REDACTED
Rocky Mountain Power
Docket No. 26-035-20
Witness: Joelle R. Steward

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED
Direct Testimony of Joelle R. Steward

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 Joelle R. Steward, my business address is 1407 West North Temple, Salt Lake City, Utah 84116. I am currently employed as Senior Vice President, Regulation for Rocky Mountain Power.

Q. Please summarize your education and professional experience.

A. I have a Bachelor of Arts degree in Political Science from the University of Oregon and an M.A. in Public Affairs from the Hubert Humphrey Institute of Public Policy at the University of Minnesota. Between 1999 and March 2007, I was employed as a Regulatory Analyst with the Washington Utilities and Transportation Commission. I joined PacifiCorp in March 2007 as a Regulatory Manager, responsible for all regulatory filings and proceedings in Oregon. On February 14, 2012, I assumed responsibilities overseeing cost of service and pricing for PacifiCorp. In May 2015, I assumed broader oversight over regulatory affairs in addition to the cost of service and pricing responsibilities. In 2017, I assumed the role as Vice President, Regulation for Rocky Mountain Power; in November 2021, I assumed my current role as Senior Vice President, Regulation.

Q. What is the purpose of your testimony?

A. My testimony provides detailed information on the sale of PacifiCorp's Washington service area and select Washington-based assets ("Service Area Transfer") to a newly formed affiliate of Portland General Electric Company ("PGE"), Gem Sub LLC ("Gem"). My testimony provides an overview of the Asset Purchase and Service Area

Transfer Agreement (the "Agreement"), which is attached to the application as Highly Confidential Attachment No. 1 – Asset Purchase and Service Area Transfer Agreement ("Attachment No. 1"), and explains how the Service Area Transfer serves the public interest.

Q. Please summarize your testimony.

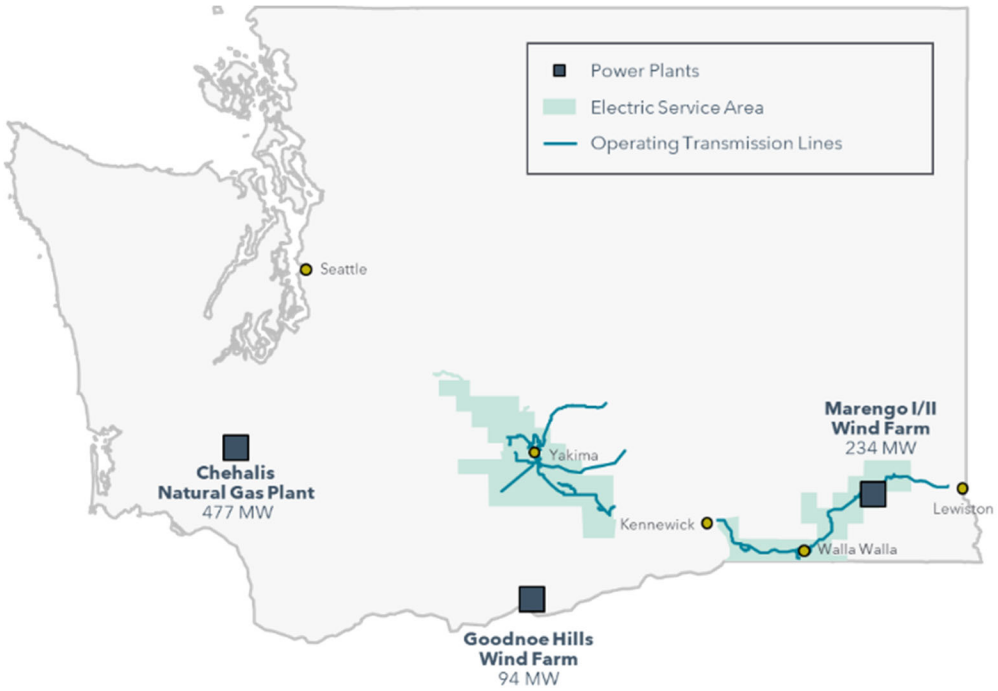
A. I recommend that the Commission approve the Service Area Transfer. The transaction is in the public interest because it will not adversely impact PacifiCorp's Utah customers and will support the financial health of PacifiCorp. PacifiCorp is proposing to share 68 percent of the Utah-allocated goodwill value with customers through a rate credit, beginning with the next general rate case. The rate credit, in conjunction with other benefits identified by PacifiCorp's witnesses in this application summarized in my testimony, generally result in net benefits to Utah customers.

II. DESCRIPTION OF THE SERVICE AREA TRANSFER

Q. Please provide an overview of the Service Area Transfer.

A. In the proposed transaction, PacifiCorp will sell and Gem will purchase PacifiCorp's Washington service area and certain Washington-based assets, including select generation and transmission assets. Upon regulatory approval and completion of the transaction, PacifiCorp will no longer provide service as a public service company in the state of Washington. Figure 1 below is a map showing the service area that will transfer from PacifiCorp to Gem.

Figure 1: Service Area Transfer Map



The assets sold, as well as PacifiCorp's obligation to serve Washington customers, will transfer to Gem, which is a special purpose entity formed for the Service Area Transfer. Gem will be a Washington public service company serving Washington customers.

Q. What are the general terms of the proposed transaction?

A. The base purchase price for the Service Area Transfer is approximately $1.9 billion, subject to certain adjustments. In exchange for the purchase price, PacifiCorp will sell its business of operating a public service company in Washington, along with the distribution assets and select generation and transmission assets located in Washington. In total, the Service Area Transfer will involve the transfer of 805 megawatts ("MW") of generation assets, 393 miles of transmission lines, and approximately 4,100 miles of distribution lines from PacifiCorp to Gem.

Q. Please briefly describe the Washington service area.

A. In Washington, PacifiCorp serves approximately 137,000 customers, 84 percent residential and 16 percent commercial and industrial. PacifiCorp plans to sell Gem this entire service area of over approximately 2,730 square miles through the Service Area Transfer.

Q. How did PacifiCorp select the assets to sell to Gem as a part of the Service Area Transfer?

A. To ensure Gem can provide excellent, uninterrupted service, PacifiCorp included Washington-based assets integral to serving customers in the Washington service area, as detailed below.

Q. Can you describe these assets with more specificity?

A. Yes. First, PacifiCorp will sell Washington-based generation assets, including the Goodnoe Hills Wind Farm (94 MW), the Marengo I and II Wind Farms (234 MW), and the Chehalis combined cycle gas turbine power plant (477 MW), but excluding the Lewis River hydroelectric facilities. Second, PacifiCorp will sell Washington-based transmission assets, including 393 miles of transmission lines, 10 substations (two will be jointly owned), and approximately 6,220 structures, predominantly located in and around Yakima, Washington and from Kennewick, Washington to Lewiston, Idaho. Third, PacifiCorp will sell Washington-based distribution assets, including approximately 4,100 miles of distribution lines, 34 substations, and approximately 100,480 poles.

Q. Beyond these assets, what else is PacifiCorp transferring to Gem so that it can serve Washington customers?

A. In its Washington service area, PacifiCorp will assign or transfer to Gem permits and franchise, lease, interconnection, license, transportation and other agreements associated with the Service Area Transfer. Additionally, PacifiCorp will assign certain Washington qualifying facility agreements to Gem, as well as the transmission rights necessary to effectively serve Washington customers, which PacifiCorp witness Michael G. Wilding further discusses.

Q. Please describe how PacifiCorp determined the value of the assets being sold.

A. The value of the assets was determined by their net book value on PacifiCorp's books and records, which will be updated to reflect the net book value of the assets immediately before the transaction closes.

Q. How did PacifiCorp and Gem arrive at a $1.9 billion base purchase price?

A. PacifiCorp and Gem agreed upon a base purchase price of $1.9 billion reflecting the net book value of all assets to be sold, approximately $1.36 billion, and the value associated with the goodwill of PacifiCorp's Washington operations, as discussed by PacifiCorp witness Nikki L. Kobliha.

III. ASSET PURCHASE AND SERVICE AREA TRANSFER AGREEMENT

Q. Who are the parties to the Agreement?

A. In the Agreement, PacifiCorp is the "Seller," Gem is the "Buyer," and PGE is the "Buyer Parent."

Q. When did the parties execute the Agreement?

A. The parties executed the Agreement on February 15, 2026. A copy of the Agreement is attached to the application as Attachment No. 1.

Q. Please provide a high-level overview of the Agreement.

A. The Agreement governs the terms and conditions of the transaction between PacifiCorp and Gem, whereby PacifiCorp will cease and Gem will begin operations as a Washington-jurisdictional electrical company and public service company with respect to the "Business."

Q. What is the "Business"?

A. For purposes of the Agreement, the "Business" means (a) the electric transmission and distribution business serving customers (including the obligation to serve customers) in the Washington service area as conducted by the Seller as of the closing; and (b) the ownership and operation of the following generation facilities, including related interconnection and other facilities:[1] Chehalis combined cycle gas turbine plant, Goodnoe Hills wind plant, and Marengo I and Marengo II wind plant.

Q. By purchasing the Business, will Gem be replacing PacifiCorp as the Washington electrical company and public service company in the service area?

A. Yes, the Agreement will result in a direct change of ownership of the electrical company providing service to the Washington service area. Gem will become a Washington-jurisdictional utility and PacifiCorp will no longer operate as a public utility in Washington.

[1] Disclosure Schedule 2.1(a) in the Agreement (Attachment No. 1 to the application) provides details on the assets and related facilities being transferred.

Q. What regulatory approvals are required as a condition to closing?

A. In addition to approval from the Public Service Commission of Utah ("Commission"), the Agreement includes further regulatory approval conditions, including approval from the Federal Energy Regulatory Commission ("FERC") and PacifiCorp's other state regulators.

Q. Which party is responsible for which approvals?

A. PacifiCorp and Gem are jointly responsible for Washington Utilities and Transportation Commission approval. Gem is responsible for approval from FERC under Section 203 of the Federal Power Act and the Public Utility Commission of Oregon ("Oregon Commission") for the asset purchase. PacifiCorp is primarily responsible for asset sale approval from the Commission and from the California Public Utilities Commission, Idaho Public Utilities Commission, Oregon Commission, and Wyoming Public Service Commission.

Q. Does the Agreement include exhibits to implement the Service Area Transfer?

A. Yes. Attached to the Agreement as exhibits are a Form of Transition Services Agreement (Exhibit B),[2] a Balancing Authority Services Term Sheet (Exhibit I),[3] and plans for other ancillary agreements, including agreements relating to generation capacity, natural gas transportation, transmission service, and interconnection.

Q. Please describe the Form of Transition Services Agreement at a high level.

A. PacifiCorp and Gem will execute a Transition Services Agreement at the closing to ensure that the Service Area Transfer will not disrupt service to customers or either utility's overall system. Under the Transition Services Agreement, PacifiCorp will

[2] The Form of Transition Services Agreement is provided in Attachment No. 1 to the application.
[3] The Balancing Authority Services Term Sheet is provided in Attachment No. 1 to the application.

provide certain transitional services to Gem for defined periods following the closing, and Gem will pay PacifiCorp's fully burdened cost for those services on a monthly basis.

Q. Is the Transition Services Agreement finalized?

A. Not yet. A form of the Transition Services Agreement is attached to the Agreement as Exhibit B.[4] As required by Section 5.12 of the Agreement, PacifiCorp and Gem are negotiating in good faith to finalize the Transition Services Agreement's specific service schedules, prior to closing.

Q. What are some of the other noteworthy term sheets and plans attached to the Agreement as exhibits?

A. Mr. Wilding provides further details on these exhibits, which include a Power Purchase Agreement Term Sheet (attached as Exhibit F to the Agreement),[5] an Electric Transmission Service and Interconnection Plan (attached as Exhibit G to the Agreement), and a Balancing Authority Services Term Sheet (attached as Exhibit I to the Agreement).[6]

Q. Please provide a high-level overview of these exhibits.

A. Like the Transition Services Agreement, these other noteworthy exhibits are designed to ensure a seamless transition from PacifiCorp to Gem ownership. At a high level, PacifiCorp will sell Gem energy, capacity, and renewable energy credits ("RECs") during a transitional period at contracted prices ("Bridge PPA"). Additionally, PacifiCorp and Gem will execute binding transmission service and interconnection

[4] Attachment No. 1 to the application.
[5] The Power Purchase Agreement Term Sheet is provided in Attachment No. 1 to the application.
[6] The Electric Transmission Service and Interconnection Plan, as well as the Balancing Authority Services Term Sheet are provided in Attachment No. 1 to the application.

agreements, including point-to-point agreements across PacifiCorp's system, a construction funding agreement and joint ownership, operating, and maintenance agreement for the joint construction of an upgrade to the transmission path from the Walla Walla substation to the Wallula substation, and transmission service agreements over the Bonneville Power Administration's system. Further, Gem will purchase the full suite of ancillary services and certain balancing authority services for a transitional period, unless extended on a year-to-year basis. I refer to this as the BA Services Agreement ("BASA") later in my testimony.

Q. Are these agreements finalized?

A. No, but as mentioned, term sheets and plans are attached to the Agreement as exhibits. Before closing, PacifiCorp and Gem will negotiate in good faith and use reasonable best efforts to prepare and finalize these agreements.

IV. THE SERVICE AREA TRANSFER IS CONSISTENT WITH THE PUBLIC INTEREST

Q. What is your understanding of the applicable law for the Service Area Transfer?

A. My understanding is that as a condition of the Commission's approval of MidAmerican Energy Holding Company's acquisition of PacifiCorp, PacifiCorp committed to requesting Commission approval of any "divestiture, spin-off, or sale of any integral PacifiCorp function" through a Utah merger commitment ("Commitment U 2").[7] Additionally, PacifiCorp must report the sale to the Commission pursuant to Utah Administrative Code R746-401-3(B). Considering Gem will not be merging or consolidating with PacifiCorp, Utah Code Ann. § 54-4-28 does not apply.

[7] *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 must PacifiCorp demonstrate for Commission approval of the Service Area Transfer?

A. My understanding is that PacifiCorp has not previously sought Commission approval of a sale pursuant to Commitment U 2, and for that reason the Commission has not yet identified an applicable legal standard for considering PacifiCorp's proposed Service Area Transfer. However, under Utah Code § 54-4-30, asset purchases must be "in the public interest." The Commission has similarly considered whether applications voluntarily seeking approval of a resource decision are "in the public interest."[8] PacifiCorp requests the Commission apply a similar public interest criterion when considering whether to approve the Service Area Transfer.

Q. How does the Commission assess whether a proposed acquisition is "in the public interest"?

A. 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.[9]

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

A. No, the Service Area Transfer will benefit customers and will help reduce risk. Therefore, the asset sale is consistent with the public interest.

[8] *In the Matter of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision and Request for Accounting Order*, Docket No. 14-035-147, Report and Order Memorializing Bench Ruling at 9 (Apr. 29, 2015).

[9] *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).

Q. Can you explain how the sale of certain Washington-based assets will affect Utah customers, given that PacifiCorp currently operates as a single system?

A. Overall, the sale of the Washington-based assets will not harm Utah customers because the assets PacifiCorp is proposing to sell are a relatively small portion of its total, system-wide operating facilities. More specifically, PacifiCorp will sell 393 miles of its approximately 17,700 miles of transmission lines system-wide and 805 MW of its approximately 15,452 MW in total generation capacity system-wide. Additionally, PacifiCorp will sell approximately 4,100 miles of its approximately 66,900 miles of distribution lines system-wide, none of which it uses to serve Utah customers.

Q. Will rates for PacifiCorp's Utah customers increase upon approval of the Service Area Transfer?

A. No, the rate impact should be neutral or positive for at least the next three years. As a part of the application, PacifiCorp proposes to provide approximately $68.90 million in rate credits to Utah customers, funded by the gain on sale attributable to the goodwill value of the Business. This rate credit assigns 68 percent of the goodwill value to customers, an approach PacifiCorp is proposing across all states. PacifiCorp will provide this rate credit over three years, in the next general rate case where the impacts of the sale are reflected in rates, resulting in an annual rate credit of approximately $23.0 million. Ms. Kobliha provides more information on the calculation of the goodwill value of the Business, and the proposed assignment of the goodwill value to customers.

Q. Please explain how the cost increases and benefits associated with the Service Area Transfer net to no change or a net benefit.

A. There are various cost increases and cost savings associated with the Service Area Transfer, which generally net to no change or a net benefit, assuming allocation changes consistent with the 2020 PacifiCorp Inter-jurisdictional Cost Allocation Protocol ("2020 Protocol"). For purposes of analyzing and allocating the costs and benefits of this transaction, PacifiCorp has looked to the 2020 Protocol, as this was adopted by all PacifiCorp states for allocating certain system costs and is the basis for current rates.[10]

The estimated impact to customer costs and benefits is summarized over two periods. The first period, or transition period, covers [redacted] after the transaction closes. In this timeframe, PacifiCorp will sell energy, capacity and RECs to Gem in accordance with the Bridge PPA and provide balancing authority services to Gem in accordance with the BASA. For simplicity, these impacts are estimated for calendar year 2027 as a proxy for the annual impacts that would be anticipated over the [redacted] timeframe. The second period, or post-transition period, covers the first year after the Bridge PPA and the BASA are assumed to terminate, which is estimated [redacted]. The impact of the Service Area Transfer is summarized for both periods in Table 1.

[10] The allocations for 2030 and beyond are likely to be different due to the need for Oregon to be out of coal resources and will be subject to future multi-state negotiations and approvals.

Table 1. Annual Increase/(Decrease) in Cost to Customers ($million)

	UT-Allocated Transition Period	UT-Allocated Post-Transition Period	System Transition Period	System Post-Transition Period
Non-Power Cost Revenue Requirement	$31.9	$31.9	$65.6	$65.6
Net Power Cost with Production Tax Credits	($2.7)	($7.2)	($5.4)	($16.6)
Incremental Wheeling Revenue	($11.7)	($6.7)	($23.9)	($13.7)
Renewable Energy Credits	($0.2)	($2.4)	($0.3)	($4.9)
Resource Adequacy Value	($15.0)	($24.1)	($30.7)	($49.4)
Sub-Total (Before Annual Sale Credit)	$2.4	($8.5)	$5.2	($19.0)
Annual Sale Credit (3-year amortization)	($23.0)	$0.0	($47.0)	$0.0
Total	($20.7)	($8.5)	($41.8)	($19.0)

As PacifiCorp witness Shelley E. McCoy explains, PacifiCorp's system costs are currently shared among six states. After the Service Area Transfer, these costs will be shared among five states, causing an allocation increase of non-power cost revenue requirement to Utah customers of approximately $31.9 million (or $65.6 million for the remaining five-state system). [redacted], and so it does not change between the two time periods summarized in Table 1. Ms. McCoy also explains that PacifiCorp will be collecting new wheeling revenues due to changes in transmission service that are explained by Mr. Wilding. The benefit of this incremental wheeling revenue declines in the post-transition period when a Walla Walla upgrade reduces the volume of wheeling that Gem needs to purchase from PacifiCorp. During the transition period, the incremental wheeling benefit provides a $11.7 million benefit to Utah customers (or $23.9 million for the remaining five-state system). During the post-transition period, the incremental wheeling benefit provides a $6.7 million benefit to Utah customers (or $13.7 million for the remaining five-state system).

As PacifiCorp witness Ramon J. Mitchell explains, net power costs decline slightly during the transition period [redacted]

[redacted]. The Utah-allocated benefit from net power costs is $2.7 million during the transition period (or $5.4 million for the remaining five-state system) and $7.2 million for the post-transition period (or $16.6 million for the remaining five-state system). Mr. Mitchell also explains that the volume of RECs increases in the post-transition period and this contributes an additional $2.4 million in benefits for Utah customers (or $4.9 million for the remaining five-state system).

As Mr. Wilding testifies, the remaining five-state system experiences an increase in resource adequacy capacity that totals [redacted] during the transition period and [redacted] during the post-transition period. This increase in capacity for the remaining five-state system is estimated to provide a Utah-allocated benefit totaling $15.0 million per year during the first period (or $30.7 million per year for the remaining five-state system). During the second period, the Utah-allocated benefit increases to $24.1 million per year (or $49.4 million per year for the remaining five-state system).

Taken all together, inclusive of the annual sale credit described by Ms. Kobliha, which is proposed to be applied in the next general rate case in the transition period, Utah-allocated benefits total $20.7 million per year ($41.8 million for the remaining five-state system) and $8.5 million for the post-transition period (or $19.0 million for the remaining five-state system).

Additionally, the Service Area Transfer will improve PacifiCorp's overall system load and resource balance, provide PacifiCorp the ability to better invest in the

system, and relieve PacifiCorp from the obligation to make investments in Washington that would otherwise be necessary to satisfy Washington's climate laws.

Q. Will the Service Area Transfer improve PacifiCorp's ability to manage risk for its remaining customers?

A. Yes. As PacifiCorp witness Richard J. Garlish testifies, a primary reason PacifiCorp plans to sell the Washington service area is to help manage the risks associated with operating a utility with such a substantial footprint.

Q. Please explain how the Service Area Transfer allows PacifiCorp to better support Utah customers and the financial health of PacifiCorp.

A. In addition to the cash equal to the net book value of the assets sold in the Service Area Transfer, less cash paid for applicable income taxes, PacifiCorp will also receive cash equal to the goodwill value of the Business. Although PacifiCorp proposes to give approximately two-thirds of the goodwill value allocated to Utah back to Utah customers through a $68.90 million rate credit, PacifiCorp can use the remaining goodwill value to strengthen its financial profile, which benefits Utah customers through decreased future borrowing costs and provides liquidity needed to operate PacifiCorp's system. Ms. Kobliha estimates that absent this transaction, PacifiCorp would incur about $95 million in additional annual interest expense based on current credit ratings. This avoided interest expense is not reflected in Table 1.

Further, as discussed by Mr. Mitchell, the Service Area Transfer eliminates the

need for the company to absorb the cost of allowances from Washington's Climate Commitment Act, which have been disallowed in Utah and other states.[11]

V. CONCLUSION

Q. What is your recommendation for the Commission?

A. I recommend that the Commission approve the Service Area Transfer, whereby Gem will also purchase select Washington-based generation, transmission, and distribution assets. The Commission should approve the Service Area Transfer because it will not harm PacifiCorp's Utah customers and will provide customer benefits by strengthening PacifiCorp's financial health. Therefore, the Service Area Transfer is consistent with the public interest.

Q. Does this conclude your direct testimony?

A. Yes.

[11] *Rocky Mountain Power's Application for Approval of the 2024 Energy Balancing Account*, Docket No. 24-035-01, Order at 25 (Feb. 25, 2025); *Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations*, Docket Nos. 24-035-04 *et al.*, Order at 48 (Apr. 25, 2025).