basis for the First Partial Stipulation?**

7 A. Through three rounds of testimony addressing wildfire mitigation and vegetation
8 management issues, the Stipulating Parties created an extensive record in this case. The
9 Company responded to multiple data requests. Parties had several settlement conferences
10 and resolved their differences through dialogue and negotiations. The First Partial
11 Stipulation resolved several important wildfire mitigation and vegetation management
12 issues.

13 **Q. Please explain why the Stipulating Parties believe that the Commission should adopt**
14 **the First Partial Stipulation.**

15 A. The First Partial Stipulation represents a reasonable compromise of the numerous and
16 complex issues raised in this case, including, but not limited to the fact that the First
17 Partial Stipulation:

- 18 • results in sufficient funding to allow PacifiCorp the means to mitigate wildfire
19 risk and implement preventative actions and programs to minimize risks of utility
20 facilities causing a wildfire;
- 21 • does not prevent the Stipulating Parties from taking any position on the legal
22 requirements of ORS 757.963 in PacifiCorp's WPP automatic adjustment clause
23 filing, Docket UE 407 or other proceeding;
- 24 • resolves the tracking, reporting, and oversight of PacifiCorp's wildfire and
25 vegetation management expenditures and deferral of unspent dollars; and

- 1 • provides for reasonable WMVM violation levels and earnings tests for recovery
2 of incremental vegetation management costs.

3 The Stipulating Parties agree that this agreement represents a compromise among
4 competing interests and a resolution of all contested issues related to wildfire mitigation
5 and vegetation management in this docket.

6 **Q. Have the Stipulating Parties evaluated the overall fairness of the First Partial**
7 **Stipulation?**

8 A. Yes. Each Stipulating Party has reviewed the record in this case and the First Partial
9 Stipulation. The Stipulating Parties agree that the rates resulting from the First Partial
10 Stipulation meet the standard set forth in ORS 756.040 and represent a reasonable
11 compromise of the issues presented in this case.

12 **Q. What do the Stipulating Parties recommend regarding the First Partial Stipulation?**

13 A. The Stipulating Parties recommend that the Commission adopt the First Partial
14 Stipulation as the basis for resolving all wildfire mitigation and vegetation management
15 issues in this case, and request that the Commission include the terms and conditions of
16 the First Partial Stipulation in its final order in this case.

17 **Q. Does this conclude your joint testimony?**

18 A. Yes.