Rocky Mountain Power
Docket No. 26-035-20
Witness: Richard J. Garlish

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Direct Testimony of Richard J. Garlish

April 2026

I. INTRODUCTION

Q. Please state your name, business address, and present position with PacifiCorp d/b/a Rocky Mountain Power.

A. My name is Richard J. Garlish, and my business address is 1407 West North Temple, Salt Lake City, Utah 84116. I am currently employed as the President of the Rocky Mountain Power division of PacifiCorp.

Q. Please summarize your professional experience.

A. I have a Bachelor's Degree in Liberal Arts from the Evergreen State College in Washington and a Juris Doctorate Degree from the University of Montana Law School. I joined PacifiCorp in 2020, and before taking my current position, I was Vice President of Government Affairs and General Counsel for Rocky Mountain Power. In that position, I was responsible for all legal and governmental affairs matters. Prior to joining PacifiCorp, I served as Senior Vice President and General Counsel at Peak Reliability, held a number of senior positions at Idaho Power Company, including Senior Attorney, Director and General Manager, and served as Senior Corporate Counsel at NorthWestern Energy.

Q. What is the purpose of your testimony?

A. I provide an overview of PacifiCorp, including its utility service in Utah and Washington, and briefly describe the proposed sale to a newly formed affiliate of Portland General Electric Company ("PGE"), to Gem Sub LLC ("Gem"), of PacifiCorp's Washington service area and certain Washington-based assets ("Service Area Transfer"). I explain why PacifiCorp decided to sell its Washington service area, and introduce the PacifiCorp witnesses providing direct testimony in support of its

Application for Approval and Report of the Sale of Washington Service Area and Accounting Order.

Q. Please summarize your testimony.

A. PacifiCorp agreed to transfer its Washington service area and to sell certain Washington-based assets to benefit both PacifiCorp and customers. The Service Area Transfer represents a targeted and necessary step towards strengthening PacifiCorp's financial stability by streamlining its operations, reducing its risk profile, and adding a much-needed infusion of funds to increase liquidity. These benefits produce a financially stronger utility that directly benefits customers by allowing continued access to capital. The Service Area Transfer also benefits customers by providing a near-term rate credit.

II. BACKGROUND ON PACIFICORP

Q. Please provide a description of PacifiCorp's operations.

A. PacifiCorp is an indirect, wholly owned subsidiary of Berkshire Hathaway Energy Company. PacifiCorp provides retail electrical service to approximately 2.1 million retail electric customers in six western states. PacifiCorp consists of two core business units: (1) Rocky Mountain Power, which delivers electricity to retail customers in Utah, Wyoming, and Idaho, and (2) Pacific Power, which delivers electricity to retail customers in Oregon, Washington, and California.

PacifiCorp serves its customers with an integrated system of generation and transmission that spans ten states and connects customers and communities across the West. PacifiCorp owns, or has interests in, thermal, hydroelectric, wind-powered, solar, and geothermal generating facilities. PacifiCorp provides wholesale transmission

service under its open access transmission tariff approved by the Federal Energy Regulatory Commission and owns or has interests in approximately 17,700 miles of transmission lines. PacifiCorp operates two balancing authority areas—PacifiCorp Balancing Authority Area East and PacifiCorp Balancing Authority Area West—that together comprise the largest privately owned and operated grid in the Western United States.

Q. Please briefly describe PacifiCorp's services and operations in Utah.

A. In Utah, PacifiCorp provides retail utility service to over 1,056,000 customers. Additionally, PacifiCorp boasts a generation capacity of 531 megawatts in Utah, which supports service to customers in all PacifiCorp states. Further, PacifiCorp owns and operates 7,358 miles of transmission lines and 24,772 miles of distribution lines in Utah.

Q. Please briefly describe PacifiCorp's services and operations in Washington.

A. In Washington, PacifiCorp provides retail utility service to approximately 137,000 customers in five counties, spanning approximately 2,730 square miles. This constitutes the Washington service area, which PacifiCorp plans to sell to Gem through the Service Area Transfer.

III. OVERVIEW OF SERVICE AREA TRANSFER

Q. Please provide a brief overview of the Service Area Transfer.

A. As further detailed in the testimony of PacifiCorp witness Joelle R. Steward and the other witnesses, Gem will purchase PacifiCorp's Washington service area, along with select Washington-based generation, transmission, and distribution assets. The base purchase price for the Service Area Transfer is approximately $1.9 billion. Upon

regulatory approval and completion of the transfer, PacifiCorp will no longer provide service as a public service company in the state of Washington. The assets sold, as well as PacifiCorp's obligation to serve Washington customers, will transfer to Gem. Importantly, in purchasing the Washington service area, Gem alone will assume the role of service provider for PacifiCorp's Washington customers, who will instead become customers of Gem.

Q. What Utah law governs review of the Service Area Transfer?

A. My understanding is that PacifiCorp's sale of the service area and certain Washington-based assets requires approval pursuant to a commitment PacifiCorp agreed to in the 2006 Public Service Commission of Utah ("Commission") order approving MidAmerican Energy Holding Company's acquisition of PacifiCorp, wherein PacifiCorp committed to requesting Commission approval of any "divestiture, spin-off, or sale of any integral PacifiCorp function[.]"[1]

Q. What must PacifiCorp demonstrate for the Commission to approve the Service Area Transfer?

A. My understanding is that PacifiCorp has not previously sought Commission approval of a proposed sale under this merger commitment, and for that reason the Commission has not yet identified an applicable legal standard for approving PacifiCorp's proposed Service Area Transfer.

[1] *In the Matter of the Application of MidAmerican Energy Holdings Company and PacifiCorp dba Utah Power & Light Company for an Order Authorizing Service Area Transfer*, Docket No. 05-035-54, Report and Order at 35 (Jan. 27, 2006).

Q. What standard does PacifiCorp propose the Commission apply to its review of the application?

A. When a Utah utility seeks to purchase properties from another Utah utility, Utah Code Ann. § 54-4-30 requires the purchaser to demonstrate that the proposed acquisition is "in the public interest."[2] My understanding is that in previous orders assessing whether asset purchases are in the public interest, the Commission has considered whether the transaction will harm existing customers and whether there will be long-term financial benefits resulting from the transaction.[3] While my understanding is that Utah Code Ann. § 54-4-30 does not apply to the Service Area Transfer because PacifiCorp does not seek to acquire property of another public utility engaged in the same general line of business in the state of Utah, PacifiCorp requests the Commission apply a similar public interest criterion when considering whether to approve the Service Area Transfer.

Q. Will the Service Area Transfer harm PacifiCorp's Utah customers?

A. No. As Ms. Steward explains, the Service Area Transfer will not harm PacifiCorp's Utah customers. In fact, the Service Area Transfer is positive for customers because PacifiCorp will provide a $68.9 million rate credit to customers in Utah over three years in addition to other quantifiable benefits, such as incremental wheeling revenues, as discussed by PacifiCorp witnesses. The calculation of the rate credit is discussed in the testimony of PacifiCorp witness Nikki Kobliha. Additionally, the Service Area

[2] Utah Code Ann. § 54-4-30.

[3] *See, e.g.*, *Application of Dixie Escalante Rural Electric Association for Approval of Acquisition of Electric Utility Plant and Equipment and Addition to Certificate of Public Convenience and Necessity*, Docket No. 20-066-03, Order Approving Acquisition, Amending Certificate of Public Convenience and Necessity No. 1930, and Canceling Certificate of Public Convenience and Necessity No. 1573 at 5 (Dec. 9, 2020) (approving proposed asset purchase due to a lack of harm to customers and the long-term financial benefits of the purchase).

Transfer improves PacifiCorp's system load and resource balance, improves PacifiCorp's financial position and helps manage its risk, and relieves PacifiCorp from the obligation to meet Washington's climate laws. Therefore, the Service Area Transfer is consistent with the public interest.

IV. REASONS FOR THE SERVICE AREA TRANSFER

Q. Why did PacifiCorp decide to sell the Washington service area?

A. The decision to transfer our Washington service area to Gem was not an easy one and was largely motivated by an effort to better manage risk and improve our financial position by scaling down our multi-state system.

A. Risk Management

Q. Can you explain how the Service Area Transfer helps PacifiCorp manage risk?

A. Certainly. As I explained earlier, PacifiCorp operates in six states, which has generally proven cost effective and successful. However, operating in six states also comes with its share of difficulties. For instance, states are continuing to implement various policies that do not necessarily complement one another, making it increasingly difficult for PacifiCorp to plan for and meet individual states' requirements.

Q. Can you provide an example of such a policy?

A. Yes. Take, for example, the Washington Climate Commitment Act ("CCA"). PacifiCorp's non-Washington states, except California, oppose paying the costs associated with the Chehalis plant's compliance with the CCA. As a result, PacifiCorp has been forced to absorb approximately $45 million annually of the actual costs of providing power from the Chehalis plant. This is unsustainable, and exacerbates the financial challenges PacifiCorp now faces.

Q. To what extent does the Service Area Transfer scale down PacifiCorp's system?

A. By selling the Washington service area, PacifiCorp will scale down its overall system load by approximately eight percent, allowing PacifiCorp to streamline planning, financing, and operations of its multi-state system to the benefit of its remaining customers, including those in Utah.

B. Financial Health Improvement

Q. Please summarize PacifiCorp's current financial position.

A. As detailed in the testimony of Ms. Kobliha, PacifiCorp has been under extraordinary financial pressure in recent years. Recently, on November 10, 2025, S&P Global downgraded PacifiCorp's credit rating from BBB to BBB-, putting PacifiCorp's credit at the lowest rating level that is still considered investment grade. More recently, S&P Global placed all of its credit ratings on PacifiCorp on Negative Outlook, and Moody's revised its outlook of PacifiCorp from stable to negative. These are the latest in a series of credit downgrades and updates, stemming primarily from wildfire liability issues and adverse regulatory outcomes. As a result of these downgraded ratings, PacifiCorp's borrowing costs have increased and its access to capital has decreased, both of which impede PacifiCorp's near-term ability to make the capital investments that are necessary to reliably operate the system.

Q. Can you explain how the Service Area Transfer helps PacifiCorp improve its financial health?

A. Yes. The Service Area Transfer is a critical part of PacifiCorp's plan to stabilize its financial position and build investor confidence. The Service Area Transfer provides the cash and liquidity necessary to support PacifiCorp's operations as a large public

utility, eliminates PacifiCorp's ongoing losses from Chehalis relating to Washington's CCA, and relieves PacifiCorp from its obligation to make the required capital expenditures necessary for reliability and Clean Energy Transformation Act compliance in Washington. Further, the Service Area Transfer yields a gain on the sale attributable to the goodwill value of the business that can be shared between PacifiCorp and its customers.

Q. Why is PacifiCorp's financial health important for customers?

A. In short, a financially healthy utility can access capital at a lower cost. One more downgrade will result in PacifiCorp being below investment grade. Utilities are not designed to operate below investment grade for a sustained period of time because the industry is capital intensive and regulatory lag can put pressure on cash flows. In concrete terms, another downgrade will significantly increase the collateral required for PacifiCorp to transact in the wholesale energy and natural gas markets and a lack of liquidity could require suspension of PacifiCorp's hedging program, thereby increasing power cost volatility for customers. Lack of liquidity and an inability to access capital may also require prioritization of capital projects, which could affect PacifiCorp's ability to interconnect new customers requiring significant system upgrades, invest in new transmission or generation resources, or invest in the existing transmission and distribution system. These are a handful of the more direct and observable impacts that could result from another downgrade (*i.e.*, from a financially *un*healthy utility) and it is these types of impacts that PacifiCorp is working to avoid through actions like the Service Area Transfer.

V. RELATED PROCEEDINGS

Q. Are there any related proceedings in other jurisdictions related to the Service Area Transfer?

A. Yes. In addition to approval from this Commission, the Service Area Transfer requires approval from the Federal Energy Regulatory Commission and PacifiCorp's other state regulators.

VI. INTRODUCTION OF PACIFICORP WITNESSES

Q. How is PacifiCorp supporting its application?

A. PacifiCorp is presenting the following direct testimony in support of its application:

- **Joelle R. Steward**, Senior Vice President, Regulation, provides detailed information on the asset sale and Service Area Transfer, explains how the Service Area Transfer is consistent with the public interest, and discusses key aspects of the transaction documents.

- **Nikki L. Kobliha**, Senior Vice President of Finance, provides PacifiCorp's financial information relevant to the asset sale and Service Area Transfer, and discusses the calculation of the regulatory gain attributable to the goodwill value of the business, the proposed assignment of goodwill value to customers, and the calculation of customer rate credits.

- **Michael G. Wilding**, Vice President of Energy Supply Management ("ESM"), explains how PacifiCorp and Gem will seamlessly transition service in Washington, and demonstrates that the asset sale and Service Area Transfer does not harm resource adequacy and reliability for Utah customers.

- **Ramon J. Mitchell**, Managing Director of ESM Finance and Net Power Costs ("NPC"), presents PacifiCorp's forecast NPC incorporating the asset sale and Service Area Transfer.

- **Shelley E. McCoy**, Director of Revenue Requirement, presents PacifiCorp's revenue requirement incorporating the asset sale and Service Area Transfer and addresses cost allocation issues.

VII. CONCLUSION

Q. What is your recommendation for the Commission?

A. I recommend that the Commission approve the sale of Washington-based generation and transmission assets included in the Service Area Transfer, whereby Gem will also purchase PacifiCorp's Washington service area and certain Washington-based assets.

Q. Does this conclude your direct testimony?

A. Yes.