

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 374

In the Matter of)
)
PACIFICORP, dba PACIFIC POWER)
)
Request for a General Rate Revision.)
)
)
_____)

**REBUTTAL TESTIMONY OF LANCE D. KAUFMAN
ON BEHALF OF
ALLIANCE OF WESTERN ENERGY CONSUMERS**

(REDACTED VERSION)

July 24, 2020

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I. INTRODUCTION AND SUMMARY

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Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Lance Kaufman. I am the principal economist of Aegis Insight. My qualifications are included in Exhibit AWEC/301. I am testifying on behalf of the Alliance of Western Energy Consumers (“AWEC”).

Q. ARE YOU THE SAME LANCE KAUFMAN WHO FILED OPENING TESTIMONY AND REBUTTAL/CROSS ANSWERING TESTIMONY ON DECOMMISSIONING COSTS FOR AWEC?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I respond to PacifiCorp, dba Pacific Power’s (“PacifiCorp” or “Company”) Reply Testimony as well as the Opening Testimony of Oregon Public Utility Commission (“Commission”) Staff and the Oregon Citizens’ Utility Board (“CUB”).

Q. HAVE THERE BEEN ANY DEVELOPMENTS SINCE PACIFICORP FILED REPLY TESTIMONY?

A. Yes. The parties to this docket have reached a settlement in principle on all rate spread and rate design issues. Accordingly, my testimony does not address these issues.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. I make the following recommendations in my testimony:

1. Find the cost of PacifiCorp’s Jim Bridger Units 3 and 4 SCR and Hunter Unit 1 Baghouse and SCR investments not prudent. Exclude the associated costs from rates.
2. Use the decommissioning and remediation costs originally filed in UM 1968. If the Commission relies on the Kiewit decommissioning study, include AWEC’s proposed adjustments, as modified in this Rebuttal Testimony.

- 1 3. Reject PacifiCorp’s proposal to offset the unrecovered investment in Cholla Unit
2 4 with Tax Cuts and Jobs Act (“TCJA”) benefits; additionally, exclude certain
3 costs associated with Cholla from rates, as initially recommended by Bradley G.
4 Mullins and modified in this Rebuttal Testimony.
- 5 4. Exclude certain costs associated with the Deer Creek Mine closure, as initially
6 recommended by Mr. Mullins and modified in this Rebuttal Testimony.
- 7 5. Reject PacifiCorp’s Annual Power Cost Adjustment (“APCA”) proposal.
- 8 6. Condition the prudence of the Energy Vision 2020 Projects and transmission on
9 the cost and benefit commitments identified in Mr. Mullins’ testimony.
- 10 7. Reject PacifiCorp’s wildfire mitigation cost recovery mechanism; alternatively,
11 condition cost recovery under any approved mechanism on an earnings test.
- 12 8. Modify the TAM guidelines to require PacifiCorp to provide most workpapers
13 concurrently with its initial annual filing.
- 14 9. Consider CUB’s recommendation for a non-bypassable charge on direct access
15 to recover coal plant decommissioning costs in UM 2024.

16 **Q. ARE YOU ADOPTING PREVIOUSLY FILED TESTIMONY IN THIS CASE?**

17 A. Yes. I am adopting the Opening Testimony of Bradley Mullins.

18 **Q. HOW HAVE YOUR RECOMMENDATIONS CHANGED RELATIVE TO**
19 **OPENING TESTIMONY?**

20 A. I have reviewed PacifiCorp’s rebuttal testimony related to the issues that I raised or
21 adopted from Mr. Mullins. I also reviewed related testimony from Staff, Citizens’ Utility
22 Board (“CUB”), and Sierra Club. As a result of this review, I withdraw some
23 recommendations where the concerns raised in Opening Testimony have been resolved. I
24 also modify or provide alternate recommendations for issues where PacifiCorp’s reply

1 testimony adequately addresses the issue. I withdraw Mr. Mullins' wind repowering
2 removed equipment amortization adjustment. I also withdraw Mr. Mullins' Deer Creek
3 ratebase adjustment. I modify the recommended treatment of liquidated damages and
4 other future costs not appropriately considered unrecovered investment to allow
5 PacifiCorp to defer these costs. Finally, I withdraw certain concerns related to
6 PacifiCorp's proposed changes to the Transition Adjustment Mechanism ("TAM")
7 guidelines.

8 **Q. DO YOU HAVE ANY GENERAL COMMENTS IN RESPONSE TO**
9 **PACIFICORP'S REPLY TESTIMONY?**

10 A. PacifiCorp's testimony contains bald assertions that appear to be attempts to discredit my
11 testimony. For example, PacifiCorp incorrectly argues that my testimony is inconsistent
12 with past testimony or comments.^{1/} PacifiCorp asserts that I misrepresent important facts,
13 which I do not.^{2/} PacifiCorp states that my analysis is seemingly random and concludes
14 that the Commission should disregard AWEC's analysis entirely.

15 PacifiCorp complains about details of my adjustments that were not fully
16 explained, and does not understand why I made modeling choices, but PacifiCorp did not
17 submit a single discovery request or attempt informal communication regarding any of
18 my testimony or analysis. In place of my analysis, PacifiCorp proposes that the
19 Commission rely on vague assertions of "certainty",^{3/} offers numerous counter claims
20 with no supporting analysis or data,^{4/} and recommends the Commission rely on analysis
21 which PacifiCorp admits is incorrect.^{5/}

^{1/} PAC/2300 Link/32, 37, and 38.

^{2/} PAC/2300 Link/38

^{3/} Id. at 49:13-17.

^{4/} See, for example, AWEC/501 at 21-22 (PacifiCorp response to AWEC DR 138 and 139).

^{5/} AWEC/501 at 29 (PacifiCorp response to AWEC DR 145).

1 **Q. IS YOUR TESTIMONY IN THIS CASE CONSISTENT WITH YOUR PAST**
2 **TESTIMONY AND ANALYSIS?**

3 A. Yes. PacifiCorp argues that my testimony is inconsistent with my testimony in Docket
4 No. UE 307^{6/} and Staff comments from the 2013 IRP.^{7/} However, I did not sponsor or
5 approve Staff comments in the 2013 IRP. In UE 307 I testified that PacifiCorp was
6 imprudently investing in Bridger Coal Company rather than burning Powder River Basin
7 coal at the Bridger Plant. My analysis in that docket looked at coal costs over a 20-year
8 period. PacifiCorp claims this is inconsistent with my current testimony which argues
9 that PacifiCorp should have included an analysis of pollution control investments with
10 plant lives consistent with Oregon depreciable lives.

11 My testimony remains consistent because I am not arguing that PacifiCorp should
12 have performed all 2013 IRP analysis with a 2025 Jim Bridger retirement date. I present
13 that analysis as an important scenario which PacifiCorp failed to analyze. My testimony
14 and analysis in UE 307 could certainly have included IRP-type sensitivity analyses.
15 However, the testimony that PacifiCorp was concerned with was net power cost
16 testimony, which is generally acknowledged to have a narrower scope and should not be
17 expected to replicate IRP-type analysis.

18 **Q. WAS PACIFICORP ACCURATE IN CLAIMING THAT YOUR TESTIMONY**
19 **MISREPRESENTED IMPORTANT FACTS?**

20 A. No. PacifiCorp asserts that I misrepresent important facts regarding the 2013 IRP.^{8/} In
21 Opening Testimony I note that the IRP coal analysis Table V3.9 reflected results from the
22 Wyoming and Utah CPCN process. PacifiCorp asserts that this is a misrepresentation.

^{6/} PAC/2300, Link/32
^{7/} PAC/2300, Link/37
^{8/} PAC/2300, Link/38:12-18.

1 However, the paragraph immediately preceding this table in the 2013 IRP states “Table
2 V3.9 shows the PVRR(d) results among the nine different scenarios analyzed in support
3 of the Jim Bridger Unit 3 and Unit 4 CPCN analysis.” If the table in fact represented new
4 analysis and not reproductions of the CPCN analysis, it was the 2013 IRP that was
5 misrepresenting facts, not my testimony in this Docket.

6 **Q. DO YOU HAVE MORE DIRECT RESPONSES TO PACIFICORP’S CONCERNS**
7 **WITH YOUR TESTIMONY AND ANALYSIS?**

8 A. Yes, I address PacifiCorp’s specific concerns with my testimony by issue below. This
9 section is presented as a general response to PacifiCorp’s inaccurate attack on my
10 credibility.

11 II. POLLUTION CONTROL INVESTMENTS

12 **Q. PLEASE SUMMARIZE THIS ISSUE.**

13 A. In Opening Testimony, I argue that PacifiCorp’s Jim Bridger and Hunter pollution
14 control investments were imprudent. I identified multiple failures in PacifiCorp’s
15 approach to analyzing the investments and I showed that, given information available at
16 the time, PacifiCorp should have known that the investments would be uneconomic. In
17 this section I respond to PacifiCorp’s specific concerns with my analysis and I
18 demonstrate that PacifiCorp did not dispute my specific numbers or results.

19 In responding to my testimony PacifiCorp raised long-term fuel supply issues
20 associated with Jim Bridger. Jim Bridger’s long-term fuel supply challenges are another
21 component of Jim Bridger costs that PacifiCorp failed to account for in the SCR
22 investment decision. I supplement my Opening Testimony arguments by presenting
23 additional evidence regarding the long-term fuel supply for Jim Bridger and alternative
24 compliance scenarios.

1 **Q. WHAT ISSUES DID YOU ANALYZE IN YOUR OPENING TESTIMONY IN**
2 **RELATION TO THE JIM BRIDGER SCRS AND HUNTER BAGHOUSE AND**
3 **LOW NOX BURNERS?**

4 A. My Opening Testimony raised the following concerns regarding the pollution control
5 investments:

6 a) Oregon social and political landscape.

7 b) Risk related to coal costs.

8 c) Risk related to market sales.

9 d) Potential economies associated with alternative compliance.

10 e) Potential value of water rights.

11 **Q. WHAT WAS PACIFICORP'S RESPONSE TO YOUR ANALYSIS OF THE**
12 **OREGON POLITICAL LANDSCAPE?**

13 A. I argued that in 2013 Oregon's political landscape pointed to future challenges for coal
14 generation. I stated that PacifiCorp should have included analysis of the SCRs under
15 PacifiCorp's depreciable life. PacifiCorp's response was to misinterpret and discredit my
16 testimony. PacifiCorp offers no alternative analysis demonstrating that SCRs would be
17 economic under a 2025 retirement date for the "with SCR" scenario for Jim Bridger^{9/} or a
18 2029 retirement date for the "with baghouse" scenario for Hunter.^{10/} PacifiCorp does not
19 and cannot dispute that these retirement dates would have made the investments
20 uneconomic.

^{9/} Instead PacifiCorp appears to misinterpret my testimony by providing analysis of a 2025 depreciable life but a 2037 retirement date. PAC/2300, Link/31

^{10/} AWEC 501 at 21 (PacifiCorp Response to AWEC DR 138).

1 **Q. WHAT IS THE BASIS FOR PACIFICORP ASSUMING A 2037 RETIREMENT**
2 **DATE FOR JIM BRIDGER?**

3 A. PacifiCorp appears to have no basis for this. In response to AWEC discovery, PacifiCorp
4 indicates the basis was the Company's depreciation study.^{11/} I participated in the
5 Company's most recent depreciation docket. The Company's depreciation consultant
6 relies on PacifiCorp-provided retirement dates for Jim Bridger. PacifiCorp provides
7 retirement dates to the consultant that are consistent with its IRP. This results in a circular
8 rationale that ignores the fact that, prior to the 2013 IRP, Oregon had set Jim Bridger's
9 depreciable life at 2025. To the extent that the basis for the retirement date is simply to
10 align with the depreciable life, the Oregon depreciable life is as reasonable or a more
11 reasonable end of life date than the non-Oregon depreciable life.

12 **Q. HOW DOES PACIFICORP RESPOND TO YOUR ASSERTION THAT COAL**
13 **COSTS ARE UNCERTAIN AND THAT PACIFICORP SHOULD HAVE**
14 **MODELED COAL RISK?**

15 A. PacifiCorp argues that coal costs have little variance but goes on to admit that the
16 observed variance in coal costs is due to variations in annual consumption at Jim
17 Bridger.^{12/}

18 **Q. IS PACIFICORP CORRECT THAT BCC COAL COST HAS LITTLE**
19 **VARIENCE?**

20 A. No. PacifiCorp asserts without providing evidence that coal costs have historically had
21 lower variance than natural gas, and that this provides a basis for not testing sensitivity of
22 the SCR investments to elevated coal costs. PacifiCorp provides no analysis of historic
23 data to support this assertion. I asked PacifiCorp to provide BCC actual and forecasted
24 coal costs for ten years prior to the 2013 IRP, and PacifiCorp declined to provide data

^{11/} AWEC/501at 18 (PacifiCorp Response to AWEC DR 134).

^{12/} PAC/2600, Ralston/16: 19-17:13.

1 prior to 2011.^{13/} The price per ton went from \$34 in 2010^{14/} to \$94 in 2016. Even if the
2 market price for coal is more stable than natural gas (which has not been established)
3 there has been a clear and striking divergence of BCC coal from market coal costs.
4 PacifiCorp also admits that the cost of BCC coal is sensitive to volumes, and therefore
5 the level of dispatch of Jim Bridger.^{15/}

6 **Q. SHOULD PACIFICORP HAVE KNOWN THAT COAL COSTS WOULD BE**
7 **HIGHER THAN EXPECTED?**

8 A. Yes. Three potential scenarios for Jim Bridger span the range of reasonable outcomes for
9 Jim Bridger fuel needs: low coal consumption, base case or medium coal consumption,
10 and high coal consumption. All three scenarios result in higher costs than assumed by
11 PacifiCorp.

12 The base and high coal consumption scenario results in a depletion of Bridger
13 Coal Company coal reserves, and a transition to market supply for coal. PacifiCorp's
14 2013 Business Plan showed BCC coal reserve depletion in 2024.^{16/} Staff notes in UE 307
15 that PacifiCorp's 2013 expectation for the cost of transitioning to market coal included a
16 [REDACTED] investment to enhance railroad unloading facilities,^{17/} and that this
17 investment was not modeled in the 2013 IRP's SCR scenario analysis.^{18/} This means both
18 the base expectation and the high coal consumption scenario should have had higher coal
19 costs than used in the 2013 IRP and that this information was available to PacifiCorp in
20 2013.

^{13/} AWEC/501 at 16-17 (PacifiCorp Response to AWEC DR 133 Confidential Attachment).

^{14/} Docket UE 207, Staff/200, Dougherty/12.

^{15/} PAC/2600, Ralston/16.

^{16/} Docket UE 307, Staff/200, Kaufman/68 lines 12 and 13.

^{17/} AWEC/501 at 19, 37-38 (Response to AWEC DR 135, Docket UE 307 Staff/400, Kaufman/19).

^{18/} Docket UE 307 Staff/200, Kaufman/68 lines 12 and 13; AWEC/501 at 35-36 (OPUC DR 1 from UE 307).

1 The low coal consumption scenario drives BCC coal costs higher due to the fixed
2 operating costs of BCC. According to PacifiCorp, this is the reason actual coal costs were
3 substantially higher than forecasted coal costs. PacifiCorp should have been aware in
4 2013 that BCC coal costs were sensitive to volume, and that a low coal use scenario
5 would result in increased coal costs. This means all three reasonable scenarios for BCC
6 coal costs indicate higher coal costs than used in the 2013 IRP and that this information
7 was available to PacifiCorp in 2013.

8 **Q. HOW DID PACIFICORP MODEL BCC COAL COSTS IN THE 2013 IRP?**

9 A. PacifiCorp used a single coal cost input for all scenarios and sensitivities.^{19/} PacifiCorp's
10 BCC cost forecast appears static and was not sensitive to Jim Bridger dispatch volumes.
11 The forecast used a price per MMBTU that was, on average, [REDACTED] than
12 PacifiCorp's 2013 Business Plan coal forecast which was generated at the same time.²⁰

13 *Figure 1 Confidential BCC Coal Cost Forecasts*



14 **Q. HOW DID PACIFICORP RESPOND TO YOUR CONCERN REGARDING**
15 **MARKET PRICES?**

16 A. PacifiCorp observed that market prices were tied to gas price scenarios. As a result, gas
17 scenarios correspond to market price scenarios. This alleviates some of my concern
18 regarding market prices. However, I continue to have some concern regarding regulated
19 utilities making investments that rely predominantly on off system sales for economic
20 value.

^{19/} AWEC/501 at 27-28 (PacifiCorp Response to AWEC DR 144, Confidential Attachment).

^{20/} AWEC/501 at 16-17 (PacifiCorp Response to AWEC DR 133 Confidential Attachment).

1 **Q. HOW DID PACIFICORP RESPOND TO YOUR CONCERN REGARDING**
2 **ALTERNATE COMPLIANCE?**

3 A. PacifiCorp alleges that alternate compliance options were not available.^{21/} However,
4 PacifiCorp failed to document negotiations for alternate compliance options, and
5 PacifiCorp cannot point to a single piece of communication requesting the alternate
6 compliance options proposed by me or other intervenors.^{22/}

7 **Q. HAVE ANY ADDITIONAL ALTERNATE COMPLIANCE OPTIONS BECOME**
8 **APPARENT TO YOU SINCE YOU DRAFTED YOUR OPENING TESTIMONY?**

9 A. Yes. PacifiCorp is currently pursuing regional haze compliance options for Jim Bridger 1
10 and 2 through reduced dispatch, rather than through SCR installation. PacifiCorp admits
11 to not exploring this as a potential compliance option for Units 3 and 4.^{23/}

12 **Q. IS PACIFICORP'S ARGUMENT THAT COMPLIANCE OPTIONS ARE NOT**
13 **AVAILABLE PERSUASIVE EVIDENCE OF PRUDENCE?**

14 A. No, PacifiCorp did not demonstrate that it prudently negotiated on customers' behalf to
15 avoid costly pollution control investments. PacifiCorp's failure to collaborate with
16 regulators to identify mutually beneficial alternative compliance should not be accepted
17 as a basis for not modeling alternative compliance options. In fact, PacifiCorp should
18 have performed economic analysis of compliance options throughout the regional haze
19 planning process.

^{21/} PAC/2300 Link/15

^{22/} AWEC/501 at 15 (PacifiCorp Response to AWEC Data Request 132).

^{23/} AWEC/501 at 14 (PacifiCorp Response to AWEC Data Request 130).

1 **Q. HOW DID PACIFICORP RESPOND TO YOUR CONCERN REGARDING**
2 **WATER RIGHTS?**

3 A. PacifiCorp disagreed with my forecasted value but provided no alternative forecast.
4 Instead, PacifiCorp continued to assert that the value of water rights should not be part of
5 the SCR investment decision.

6 **Q. IS PACIFICORP'S ARGUMENT THAT WATER RIGHTS SHOULD NOT BE**
7 **VALUED CREDIBLE?**

8 A. No. PacifiCorp admits that Jim Bridger water rights have value.^{24/} PacifiCorp's position
9 is that forecasts are speculative, and therefore forecasts should be zero. If the same
10 rationale were applied to market prices and capital costs, all portfolios would have the
11 identical PVRR, \$0. The reality is that just because something is difficult to forecast does
12 not mean that a clearly incorrect forecast should be used.

13 **Q. PLEASE SUMMARIZE THE ADDITIONAL EVIDENCE YOU PROVIDE IN**
14 **THIS TESTIMONY REGARDING THE PRUDENCE OF JIM BRIDGER AND**
15 **HUNTER SCRS.**

16 A. For the Jim Bridger SCR investments, I show that in 2013 PacifiCorp expected to invest
17 [REDACTED] in railroad facilities for Jim Bridger, but these costs were not modeled when
18 making the SCR investment decision.

19 I also introduce an additional alternate compliance option that PacifiCorp is
20 actively pursuing for Jim Bridger 1 and 2 involving reduced dispatch, but continued coal
21 generation without SCR installation. PacifiCorp failed to explore this option for Jim
22 Bridger 3 and 4 or Hunter Unit 1.

^{24/} AWEC/501 at 29 (PacifiCorp Response to AWEC Data Request 145).

1 **Q. PLEASE SUMMARIZE AND RESPOND TO STAFF'S PROPOSAL**
2 **REGARDING JIM BRIDGER SCRS.**

3 A. Staff proposes a management disallowance of 10 percent of the cost of the SCR for Jim
4 Bridger 3 and 4, or \$ [REDACTED].^{25/} Staff notes that it is difficult to quantify the impact to
5 customers associated with PacifiCorp's actions.

6 **Q. DO YOU AGREE WITH STAFF'S PROPOSAL?**

7 A. No, Staff's proposed adjustment is not sufficient. PacifiCorp's own analysis shows that
8 low gas scenarios result in PVR(d) losses of [REDACTED] million under the low gas
9 scenarios. These numbers don't account for any of the myriad of concerns raised by
10 AWEC and other parties. While I agree that the exact dollar impact to customers is
11 difficult to quantify, it is likely more than the proposed Staff adjustment.

12 **Q. WHAT IS YOUR RECOMMENDATION FOR THIS ISSUE?**

13 A. I continue to support my initial recommendation of full disallowance of the SCR
14 investments at Jim Bridger 3 and 4 and the baghouse and low NOx burners at Hunter 1.

15 III. AMI ROLLOUT

16 **Q. PLEASE SUMMARIZE THIS ISSUE.**

17 A. When PacifiCorp implemented its AMI rollout, PacifiCorp retired approximately \$60
18 million in metering assets.^{26/} This represented 85 percent of all assets in the Oregon
19 Meter account 370.^{27/} In my Opening Testimony I argue that the rollout resulted in
20 dollars in PacifiCorp's ratebase that are appropriately considered dollars associated with
21 the retired meters. I further argued that PacifiCorp should not receive a return on these
22 dollars, consistent with longstanding legal precedent.

^{25/} Staff/700, Soldavini/50:7.

^{26/} AWEC/501 at 2-5 (PacifiCorp Response to AWEC DR 28).

^{27/} Docket No. UM Exhibit PAC/202 Spanos/74 shows the December 31, 2017 meter account at \$70.5 million.

1 **Q. PLEASE SUMMARIZE PACIFICORP’S RESPONSE TO THIS ISSUE.**

2 A. PacifiCorp argues that all plant removed as part of the AMI rollout was fully depreciated,
3 that group depreciation practice allows PacifiCorp to consider all removed assets to be
4 fully depreciated, and therefore none of the dollars remaining in ratebase should be
5 attributed to the retired meters.^{28/}

6 **Q. WHAT IS THE FUNDAMENTAL QUESTION THAT THE COMMISSION**
7 **NEEDS TO ADDRESS FOR THIS ISSUE?**

8 A. Dollars associated with the retired meters clearly remain in PacifiCorp’s proposed
9 ratebase. The fundamental question that the Commission must address is whether it is
10 legal to include a full rate of return on these dollars in customer rates.

11 **Q. HOW CAN DOLLARS ASSOCIATED WITH RETIRED METERS CLEARLY**
12 **REMAIN IN THE PROPOSED RATEBASE?**

13 A. Consider that as part of the AMI rollout, PacifiCorp replaced meters that were in service
14 less than a year.^{29/} PacifiCorp clearly did not fully depreciate these meters, yet when
15 PacifiCorp retired these meters, they reduced both plant in service and accumulated
16 depreciation by equal amounts. This means the original cost of the meter remains in
17 ratebase. The retirement of the AMI meters resulted in a statewide replacement of meters.
18 The table below illustrates how the full-scale retirement of meters is treated under group
19 depreciation. All meters are removed from service, yet ratebase remains unchanged.³⁰
20 Clearly dollars remain in rates that are associated with plant that is not used and useful.

^{28/} PAC/3100 McCoy/39

^{29/} AWEC/501 at 2-5 (PacifiCorp Response to AWEC DR 28, Attachment 1 (Opening Testimony Exhibit did not include DR)

^{30/} This table is for illustration purposes only and does not reflect actual accounting transactions.

1

Table 1

	Original Cost	Accumulated Depreciation	Ratebase
Pre-rollout Meters	\$70 million	\$50 million	\$20 million
Retire Most Meters	(\$70 million)	(\$70 million)	
Post-retirement		\$0 (\$20 million)	\$20 million

2 **Q. HAS THE COMMISSION PREVIOUSLY EXCLUDED DOLLARS ASSOCIATED**
3 **WITH RETIRED PLANT FROM RECEIVING A FULL RETURN?**

4 A. Yes, in addition to the legal precedent involving the Trojan Nuclear Plant, discussed in
5 my Opening Testimony,^{31/} the Commission approved recovery of PacifiCorp’s remaining
6 investment in the Deer Creek Mine with a lower return once it was removed from service.
7 The Commission found that its authorized return “reasonably reflects the time value of
8 money, and does not represent a return on the undepreciated investment.”^{32/}

9 **Q. DOES PACIFICORP OFFER ANY DISTINCTION BETWEEN THE AMI**
10 **ROLLOUT AND GENERATION PLANT?**

11 A. PacifiCorp provides no explanation for why the retired meters should be treated
12 differently than other retired plant. PacifiCorp’s argument in this case hinges on standard
13 practices in group depreciation. However, PacifiCorp admits that generation plant and
14 distribution plant are depreciated according to group depreciation practices. PacifiCorp’s
15 argument in this case clearly does not apply to generation plant. There is no basis to treat
16 meters differently than generation with respect to the used and useful requirement for
17 ratebase.

^{31/} AWEC/300, Kaufman/48:4-9.

^{32/} Docket No. UM 1712, Order No. 15-161 at 8 (May 27, 2015).

1 **Q. WHAT DIFFERENTIATES THE RETIREMENTS ASSOCIATED WITH THE**
2 **AMI ROLLOUT FROM NORMAL RETIREMENTS?**

3 A. Normal retirements involve small incremental retirements within a property group. I
4 agree with PacifiCorp that under normal retirement circumstances involving small
5 incremental retirements PacifiCorp's proposed treatment is appropriate. This is because
6 the small incremental retirements are consistent with group depreciation models, which
7 contemplate small incremental retirements across an extended period of time.

8 However, the retirements associated with the AMI rollout resulted in early
9 retirements of nearly every retirement unit within the Oregon meter account. PacifiCorp
10 admits that this is the first time PacifiCorp has made a state-wide replacement of assets in
11 a single depreciation group in Oregon.^{33/} However, PacifiCorp has recently performed an
12 early retirement of wind generation assets, as discussed in AWEC/100 Mullins/10. These
13 retirements involved the early retirements of wind generation assets as part of
14 PacifiCorp's wind repowering project. This situation is very similar to the AMI rollout,
15 where PacifiCorp retired a large group of assets early for economic reasons.

16 There is an important difference in PacifiCorp's accounting for the wind
17 repowering project and the AMI rollout. With the wind repowering project, PacifiCorp
18 recorded depreciation expense equal to the undepreciated value of the retired wind
19 assets.^{34/} The additional depreciation expense recorded for the wind retirements reduced
20 PacifiCorp's ratebase by an amount equal to the undepreciated value of the retired asset,
21 and therefore satisfied ORS 757.355. With the AMI rollout, PacifiCorp made no such
22 adjustment and PacifiCorp's proposed rates are in violation of ORS 757.355.

^{33/} AWEC/501 at 30 (PacifiCorp Response to AWEC DR 147).

^{34/} AWEC/501 at 32-33 (PacifiCorp Response to AWEC Data Request 151).

1 **Q. WHAT IS YOUR RECOMMENDATION FOR THIS ISSUE?**

2 A. I continue to support the recommendation from my Opening Testimony. I recommend a
3 reduction of PacifiCorp's ratebase of \$16,126,628. I recommend a regulatory asset of
4 equal size be established and recovery of the regulatory asset over a 10-year period with
5 an interest rate equivalent to the current 10-year treasury bond yield, plus 100 basis
6 points. PacifiCorp's depreciation expense should be recalculated to reflect the reduced
7 ratebase.

8 **IV. CHOLLA UNIT 4**

9 **Q. PLEASE SUMMARIZE AWEC'S CHOLLIA RELATED ADJUSTMENTS.**

10 A. In opening testimony Mr. Mullins proposed four Cholla-related adjustments:

- 11 1. Unrecovered Investment Interest Rate
- 12 2. Cholla Liquidated Damage and CWIP
- 13 3. Cholla EDFIT
- 14 4. Cholla Property tax

15 **Q. HOW DOES PACIFICOPR'S RESPONSE TESTIMONY ADDRESS THE**
16 **UNRECOVERED INVESTMENT INTEREST RATE?**

17 A. PacifiCorp does not directly respond to AWEC's testimony regarding the unrecovered
18 investment interest rate. However, PacifiCorp appears to propose an alternative treatment
19 of offsetting unrecovered investment against the Tax Cuts and Jobs Act ("TCJA")
20 benefit, eliminating the need to apply interest to either. As I note later, I disagree with
21 PacifiCorp's offset proposal because it fails to match costs with benefits. I maintain my
22 recommendation to apply a reduced interest rate to the unrecovered plant balance during
23 its amortization period.

1 **Q. PLEASE SUMMARIZE THE LIQUIDATED DAMAGES ISSUE.**

2 A. PacifiCorp has decided to close the Cholla plant early. As part of this closure PacifiCorp
3 expects to experience unrecovered investment and incur liquidated damages associated
4 with its coal supply agreements. In opening testimony PacifiCorp proposed that the
5 unrecovered investment and liquated damages be fixed as part of this rate case and placed
6 into a regulatory asset.^{35/} AWEC argued against this treatment for Cholla CWIP and
7 liquidated damages, recommending that CWIP and liquidated damages be removed, and
8 that liquidated damages be recovered through the a future power cost filing.^{36/} In Rebuttal
9 Testimony, PacifiCorp modified its requested treatment of these costs, recommending
10 that they be offset against the benefits of the TCJA.^{37/} PacifiCorp also argued that
11 liquidated damages should not be considered a power cost, but that if they are considered
12 a power cost, the cost should flow through the TAM mechanism.

13 **Q. WHAT IS YOUR RESPONSE TO PACIFICORP'S PROPOSAL TO OFFSET**
14 **THE CHOLLA UNRECOVERED INVESTMENT WITH BENEFITS FROM THE**
15 **TAX CUT AND JOBS ACT?**

16 A. I do not believe this is appropriate treatment. PacifiCorp includes forecasted costs that
17 will be incurred over several years in the future in the unrecovered investment amount.^{38/}
18 Under PacifiCorp's proposal future costs are netted against past benefits. This raises
19 several problems.

20 1. The TCJA benefits should be returned to customers as soon as possible, while the
21 unrecovered investment should be recovered from customers through 2025 to match the
22 timing of the costs of early retirement with the benefits of early retirement.

^{35/} PAC/1300 McCoy/33

^{36/} AWEC/100 Mullins/5

^{37/} PAC/2000 Wilding/9

^{38/} AWEC/501 at 31 (PacifiCorp Response to AWEC Data Request 149).

1 2. The Commission will lose the opportunity to review the actual costs and make a prudence
2 determination on them.

3 3. If actual costs are below forecasted costs there is no clear method to true up the
4 differences.

5 4. PacifiCorp makes no adjustment for rate of return, effectively allowing PacifiCorp free
6 use of the TCJA benefit between the present and the date that PacifiCorp actually incurs
7 the costs.

8 **Q. PLEASE EXPLAIN WHAT FUTURE COSTS PACIFICORP PROPOSES TO FIX**
9 **IN THIS RATE CASE.**

10 A. PacifiCorp's proposal includes \$19.6 million in liquidated damages, which AWEC
11 addressed in Opening Testimony, and \$35 million in decommissioning cost. PacifiCorp
12 states that the decommissioning cost will not be incurred until the end of 2025.

13 **Q. HOW DOES THE COMMISSION LOSE THE OPPORTUNITY TO REVIEW**
14 **ACTUAL COSTS AND MAKE PRUDENCE DETERMINATIONS?**

15 A. The Commission does not have all information necessary to make a prudence
16 determination on these costs because the Company has not yet incurred them. However,
17 under the Company's proposal there is a risk that the Company will argue retroactive
18 ratemaking prevents parties from contesting the prudence of these costs after the costs are
19 known.

20 **Q. IS THERE AN EXPECTATION THAT CUSTOMERS WILL PAY FOR ACTUAL**
21 **DECOMMISSIONING COSTS FOR CHOLLA?**

22 A. Yes, my understanding is that, because Cholla is a common closure among all of
23 PacifiCorp's states, all states will pay their allocated share of actual, prudently incurred
24 decommissioning costs.^{39/} The Company's proposal does not clearly spell out how actual

^{39/} 2020 Protocol §§ 4.1.3.1, 4.3.1.4.

1 costs will be trued up when some decommissioning costs have been embedded in the
2 unrecovered investment TCJA offset.

3 **Q. DOES THE COMPANY'S PROPOSAL FAIRLY ACCOUNT FOR THE TIME**
4 **VALUE OF MONEY?**

5 A. No. Under PacifiCorp's proposal, PacifiCorp will receive free access to capital because
6 the TCJA benefits will cease to accumulate a return between the time that PacifiCorp
7 records the transaction benefit write-down and when PacifiCorp incurs the expenses.

8 **Q. WHAT ALTERNATIVE WOULD REMEDY YOUR CONCERNS RELATED TO**
9 **THESE ISSUES?**

10 A. These costs should be recovered in a manner that allows parties to review the costs as
11 they are incurred. PacifiCorp's effort to group all these costs together makes it difficult
12 for parties to review the costs and ensure they are properly accounted for. I recommend
13 that rather than offset future costs, PacifiCorp file to defer these costs. This will allow
14 parties to carefully review the costs once they are known and measurable. Unrecovered
15 investment, which is a known cost, should be amortized through to 2025 and the TCJA
16 benefits should be returned to customers in 2021.

17 **Q. AWEC PREVIOUSLY RECOMMENDED THAT LIQUIDATED DAMAGES BE**
18 **INCLUDED IN A POWER COST ADJUSTMENT. DO YOU CONTINUE TO**
19 **SUPPORT THAT RECOMMENDATION?**

20 A. Either a deferral of liquidated damages or inclusion in a power cost adjustment
21 mechanism would be acceptable to AWEC.

1 **Q. PLEASE SUMMARIZE THE EDFIT ISSUE.**

2 A. Mr. Mullins showed in opening testimony that a portion of EDFIT will be freed up with
3 the closure of Cholla 4.^{40/} PacifiCorp agrees.^{41/} I support Mr. Mullins' recommended
4 offset.

5 **Q. PLEASE SUMMARIZE THE CHOLLA PROPERTY TAX ISSUE.**

6 A. In Opening Testimony, AWEC proposed excluding Cholla property tax.^{42/} Mr. Mullins
7 argued that because Cholla 4 has been removed from rates, property tax associated with
8 Cholla 4 should also be removed from rates. PacifiCorp responded that PacifiCorp will
9 continue to pay property tax on Cholla after the closure.^{43/}

10 **Q. DID PACIFICORP'S REPLY TESTIMONY PROVIDE ANY ARGUMENT FOR**
11 **WHY EXPENSE ASSOCIATED WITH PROPERTY THAT IS NOT USED AND**
12 **USEFULL SHOULD BE INCLUDED IN RATES?**

13 A. No. PacifiCorp only argues that property tax will continue to be assessed and, therefore,
14 customers should pay this expense.^{44/}

15 **Q. WHAT IS THE BASIC QUESTION THAT THE COMMISSION HAS TO**
16 **DECIDE REGARDING THIS ISSUE?**

17 A. The Commission must decide whether the property tax for Cholla violates ORS 757.355.
18 If Cholla is not used and useful, can PacifiCorp charge customers for Cholla property
19 tax?

20 **Q. DO CUSTOMERS RECEIVE ANY BENEFIT FROM PROPERTY TAX**
21 **ASSOCIATED WITH CHOLLA ONCE IT IS REMOVED FROM SERVICE?**

22 A. I am not aware of any benefit, and PacifiCorp has not identified any benefit.

^{40/} AWEC/100, Mullins/6

^{41/} PAC/3100, McCoy/35 and 36.

^{42/} AWEC/100, Mullins/6.

^{43/} PAC/3100, McCoy/52.

^{44/} PAC/3100, McCoy/52.

1 **Q. MR. MULLINS’ OPENING TESTIMONY NOTES THAT PACIFICORP DID**
2 **NOT PROVIDE THE AMOUNT OF PROPERTY TAX ASSOCIATED WITH**
3 **CHOLLA 4 AND REQUESTED THAT PACIFICORP IDENTIFY THIS**
4 **AMOUNT IN ITS REPLY TESTIMONY. DID PACIFICORP RESPOND TO**
5 **THIS REQUEST?**

6 A. No; however, PacifiCorp does state that that the “state of Arizona will continue to assess
7 the value of this facility in which the Company will continue to incur property tax
8 expense.”^{45/} Accordingly, the amount of property tax associated with Cholla 4 should be
9 readily identifiable.

10 **Q. WHAT IS YOUR RECOMMENDATION FOR THE COMMISSION?**

11 A. I adopt Mr. Mullins’ original recommendation that Cholla property tax be excluded from
12 rates. Alternatively, if the Commission finds that these costs are legally allowable in
13 rates, I recommend that they be included with decommissioning costs and trued up at the
14 end of the decommissioning process. This will ensure customers do not pay more for
15 property taxes than is assessed, recognizing that PacifiCorp has not identified the amount
16 of property taxes applicable to Cholla 4 and that PacifiCorp admits that property tax will
17 decline as Cholla is decommissioned.^{46/}

18 **V. DEER CREEK MINE**

19 **Q. WHAT ISSUES DID AWEC RAISE IN OPENING TESTIMONY RELATED TO**
20 **THIS ISSUE?**

21 A. Mr. Mullins raised three issues:
22 1. Ratebase
23 2. Coal Lease Abandonment Royalties, and
24 3. Closure Costs

^{45/} PAC/3100, McCoy/52:22-23.

^{46/} AWEC/501 at 34 (PacifiCorp Response to AWEC Data Request 152).

1 PacifiCorp's reply testimony resolves Mr. Mullins' issue regarding ratebase; however, I
2 continue to maintain the royalties and closure cost issues.

3 **Q. PLEASE SUMMARIZE THE CLOSURE COST ISSUE.**

4 A. In Opening Testimony AWEC noted that the Deer Creek closure costs were substantially
5 higher than expected and recommended including only the forecasted closure costs.

6 Expected closure costs were \$20 million, while actual closure costs were \$45 million.^{47/}

7 AWEC also recommended excluding future royalty payments. PacifiCorp responds that
8 even with closure costs 225 percent higher than forecast, the closure of Deer Creek was
9 economic. However, PacifiCorp failed to adequately justify the cost overrun. PacifiCorp
10 had not met its burden of showing that the cost overruns were prudent.

11 **Q. WHAT WAS PACIFICORP'S EXPLANATION FOR COST OVERRUNS?**

12 A. PacifiCorp states that "the increase is primarily due to the inability to gain approval of the
13 bulkhead engineering designs and time required to permit and construct the alternate de-
14 watering pipeline to the Huntington plant."^{48/} PacifiCorp does not explain why

15 PacifiCorp failed to gain approval, nor does PacifiCorp attempt to justify this failure as a
16 reasonable result of prudent management. PacifiCorp relies instead on an observation that
17 even with the poorly managed costs, the closure of the mine was more economic than
18 continued operation of the mine.

^{47/} AWEC/102, Mullins/16

^{48/} PAC/3100, McCoy/42

1 **Q. PLEASE DESCRIBE THE COSTS INCURRED AS A RESULT OF THE**
2 **EXTENDED CLOSURE PERIOD.**

3 A. Nearly all the costs between 2016, the original closure date, and 2018, the actual closure
4 date, were labor costs or payments to the PacifiCorp subsidiary East Mountain Energy.^{49/}
5 Costs included PacifiCorp management fees, incentive payments, bonuses, and awards.

6 **Q. GIVEN THAT COST OVERRUNS WERE THE RESULT OF FAULTY PLANS,**
7 **AND THAT THEY INCLUDE PRIMARILY PAYMENTS TO SUBSIDIARIES,**
8 **INCENTIVES, AND BONUSES, IS THE OVERAL COST-BENEFIT OF THE**
9 **CLOSURE RELEVANT?**

10 A. No. The Commission should focus on why there were cost overruns and whether the
11 additional costs are appropriately included in rates.

12 **Q. WHAT IS YOUR RECOMMENDATION FOR THIS ISSUE?**

13 A. I adopt Mr. Mullins' recommendation that PacifiCorp's recovery for closure costs be
14 capped at the amount assumed in UM 1712.

15 **Q. PLEASE SUMMARIZE THE COAL LEASE ABANDONMENT ROYALTY**
16 **ISSUE.**

17 A. In Opening Testimony, Mr. Mullins recommended excluding future royalty costs from
18 rates. PacifiCorp can defer these costs if PacifiCorp incurs them. PacifiCorp appears to
19 agree that royalty costs are uncertain and testifies that it "does not have a specific time
20 line of when actual royalty obligations will be settled."^{50/} I adopt Mr. Mullins'
21 recommendation to exclude these costs from rates at this time.

^{49/} AWEC/504.
^{50/} PAC/3100, McCoy/45:17-18.

1 **VI. ANNUAL POWER COST ADJUSTMENT**

2 **Q. PLEASE SUMMARIZE AWEC’S RECOMMENDATION IN ITS OPENING**
3 **TESTIMONY ON PACIFICORP’S ANNUAL POWER COST ADJUSTMENT.**

4 A. AWEC opposed PacifiCorp’s Annual Power Cost Adjustment (“APCA”), which would
5 allow dollar-for-dollar recovery of PacifiCorp’s net power costs (“NPC”). AWEC argued
6 that this mechanism was contrary to Commission policy that provides for a sharing of
7 risk in NPC variances between customers and shareholders through the existing Power
8 Cost Adjustment Mechanism (“PCAM”). AWEC also showed that the APCA is nothing
9 more than PacifiCorp’s attempt to relitigate issues the Commission has rejected multiple
10 times before.^{51/} Commission Staff and the Oregon Citizens’ Utility Board similarly
11 oppose the APCA.^{52/}

12 **Q. HOW DOES PACIFICORP RESPOND TO AWEC’S AND OTHER PARTIES’**
13 **ARGUMENTS AGAINST THE APCA?**

14 A. PacifiCorp’s primary argument seems to be that circumstances have changed since it
15 previously requested modifications to the PCAM, and that now is the right time for the
16 Commission to revisit its principles underlying the existing PCAM structure.
17 Specifically, PacifiCorp claims that variable renewable generation is difficult to forecast
18 accurately, and the increased penetration of this generation, driven both by economics
19 and state/regional policies, will exacerbate NPC forecast errors.^{53/}

20 **Q. IS PACIFICORP’S POSITION SUPPORTED BY THE EVIDENCE?**

21 A. No. It is certainly true that the amount of variable generation in PacifiCorp’s portfolio,
22 and in the West generally, has increased and will continue to increase in the future. It is

^{51/} AWEC/100, Mullins/27:1-37:17.

^{52/} Staff/1300, Gibbens/9:1-41:18; CUB/100, Jenks/30:3-45:3.

^{53/} PAC/2000, Wilding/56:18-57:13; PAC/3000, Graves/14:9-15:4.

1 not true, however, that this shift has made it more difficult for PacifiCorp to forecast its
2 NPC overall or exacerbated the Company's under-recovery of NPC. In fact, the opposite
3 has occurred.

4 PacifiCorp provides its forecasted and actual NPC for the previous twelve years in
5 Table 6 on page 55 of Mr. Wilding's testimony. That data shows that, for the six years
6 between 2008 and 2013, deviations between forecasted and actual NPC averaged
7 \$27,249,869. For the six-year period between 2014 and 2019, by contrast, deviations
8 between forecasted and actual NPC averaged \$19,023,974. In fact, using the data from
9 Table 7 on page 65 of Mr. Wilding's testimony, one can see that PacifiCorp's forecasts
10 over the 2014-2019 period improved even without incorporating the effects of the day
11 ahead/real time ("DART") adjustment – the average deviation was \$24,329,420, still \$3
12 million less on average than the deviations the Company experienced between 2008 and
13 2013. This improvement occurred even as PacifiCorp was "add[ing] 4,789 MW of new
14 renewable resources."^{54/} It is also in spite of the fact that: (1) PacifiCorp's NPC was
15 approximately \$45 million higher on average over the latter six-year period than the
16 earlier six-year period (thus allowing for the potential for greater deviations from the
17 forecast); and (2) a portion of the latter six years of data also includes EIM transactions
18 and production tax credits, which the earlier six-year period did not (thus also creating
19 the potential for greater deviations from forecast). In other words, PacifiCorp's own data
20 contradicts its primary argument that increased renewable penetration will lead to greater
21 NPC forecast errors.

^{54/} PAC/2000, Wilding/59:15.

1 **Q. HOW DOES AWEC’S PROPOSAL FOR EV 2020 PERFORMANCE**
2 **REQUIREMENTS AFFECT VARIABILITY OF POWER COSTS?**

3 A. In Opening Testimony Mr. Mullins recommended performance guarantees for the EV
4 2020 projects. This recommendation should offset PacifiCorp’s concerns related to
5 renewable generation variability.

6 **Q. IS PACIFICORP’S POSITION CONTRADICTED BY ANY OTHER DATA?**

7 A. Yes. PacifiCorp’s testimony glosses over important historical context for the
8 development of the current PCAM.^{55/} Both PacifiCorp’s and Portland General Electric
9 Company’s (“PGE”) existing PCAMs have their origin in Commission Order 05-1261, in
10 which the Commission rejected a stipulation to create a PCAM for PGE’s hydro
11 generation.^{56/} In its decision, the Commission noted the significant annual variability of
12 hydro generation.^{57/} Such variability warranted “a mechanism to adjust PGE’s rates for
13 variations in hydro-related costs ... *if it is reasonably designed.*”^{58/} The Commission
14 then identified four criteria for a properly designed PCAM: “(1) Limited to Unusual
15 Events; (2) No Adjustments if Overall Earnings are Reasonable; (3) Revenue Neutrality;
16 and (4) Long-Term Operation.”^{59/} Staff’s Opening Testimony discusses these criteria in
17 detail.^{60/} Later in UE 180, the Commission used these criteria to develop a PCAM for
18 PGE that applied to its total power costs,^{61/} which is the same PCAM in existence today
19 for both PGE and PacifiCorp. The variability of hydro generation, however, was the
20 initial instigator for the development of these PCAMs.

^{55/} PAC/3000, Graves/5:1-19.

^{56/} Docket Nos. UE 165/UM 1187, Order No. 05-1261 (Dec. 21, 2005).

^{57/} Id. at 8.

^{58/} Id. (emphasis added).

^{59/} Id.

^{60/} Staff/1300, Gibbens/12:19-20:11.

^{61/} Docket Nos. UE 180/UE 181/UE 184, Order No. 07-015 at 26-27 (Jan. 12, 2007).

1 **Q. WHY IS THIS HISTORY RELEVANT TO PACIFICORP'S APCA?**

2 A. Because intermittent renewable generation has been shown to be no more variable than
3 hydro generation. In UM 1662, AWEC's testimony showed that the year-to-year
4 variability of PacifiCorp's wind generation between 2008 and 2013 had a relative
5 standard deviation of approximately 11%.^{62/} Meanwhile, over that same period, the
6 relative standard deviation of the variability in PacifiCorp's hydro output was 14%.^{63/}
7 Consequently, the variability of renewable resources is not a basis to deviate from a
8 PCAM structure that was created specifically to address similar variability in hydro. It is
9 a basis to maintain this structure.

10 **Q. HOW DO YOU RESPOND TO PACIFICORP'S ARGUMENT THAT OTHER**
11 **NORTHWEST UTILITIES THAT HAVE OVER-FORECAST THEIR NPC IN**
12 **RECENT YEARS ARE DISINGUISHABLE FROM THE COMPANY?**

13 A. PacifiCorp's position in its Opening Testimony was that the NPC forecasting challenges
14 it faces are not due to constraints on its own modeling software but are caused by market
15 dynamics that are inherently impossible to forecast and that tend to impose incremental
16 costs on PacifiCorp, thus leading to systematic under-recovery of NPC.^{64/} AWEC argued
17 in Opening Testimony that, if this were the case, one would expect all utilities to under-
18 forecast their power costs, as they all are subject to the same market dynamics. Both
19 PGE and Avista in Washington, however, have over-forecast their power costs in recent
20 years.^{65/}

21 PacifiCorp argues in response that these utilities are different because they have
22 different generation portfolios. This is undoubtedly true, but that is not the argument

^{62/} AWEC/502 at 3.

^{63/} Id.

^{64/} PAC/600, Graves/3:14-6:16.

^{65/} AWEC/100, Mullins/35:14-36:9.

1 PacifiCorp has made to justify the APCA. Indeed, PacifiCorp’s Reply Testimony
2 contradicts itself in attempting to distinguish the Company from other utilities. On the
3 one hand, Mr. Wilding argues that Avista is distinguishable from PacifiCorp due to the
4 large amount of hydro generation in its portfolio, as compared to intermittent
5 renewables,^{66/} while on the other hand, Mr. Graves claims that “the main problem that
6 PacifiCorp faces is not the forecasting model itself. Rather, it is the inherent difficulty in
7 forecasting one year in advance of the hourly demand and prices of purchases and sales,
8 as well as the generation profile of renewable resources, *including hydropower.*”^{67/} The
9 reality is that, if PacifiCorp is indeed facing a systematic under-forecast of NPC, the
10 problem almost surely lies in its power cost model, GRID, not inescapable and
11 unpredictable market forces to which all utilities are subject.

12 **Q. AWEC AND STAFF ALSO ARGUED THAT NOW IS NOT THE RIGHT TIME**
13 **TO IMPLEMENT THE APCA BECAUSE PACIFICORP INTENDS TO**
14 **REPLPAC GRID WITH A NEW NPC FORECASTING MODEL. HOW DOES**
15 **PACIFICORP RESPOND?**

16 A. PacifiCorp claims that that the energy landscape is constantly changing, and therefore
17 acceptance of this argument would mean that “there will always be a reason to stand in
18 the way of updating [the PCAM].”^{68/} There is a substantial difference, however, between
19 the evolution of the generation mix or even changes to energy markets, which can be
20 incorporated into and accommodated by power cost forecasting models (as PacifiCorp’s
21 assimilation of EIM benefits into its NPC forecasts demonstrates), and the creation of an
22 entirely new power cost forecasting model. AWEC’s position, which appears to be
23 shared by Staff and CUB, is that to the extent PacifiCorp faces systematic NPC under-

^{66/} PAC/2000, Wilding/72:7-73:3.

^{67/} PAC/3000, Graves/30:6-9 (emphasis added).

^{68/} PAC/2000, Wilding/68:10-11.

1 recovery, this is most likely due to the Company’s modeling software, not market forces.
2 PacifiCorp’s change to a new forecasting model offers the ideal opportunity to test which
3 theory is correct. Only after the Commission has this information should it consider
4 changes to the PCAM, particularly ones as drastic as PacifiCorp has proposed.

5 VII. ENERGY VISION 2020

6 **Q. PLEASE SUMMARIZE AWEC’S RECOMMENDATION IN ITS OPENING** 7 **TESTIMONY ON THE ENERGY VISION 2020 PROJECTS.**

8 A. AWEC recommended that the prudence of PacifiCorp’s decision to invest in the Energy
9 Vision 2020 (“EV 2020”) projects be subject to the following conditions to better ensure
10 customer benefits are realized from an economic resource procurement: (1) a hard cap on
11 capital and O&M costs; (2) a hard cap on costs for the D.2 segment of the Energy
12 Gateway transmission project; (3) a guarantee of full PTC and energy benefits from the
13 EV 2020 projects; and (4) a minimum capacity factor for each resource at the level
14 modeled in the RFP bids. These conditions reflect both the Commission’s
15 acknowledgment order of PacifiCorp’s 2017 IRP and recommendations from the Oregon
16 Independent Evaluator (“IE”) overseeing the RFP.

17 **Q. HOW DID PACIFICORP RESPOND IN REPLY TESTIMONY?**

18 A. PacifiCorp generally opposes AWEC’s conditions on the prudence of the EV 2020
19 projects. The Company argues that the EV 2020 projects were pursued not solely for
20 economic reasons, but to meet an energy and capacity need that would otherwise be filled
21 with front office transactions (“FOTs”).^{69/} It also accuses AWEC of “selectively
22 rel[ying] on the Oregon independent evaluator’s report” and defends its RFP modeling.^{70/}

^{69/} PAC/2300, Link/53:11-57:3.

^{70/} Id. at 57:4-61:18.

1 PacifiCorp also minimizes the interconnection issues that effectively disqualified several
2 low cost bids from the RFP.^{71/}

3 **Q. HOW DO YOU RESPOND TO PACIFICORP'S REPLY TESTIMONY?**

4 A. Most of PacifiCorp's arguments are not particularly relevant to AWEC's
5 recommendations. The Company's position that the EV 2020 projects meet an energy
6 and capacity need elides what distinguishes these projects from a more traditional
7 resource acquisition. PacifiCorp is simply saying that the EV 2020 projects are lower
8 cost and lower risk resources than market transactions. That is the same thing as saying
9 that PacifiCorp has acquired these resources for economic purposes – its analysis is based
10 on forecasts of market prices, the ultimate accuracy of which will either justify or not
11 justify its acquisition of the EV 2020 projects. PacifiCorp's own IRP justifies its decision
12 to pursue these projects because they will provide "significant economic benefits for
13 PacifiCorp's customers"^{72/} That is not the same thing as acquiring a resource to meet
14 an identified capacity deficit.

15 Furthermore, AWEC's proposed conditions are nothing more than reiterations of
16 findings and recommendations from both the Oregon IE and the Commission itself,
17 findings and recommendations that were made to protect customers in recognition of the
18 unusual procurement process and the economic nature of the procurement itself.^{73/}
19 PacifiCorp can argue all it wants that the EV 2020 resources represent a traditional
20 resource procurement, but that is simply not how anyone has ever understood this
21 procurement. Similarly, PacifiCorp can take issue with AWEC's proposed conditions,

^{71/} Id. at 62:1-63:14.

^{72/} Docket No. LC 67, PacifiCorp 2017 IRP, Executive Summary at 2.

^{73/} AWEC/100, Mullins/14:6-22, 17:15-18:14.

1 but it is a fact that the IE recommended hard caps on capital and O&M costs both for the
2 generation projects and the D.2 transmission segment, and an unconditional guarantee of
3 full PTC benefits, and that the Commission itself stated a clear intention to insulate
4 customers from “the risk of construction cost overruns, delays or other factors that impact
5 PTC value, or project costs and expected capacity factors that are less favorable than the
6 assumptions presented in the IRP.”^{74/} AWEC’s recommendations do nothing more than
7 ensure these commitments.

8 VIII. WILDFIRE MITIGATION COST RECOVERY

9 Q. PLEASE SUMMARIZE AWEC’S RECOMMENDATION IN ITS OPENING 10 TESTIMONY ON PACIFICORP’S WILDFIRE MITIGATION COST 11 RECOVERY MECHANISM.

12 A. AWEC recommended that the Commission reject the wildfire mitigation cost recovery
13 mechanism. AWEC’s recommendation was based on the following considerations: (1)
14 wildfire mitigation investments are recoverable through the normal rate case process, and
15 if PacifiCorp chooses not to file a rate case to recover these costs in a timely fashion, that
16 is simply evidence that it is recovering its costs overall, including wildfire mitigation
17 costs; (2) PacifiCorp does not need a special cost recovery mechanism to ensure it makes
18 sufficient investments in wildfire mitigation because shareholders benefit from reduced
19 risk of wildfires; and (3) because shareholders benefit from this reduced risk (as do
20 customers), it is appropriate for shareholders to bear a portion of the costs, which can be
21 accomplished through normal regulatory lag.^{75/}

^{74/} Docket No. LC 67, Order No. 18-138 at 8 (Apr. 27, 2018).

^{75/} AWEC/100, Mullins/20:10-26:20.

1 **Q. PACIFICORP STATES THAT WILDFIRE MITIGATION COSTS “ARE**
2 **SIGNIFICANT CAPITAL COSTS APPROPRIATE FOR A RATEMAKING**
3 **MECHANISM SUPPORTED BY DEFERRED ACCOUNTING.”^{76/} HOW DO**
4 **YOU RESPOND?**

5 A. The Commission’s policy on deferred accounting does not support deferrals based only
6 on the significance of the cost. An additional consideration is whether the cost “was
7 foreseeable as happening in the normal course of events, or not likely to have been
8 capable of forecast.”^{77/} Here, PacifiCorp’s wildfire mitigation costs are clearly “capable
9 of forecast” because the Company has provided just such a forecast through 2022.^{78/}
10 Moreover, when costs are capable of forecast, the magnitude of the “harm” to the utility
11 must be “substantial” to warrant a deferral. In this case, the inability to defer capital costs
12 associated with wildfire mitigation does not result in these costs becoming entirely
13 unrecoverable, it only results in regulatory lag for as long as PacifiCorp chooses not to
14 file a rate case; thus, the “harm” to the Company is minimal. That is why the
15 Commission stated in Order 20-147 that “any request for deferral of a capital project will
16 need to be analyzed closely.”^{79/}

17 **Q. PACIFICORP ALSO ARGUES THAT ITS COST RECOVERY MECHANISM AS**
18 **REVISED IN REPLY TESTIMONY RENDERS MOOT AWEC’S ARGUMENTS**
19 **REGARDING EVALUATION OF THESE COSTS IN A GENERAL RATE**
20 **CASE.^{80/} DO YOU AGREE?**

21 A. No. PacifiCorp’s revised mechanism would defer incremental vegetation and wildfire
22 mitigation costs annually. PacifiCorp would file on September 1 of each year, a prudence
23 review would follow, and costs determined to be prudently incurred would be included in

^{76/} PAC/2000, Wilding/49:12-14.

^{77/} Docket No. UM 1147, Order No. 05-1070 at 7 (Oct. 5, 2005).

^{78/} PAC/1100, Lucas/6 (Table 1).

^{79/} Docket UM 1909, Order No. 20-147 at 13 (Apr. 30, 2020).

^{80/} PAC/2000, Wilding/49:19-50:6.

1 rates on March 1 of the following year (i.e., four months after the filing date).^{81/}
2 PacifiCorp’s claim that this somehow renders moot AWEC’s arguments that these costs
3 should be reviewed in a general rate case is a straw man. AWEC’s opposition to special
4 recovery of wildfire mitigation costs is not based on whether parties and the Commission
5 could conduct a prudence review outside of a rate case. It is based on the longstanding
6 principle that the “end result” of a utility’s rates is what matters – that the utility is
7 earning a fair and reasonable return overall, regardless of which costs are deemed to be
8 “in” or “out” of rates – which is reflected in the Commission’s policy generally
9 disfavoring single-issue ratemaking.^{82/} PacifiCorp’s analogy to the Renewable
10 Adjustment Clause (“RAC”) is also unpersuasive, as the RAC is a statutory
11 mechanism.^{83/} No statute requires the type of cost recovery mechanism PacifiCorp seeks
12 for wildfire mitigation costs.

13 PacifiCorp’s argument also fails to account for the impact that PacifiCorp’s
14 annual depreciation and amortization expense of \$338 million greatly exceeds the annual
15 capital spending plan for wildfire mitigation.^{84/} In fact, PacifiCorp may experience
16 ratebase reductions as PacifiCorp accumulates depreciation and amortization.
17 PacifiCorp’s proposal has no mechanism to account for reductions in ratebase or other
18 operating expenses.

^{81/} Id. at 47, table 5.

^{82/} Federal Power Comm’n v. Hope Nat. Gas Co., 320 U.S. 591, 603 (1944); Docket No. UG 221, Order No. 12-437 at 26 (Nov. 16, 2012).

^{83/} ORS 469A.100.

^{84/} Exhibit PAC/1301 McCoy/1, lines 22 and 23, and PAC/1100, Lucas/6, which shows \$50 million per year in Oregon allocated capital costs (Distribution plush 25 percent of transmission).

1 **Q. PACIFICORP FURTHER ARGUES THAT IT IS “ONE-SIDED” FOR AWEC TO**
2 **FOCUS ON THE BENEFITS TO SHAREHOLDERS FROM WILDFIRE**
3 **MITIGATION INVESTMENTS.^{85/} HOW DO YOU RESPOND?**

4 A. Again, the Company sets up a straw man in stating that the “hardening of the Company’s
5 facilities does not solely benefit its shareholders.”^{86/} AWEC did not argue that these
6 costs only benefit, and should only be borne by, shareholders. AWEC argued that these
7 costs do not only benefit, and should not only be borne by, customers. AWEC only
8 argued for some sharing, through regulatory lag, of the costs of these investments with
9 shareholders because shareholders indisputably benefit from these investments as well.

10 **Q. IS THERE EVIDENCE THAT SHAREHOLDERS BENEFIT FROM WILDFIRE**
11 **MITIGATION INVESTMENTS?**

12 A. Yes, in Opening Testimony AWEC noted the Pacific Gas & Electric bankruptcy, driven
13 by the catastrophic wildfires in California.^{87/} Additionally, specifically applicable to
14 PacifiCorp, the Company recently paid \$3.4 million to the U.S. Forest Service, and
15 [REDACTED] to settle claims related to the
16 2018 Ramsey Canyon Fire in Oregon.^{88/} Minimizing such costs in the future is clearly in
17 shareholders’ interest and to their benefit.

18 **Q. PACIFICORP ALSO ARGUES THAT WILDFIRES ARE BECOMING MORE**
19 **FREQUENT AND SEVERE, WHICH JUSTIFIES ITS COST RECOVERY**
20 **MECHANISM.^{89/} HOW DO YOU RESPOND?**

21 A. The increased frequency and severity of wildfires does not change the analysis of who
22 benefits from wildfire mitigation investments. Both shareholders and customers benefit
23 from these investments, and therefore both groups should assume some portion of cost

^{85/} PAC/2000, Wilding/51:1-16.

^{86/} Id. at 51:11-12.

^{87/} AWEC/100, Mullins/26:3-7.

^{88/} AWEC/501 at 7-13 (AWEC DR 124; DR 125 attachments).

^{89/} PAC/2900, Lucas/5:3-24.

1 responsibility. Again, under AWEC's proposal, shareholders would only bear such costs
2 to the extent they were either determined to be imprudently incurred (as with any cost), or
3 to the extent PacifiCorp chooses not to file a rate case and take regulatory lag.

4 **Q. DOES AWEC HAVE AN ALTERNATIVE RECOMMENDATION ON**
5 **PACIFICORP'S WILDFIRE MITIGATION COST RECOVERY MECHANISM?**

6 A. If the Commission disagrees with AWEC that these costs should be recovered through
7 the normal rate case process and believes some type of special recovery mechanism
8 should apply to these costs, then AWEC recommends that the Commission only allow for
9 recovery of these costs subject to an earnings test. Given the shareholder benefits from
10 reducing the risk for wildfires, the Commission should at a minimum ensure that
11 recovery of these costs does not tilt the Company's overall return beyond what the
12 Commission determines to be a fair and reasonable return.

13 **Q. WHAT EARNINGS TEST DOES AWEC RECOMMEND?**

14 A. AWEC recommends that recovery only be allowed up to the point that PacifiCorp's
15 earned equity return is 100 basis points below its authorized return. This is fair because
16 regulation only ensures the Company the opportunity to earn its authorized return, not a
17 guarantee. Earnings within 100 basis points of the authorized ROE are within the range
18 of reasonableness.

19 **IX. COAL DECOMMISSIONING COSTS**

20 **Q. PLEASE SUMMARIZE THIS ISSUE.**

21 A. Over a year into PacifiCorp's Depreciation docket, UM 1968, PacifiCorp filed revised
22 decommissioning reports that substantially increased decommissioning costs ("Kiewit
23 Report). I reviewed the Kiewit Report and found little to no factual basis supporting the
24 analysis. The Commission's independent evaluator offered a similar finding and noted

1 that the estimates were abnormally high. I recommended that the originally filed
2 depreciation costs be used in rates. I also offered, as an alternative, line item adjustments
3 to the Kiewit Report.

4 PacifiCorp's reply testimony did not provide any additional documentation or
5 support for the Kiewit Report. PacifiCorp's reply failed to respond to many of the issues
6 that I raised with the report. I maintain my Opening Testimony recommendations.

7 **Q. DID PACIFICORP PROVIDE AN EXPLANATION FOR WHY THE KIEWIT**
8 **REPORT IS NOT TRANSPARENT?**

9 A. Yes. In reply testimony, PacifiCorp states Kiewit is "unwilling to share its proprietary
10 information because of competitive concerns."^{90/} PacifiCorp should be familiar with
11 Commission expectations regarding transparency and could have set clear transparency
12 expectations through its contracting process for the decommissioning report. AWEC
13 directly asked PacifiCorp why they did not include such a provision in the RFP or
14 contract for the IE and PacifiCorp declined to respond.^{91/}

15 **Q. HOW DOES PACIFICORP RESPOND TO YOUR CONCERNS REGARDING**
16 **THE STUDY?**

17 A. PacifiCorp responds generically, stating "AWEC's various recommendations are not
18 specific and are unsupported." This statement is more applicable to the Kiewit Report and
19 PacifiCorp's reply testimony than it is to AWEC. PacifiCorp should bear the burden of
20 demonstrating that the decommissioning study is supported.

21 PacifiCorp only provides specific response to some of AWEC's proposed
22 adjustments, and these responses are unsupported. For example, PacifiCorp argues that
23 reducing coal pile excavation from 10 feet to 5 feet does not necessarily reduce the

^{90/} PAC/2400, Van Engelenhoven/13
^{91/} AWEC/501 at 23 (Response to AWEC Data Request 140).

1 associated line item cost by half.^{92/} However, PacifiCorp offers no alternative method or
2 calculation.^{93/} PacifiCorp also provides no explanation for why AWEC's proposed
3 adjustment is not a reasonable approximation of the cost of excavating to five feet or
4 whether PacifiCorp thinks the cost is more or less than half of the ten foot depth.

5 PacifiCorp dismisses my adjustment to materials and supplies,^{94/} but goes on to
6 acknowledge that materials and supplies can be repurposed to other facilities.^{95/}

7 I noted three line-items for hazardous material and removed all of one line, and 25
8 percent of a second line. PacifiCorp makes no attempt to justify inclusion of any of the
9 three line-items, instead alleging that I remove all hazardous material costs. PacifiCorp is
10 simply incorrect here. My recommended D&R costs include [REDACTED] million in hazardous
11 material and other ARO costs.

12 PacifiCorp argues my testimony is inconsistent because I note PacifiCorp may
13 repurpose sites, while simultaneously recognizing sites may need remediation costs.
14 PacifiCorp admits to planning to repurpose some sites.^{96/} However, I agree that for sites
15 that are not repurposed PacifiCorp may be obligated to perform some remediation. I
16 continue to be concerned that there is no support for the assumption that all sites are fully
17 remediated and no support for the cost of full remediation. I modify the associated
18 adjustment in my opening testimony to reduce the reclamation costs by 50 percent rather
19 than 100 percent to reflect continued uncertainty regarding site repurposing and

^{92/} PAC/2400, Van Engelenhoven/14

^{93/} AWEC/501 at 22 (Response to AWEC Data Request 139).

^{94/} PAC/2400, Van Engelenhoven/14

^{95/} AWEC/501 at 24 (Response to AWEC Data Request 141).

^{96/} AWEC/501 at 6, 26 (Response to AWEC Data Request 61 and 143).

1 ambiguity about how remediation costs were calculated. The figure below summarizes
2 this adjustment and Exhibit AWEC/503 contains my revised calculations.

3 *Figure 2: Opening and Reply Kiewit Adjustment*

	Total Cost (excl. Other Items)	\$/kW
Kiewit Total	[REDACTED]	[REDACTED]
Opening Adj Kiewit Total	\$262,604,193	46.53
Reply Adj Kiewit Total	\$325,592,765	57.70
4 Filed Total	\$258,615,977	45.83

5 PacifiCorp alleges that my adjustments are not consistent across facilities.
6 However, when asked to clarify, PacifiCorp did not identify a single example of an
7 AWEC D&R adjustment that differed across facilities.^{97/} AWEC’s adjustments do have
8 some variation across facilities, but only to the extent that the Kiewit Report cost items
9 varied across facilities and an adjustment to such cost items did not apply to all facilities.

10 PacifiCorp argues that because water rights cannot be sold or transferred, the
11 associated pumping assets must be removed. However, [REDACTED]

12 [REDACTED]

13 [REDACTED]^{98/}

14 **Q. ARE THERE MAJOR AWEC D&R ADJUSTMENTS THAT PACIFICORP**
15 **FAILED TO ADDRESS?**

16 A. Yes. PacifiCorp has no response to my adjustments to owner costs, demolition expense,
17 ARO estimate bias, general liabilities and mine closure costs.

^{97/} AWEC/501 at 25 (Response to AWEC Data Request 142).

^{98/} AWEC/501 at 1 (Response to AWEC Data Request 8, Highly Confidential conference call).

1 **Q. IS AWEC’S RECOMMENDATION TO REJECT THE KIEWIT**
2 **DECOMMISSIONING ESTIMATES FOR LACK OF EVIDENTIARY SUPPORT**
3 **INCONSISTENT WITH THE 2020 PROTOCOL, AS PACIFICORP ARGUES?**

4 A. No. PacifiCorp alleges that, because AWEC signed the 2020 Protocol, which calls for an
5 independent estimate of coal plant decommissioning costs that will be used as the basis
6 for *interjurisdictional* allocation of such costs among the states the Company serves, that
7 AWEC necessarily agreed to support inclusion of these estimated costs in Oregon rates.^{99/}
8 AWEC will respond more fully to the Company’s argument in briefing, but I note that
9 PacifiCorp’s position appears to be directly contradicted by the plain language of the
10 2020 Protocol. Section 4.3.1.3 states:

11 No Party will be bound by the Decommissioning Cost estimates in the
12 Decommissioning Studies undertaken pursuant to Paragraphs 4.3.1.1 and
13 4.3.1.2 and final determination of each State’s just and reasonable
14 Decommissioning Costs allocation for each coal-fueled Interim Period
15 Resource will remain exclusively with each Commission and will be
16 determined in the depreciation dockets in which the Decommissioning
17 Costs are included.

18 My understanding of this provision is that it does not commit the Commission or any
19 party to support any particular decommissioning cost estimate in state proceedings, and
20 that establishment of a just and reasonable level of decommissioning costs to include in
21 Oregon rates is within the Commission’s discretion, subject to the standard evidentiary
22 requirements of a contested case. My testimony position that the Kiewit estimates should
23 not be relied upon to establish Oregon’s decommissioning costs responsibility is based on
24 this interpretation, which is shared by Commission Staff.^{100/}

^{99/} PAC/2400, Van Engelenhoven/10:13-13:10.
^{100/} Staff/1700, Storm/37:1-16.

1 **Q. WHAT ARE CUB’S AND STAFF’S POSITIONS ON THE KIEWIT**
2 **DECOMMISSIONING STUDY?**

3 A. Both Staff and CUB are largely aligned with AWEC and the IE. They both express
4 frustration at the lack of supporting data from the Kiewit Report. CUB testifies that
5 “[u]nder the current circumstances, the Kiewit Report cannot be used as the basis of cost
6 recovery for decommissioning” and recommends as an alternative “that decommissioning
7 cost recovery should continue to be based on the numbers from the PacifiCorp
8 depreciation study.”^{101/} Similarly, Staff testifies that “it is not prudent to rely on the
9 unverified basis of a study, rather than ensure the underlying analysis has been reviewed
10 and found to be sound.”^{102/} Consequently, Staff also recommends that decommissioning
11 costs be based on the levels identified in PacifiCorp’s depreciation study.^{103/} AWEC
12 agrees with Staff and CUB on these points. Staff also, however, offers an alternative
13 recommendation to “[a]llow PacifiCorp to make a filing subsequent to the rate-effective
14 date in this proceeding to determine whether the decommissioning costs set in UE 374
15 should be adjusted.”^{104/} CUB also identifies the potential for additional process on
16 decommissioning costs: “further proceedings in this docket or an entirely new
17 investigation might be required.”^{105/}

18 **Q. WHAT IS AWEC’S POSITION ON STAFF’S AND CUB’S ALTERNATIVE**
19 **RECOMMENDATIONS FOR MORE PROCESS ON DECOMMISSIONING**
20 **COSTS?**

21 A. AWEC is not opposed to these recommendations *per se*. However, both Staff’s and
22 CUB’s alternative recommendations require substantially more development. Under

^{101/} CUB/300, Jenks/7:20-23.

^{102/} Staff/1700, Storm/30:2-4.

^{103/} Staff/1700, Storm/37:4-6.

^{104/} Id. at 37:7-9.

^{105/} CUB/300, Jenks/8:7-8.

1 Staff's proposal, AWEC is unclear what filing PacifiCorp would make that would
2 provide the Commission with additional evidence to determine a just and reasonable level
3 of decommissioning costs. Similarly, the Commission should not open a new
4 investigation unless it knows it will have additional evidence not available in this
5 proceeding that will help inform a reasonable level of decommissioning costs.

6 This reveals a structural problem. Conceivably, evidence in a subsequent
7 investigation could come in the form of an updated decommissioning study that is
8 supported by workpapers and other necessary evidence. However, it is difficult to see
9 how PacifiCorp could support such a study to the extent the decommissioning costs differ
10 from the Kiewit Report. This is because, for better or worse, the amount of
11 decommissioning costs identified in the Kiewit Report is the amount allocated to all of
12 the states under the 2020 Protocol.^{106/} The Oregon Commission maintains exclusive
13 authority to identify whether the amount allocated to Oregon under the 2020 Protocol is
14 just and reasonable to include in Oregon rates, but whatever decision the Commission
15 makes on this issue will not change the fact that the Kiewit decommissioning estimates
16 are the 2020 Protocol decommissioning costs. This means that if the Commission holds
17 additional process to examine decommissioning costs, PacifiCorp cannot simply propose
18 a different decommissioning cost estimate, whether supported by a new study or not.
19 That will put the Company in a position of advocating for a different level of
20 decommissioning costs as just and reasonable than it has advocated for in all of its other

^{106/} 2020 Protocol §§ 4.3.1.1, 4.3.1.4 (“For coal-fueled Interim Period Resources that do not have a common operating life across all States, each Exiting State shall be allocated ... that State’s share of estimated Decommissioning Costs based on the Decommissioning Studies described in Sections 4.3.1.1 and 4.3.1.2”).

1 states. As AWEC understands the 2020 Protocol, PacifiCorp has little choice but to
2 continue to advocate for the Kiewit-determined decommissioning costs.

3 Consequently, while potentially unsatisfying, it appears that there are only three
4 options available to the Commission: select the Kiewit estimates; select the estimates
5 from PacifiCorp's depreciation study; or select an estimate between the two for which
6 there is evidentiary support. My testimony proposes adjustments to the Kiewit estimates
7 that provide evidentiary support for a "compromise" option that the Commission could
8 adopt in this proceeding. If an alternative estimate between the Kiewit Report and
9 PacifiCorp's depreciation study can be further refined with additional evidence and data,
10 then there may be value to holding additional process, but it should be known prior to
11 creating such process that this evidence is available. Otherwise, the record on this issue
12 appears to be as complete as it can be, and the Commission should make a decision in
13 this docket, giving due consideration to PacifiCorp's burden of proof.

14 X. TAM GUIDELINES

15 **Q. DOES AWEC CONTINUE TO RECOMMEND CHANGES TO THE EXISTING**
16 **TAM GUIDELINES?**

17 A. Yes. In Opening Testimony, AWEC opposed several changes PacifiCorp has proposed
18 to the existing TAM guidelines, and recommended a change of its own to require
19 PacifiCorp to provide all workpapers supporting its opening testimony in the TAM
20 concurrently with its initial filing. In Reply Testimony, PacifiCorp responded to
21 AWEC's concerns with the Company's proposed changes. AWEC appreciates these
22 responses, particularly the Company's clarification that it does not intend to pursue rate
23 design changes in the TAM. AWEC accepts PacifiCorp's position on these issues in its
24 Reply Testimony, but continues to believe that PacifiCorp should be required to provide

1 all workpapers concurrently with its initial filing. Under the existing TAM guidelines,
2 PacifiCorp provides a set of workpapers 5 days following its initial testimony and another
3 set 15 days following its initial testimony.

4 **Q. WHY DOES PACIFICORP OPPOSE PROVIDING ALL WORKPAPERS**
5 **CONCURRENTLY WITH ITS INITIAL FILING?**

6 A. PacifiCorp states that this requirement would be overly burdensome.^{107/} It notes the
7 number of workpapers it provided in the 5-day and 15-day submissions, but it does not
8 explain why these workpapers would not already be developed concurrently with the
9 initial filing. After all, these workpapers are intended to support that filing. The only
10 workpapers PacifiCorp identifies that may need to be provided subsequent to the initial
11 filing are “four NPC sample calculations for schedule 294 ... [which] depend on the
12 completion of the baseline NPC in the concurrent filing.”^{108/} AWEC can accept a later
13 delivery date for these workpapers, but the TAM guidelines list substantially more than
14 this for delivery 15 days from the initial filing, most of which should have already been
15 developed to support the initial filing.^{109/}

16 The reality is that, while PacifiCorp identifies the burden of producing the TAM
17 workpapers, the late delivery of these workpapers substantially burdens intervenors.
18 PacifiCorp typically files the TAM on April 1. Using UE 356, PacifiCorp’s 2020 TAM,
19 as an example, Staff and intervenor testimony was due on June 10, 2019. Allowing the
20 Company an additional 15 days to file a substantial portion of its workpapers compresses
21 an already expedited process, which must conclude with a Commission order by early
22 November. With a 14-day turnaround for data requests, intervenors realistically have

^{107/} PAC/2000, Wilding/81:17-18.

^{108/} Id. at 82:3-5.

^{109/} Order No. 09-274, Appen. A at 17.

1 sufficient time for two rounds of discovery on these workpapers and less than two months
2 to analyze and draft testimony on what are often complex issues. Consequently, while
3 concurrent production of the 15-day workpapers with the initial filing may impose
4 additional burden on PacifiCorp, that incremental burden is outweighed by the public
5 interest considerations of providing Staff and intervenors more time to review these
6 workpapers and provide the Commission with well-developed adjustments.

7 **XI. ALLOCATION OF DECOMMISSIONING COSTS TO DIRECT ACCESS**

8 **Q. CUB'S OPENING TESTIMONY RECOMMENDS THAT PACIFICORP'S COAL**
9 **PLANT DECOMMISSIONING COSTS SHOULD BE NON-BYPASSABLE FOR**
10 **DIRECT ACCESS CUSTOMERS. WHAT IS AWEC'S POSITION ON THIS**
11 **RECOMMENDATION?**

12 A. AWEC does not oppose CUB's recommendation in principle, but believes this proposal
13 needs further development in Docket UM 2024. AWEC does not agree, for instance, that
14 customers who have already fully transitioned to direct access should now be subject to
15 additional decommissioning costs. These customers paid what the Commission has
16 determined to be a just and reasonable transition charge, which included
17 decommissioning costs that were included in depreciation rates – that were also deemed
18 to be just and reasonable – when they transitioned to direct access. It would be unfair to
19 these customers to retroactively modify the costs they are subject to because they may be
20 higher now than they were several years ago. Moreover, a major factor in the increase in
21 decommissioning costs is PacifiCorp's decision to accelerate closure of several coal
22 plants (thus requiring these costs to be recovered over a shorter period). This decision is
23 being made because it has been found to be a least-cost, least-risk plan to replace these
24 coal assets with lower cost renewable resources. Customers who have already
25 transitioned to direct access will receive none of the benefits of these lower cost

1 replacement resources, so it would be unfair to charge them costs related to this resource
2 strategy.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 A. Yes.