Rocky Mountain Power
Docket No. 26-035-20
Witness: Nikki L. Kobliha

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Direct Testimony of Nikki L. Kobliha

April 2026

I. INTRODUCTION

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

A. My name is Nikki L. Kobliha and my business address is 825 NE Multnomah Street, Suite 1900, Portland, Oregon 97232. My present position is Senior Vice President of Finance for PacifiCorp.

Q. Please summarize your education and professional experience.

A. I received a Bachelor of Business Administration with a concentration in Accounting from the University of Portland in 1994. I became a Certified Public Accountant in 1996. I joined PacifiCorp in 1997 and have taken on roles of increasing responsibility before being appointed Chief Financial Officer from 2015 to 2025. Most recently, I have taken on a Senior Vice President, Finance role where I lead various special projects of significant financial consequence, working directly with PacifiCorp's senior leadership.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of this testimony is to explain and support PacifiCorp's proposed valuation, allocation, and regulatory treatment of the goodwill value and related financial impacts arising from the sale of its Washington service area and related assets to Gem Sub LLC ("Gem"), an affiliate of Portland General Electric Company ("PGE"). Specifically, this testimony demonstrates that PacifiCorp's proposal to allocate goodwill value among jurisdictions and to assign 68 percent to customers and 32 percent to shareholders is reasonable, consistent with Public Service Commission of

Utah ("Commission") precedent, and necessary to ensure that customers are not harmed while maintaining the financial health of PacifiCorp.

III. VALUATION OF ASSETS TO BE SOLD

Q. Can you describe the assets that are being sold by PacifiCorp to Gem?

A. Yes, as detailed in the testimony of PacifiCorp witness Joelle R. Steward, PacifiCorp is selling its distribution system in Washington, the Chehalis combined cycle gas turbine power plant, the Marengo I and II and Goodnoe Hills wind farms, certain identified transmission assets, and materials and supplies inventory. Along with this real property and inventory, the sale includes certain regulatory assets, accounts receivable, prepaid maintenance costs, and the transfer of liabilities for excess deferred income tax, certain customer deposits, and employee paid time off balances. In addition, PacifiCorp is selling its business of operating a public service company in Washington. Gem will also remit to PacifiCorp on a quarterly basis amounts associated with certain coal plant decommissioning and remediation costs currently being collected in Washington rates.[1] The entirety of the transaction is referred to as the Service Area Transfer.

Q. What is the total consideration to be received by PacifiCorp from Gem?

A. Gem is paying PacifiCorp an estimated purchase price of $1.9 billion (subject to certain adjustments) for PacifiCorp's Washington distribution system, the various generation and transmission facilities described above and for the business of operating a public service company in Washington, net of liabilities transferring at closing. Gem will also

[1] *Wash. Utils. & Transp. Comm'n v. PacifiCorp, dba Pac. Power & Light Co*., Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981 and UE-180778 (consolidated), Final Order 09/07/12 authorized PacifiCorp to recover Washington's share of decommissioning and remediation costs for Colstrip Unit 4 and the Jim Bridger plant over 10 years through 2030.

pay for the above-described other assets currently estimated to be $220.9 million, with the final amounts determined at that time.

Q. Has the value of the assets being sold been estimated?

A. Yes. The assets being sold have been valued at PacifiCorp's estimated net book value ("NBV") as provided in the table below.

Table 1

Asset	NBV
Chehalis	191,883,635
Marengo	328,264,376
Goodnoe Hills	171,400,112
Distribution, WA only	421,603,837
Transmission, Chehalis adjacent	9,460,917
Transmission, all other	248,258,753
General, Intangible, & Other - Chehalis adjacent	6,793,294
General, Intangible, & Other	3,728,132
General, Intangible, & Other - distribution related	20,277,733
Subtotal: Fixed Assets	1,401,670,788
Regulatory Assets: PCAMs, Decoupling, other misc	33,655,862
Inventory	34,399,331
Accounts Receivable: Billed and unbilled	109,042,187
Prepaid Maintenance - Chehalis and wind	48,994,498
Construction Work In Progress	39,876,545
Decommissioning/Reclamation Costs	19,586,059
Reg liability: Excess Deferred Income tax	(61,906,375)
Security Deposit Liability: Transmission and Customer deposits	(6,700,000)
Assumed PTO	(2,444,000)
Total	1,616,174,895

Q. Why is the value of the assets estimated and not finalized at this time?

A. Balances are subject to adjustment until the transaction closes. PacifiCorp has projected the balances through December 31, 2026, based on available information at this time.

Q. How does the NBV of the assets being sold compare to the estimated purchase price?

A. The estimated purchase price of the assets being sold, net of liabilities assumed, plus other consideration to be provided upon closing for certain assets transferred, exceeds the NBV. This results in estimated excess consideration of $504.7 million, or $441.6 million after estimated selling costs of $63.1 million. This excess consideration is attributable to the goodwill value of the business being sold, as discussed in more detail below.

Q. What is included in the selling costs?

A. The selling costs consist of various attorney and consulting fees necessary to effectuate the transaction, but by far the largest selling costs relate to Washington State's real estate excise tax ("REET") and Washington's retail sales tax.

Q. What are these Washington taxes and how are they calculated?

A. The REET is a tax outlined in the Revised Code of Washington and the Washington Administrative Code[2] imposed on the sale of real property. PacifiCorp expects a sizable portion of the assets transferred will be classified as real property and subject to the REET. The state portion of the REET has a graduated tax rate that tops out at three percent for the portion of the selling price in excess of $3.025 million. Counties and cities also have the authority to impose local option real estate excise taxes; the maximum rate is between 0.25 percent and one percent of the selling price.

Washington's retail sales tax outlined in the Revised Code of Washington and the Washington Administrative Code[3] is imposed upon the sale of taxable tangible

[2] RCW Chapter 82.45; WAC Chapter 458-61A.
[3] RCW Chapters 82.08 and 82.14; WAC Chapter 458-20.

personal property. The state portion of Washington's retail sales tax is 6.5 percent with local city/county rates ranging between 1.5 percent and 2.6 percent, for example, in the counties of Lewis, Walla Walla, and Yakima.

During the period between execution of the Asset Purchase and Service Area Transfer Agreement (the "Agreement") and closing of the transaction, PacifiCorp will be conducting a detailed study of the nature of the assets transferred (real property, tangible personal property, etc.) and determining the applicable taxes. Consistent with the Agreement's approach to the Internal Revenue Code Section 1060 purchase price allocation, PacifiCorp intends to use the NBV (not including deferred tax liabilities) of the assets as reported on PacifiCorp's internal books and records immediately prior to the closing as the selling price of the property transferred in this transaction for the purposes of Washington state and local transfer taxes. PacifiCorp provides a high-level estimate of these taxes in this filing. Later in my testimony, I describe how this cost is allocated to Washington, and the benefits of this tax flow directly to state and local communities.

Q. Outside of changes in the estimated NBV of the assets, what other items could impact the estimated amount of goodwill value?

A. The items that could impact the estimated goodwill value include true-ups to the estimated NBV of the assets, other assets and liabilities being transferred or selling costs.

IV. TREATMENT OF GOODWILL VALUE

Q. Please explain what is meant by goodwill value and how it relates to this transaction.

A. The goodwill value is the consideration received in excess of the fair market value of the assets sold in this transaction. PacifiCorp and Gem have agreed that the fair market value of the assets being sold is equal to their NBV because such value is the basis for what is currently being recovered in PacifiCorp's retail rates. Accordingly, Gem will record the cost and accumulated depreciation of such assets at PacifiCorp's NBV in accordance with the Federal Energy Regulatory Commission's Uniform System of Accounts Electric Plant Instruction No. 5 and any excess consideration is attributable to the value of PacifiCorp's operations as an ongoing public service company in Washington, also known as goodwill.

When MidAmerican Energy Holdings Company, now Berkshire Hathaway Energy Company ("BHE"), acquired PacifiCorp in 2006, an acquisition premium, also known as goodwill, was recorded at the PacifiCorp parent company level. The excess consideration paid by Gem in the Service Area Transfer confirms that a portion of the goodwill paid in 2006 is attributable to PacifiCorp's Washington service area.

Q. Because the excess consideration is entirely attributable to goodwill (*i.e.*, the ability to continue as an ongoing public service company in Washington), how did PacifiCorp determine an amount allocable to each state?

A. Although the excess consideration is attributable to goodwill (*i.e.*, operations as an ongoing public service company) rather than the specific assets being sold, PacifiCorp allocated the value of the goodwill from this transaction across the state jurisdictions

by first breaking down the asset listing into the NBV of each asset category being sold. This enabled the allocation of a specific percentage to each asset category, facilitating the distribution of the value of the goodwill based on the relative share of each asset category being sold. The asset categories and percentages are listed below.

Table 2

Asset	NBV Amount	NBV %	Goodwill Assignment
Chehalis	191,883,635	13.69%	69,099,752
Marengo	328,264,376	23.42%	118,211,555
Goodnoe Hills	171,400,112	12.23%	61,730,458
Distribution, WA only	421,603,837	30.08%	151,827,651
Transmission, Chehalis adjacent	9,460,917	0.67%	3,381,799
Transmission, all other	248,258,753	17.71%	89,390,549
General, Intangible, & Other - Chehalis adjacent	6,793,294	0.48%	2,422,782
General, Intangible, & Other	3,728,132	0.27%	1,362,815
General, Intangible, & Other - Distribution related	20,277,733	1.45%	7,318,819
Subtotal: Fixed Assets	**1,401,670,788**	**100.00%**	**504,746,180**

Q. Why does the allocation across asset categories not include an allocation for the other assets and liabilities being sold, such as accounts receivable or the regulatory assets?

A. The other assets being transferred and liabilities assumed are at book value, less an amount for an assumed level of working capital typical for a business of this size, and adjustments for the time value of money. These adjustments are immaterial to the value of goodwill as a whole and were therefore not considered.

Q. Once the value of goodwill was apportioned to the asset categories, how did PacifiCorp allocate the value among the states?

A. PacifiCorp proposes that the allocation of the goodwill value should be guided by the 2020 PacifiCorp Inter-Jurisdictional Cost Allocation Protocol ("2020 Protocol"), which was adopted by all states in 2020 for allocating certain system costs, including

Washington (which also adopted a Washington-specific protocol, the Washington Interjurisdictional Allocation Methodology ("WIJAM")). While the 2020 Protocol has now expired, it is the basis for current rates in all of PacifiCorp's states except Washington. PacifiCorp has therefore relied upon the 2020 Protocol to guide allocation of the goodwill value in this transaction.

Q. Which provision of the 2020 Protocol is most relevant to the allocation of goodwill value?

A. There is no provision of the 2020 Protocol that directly addresses consideration paid for the intangible, goodwill value of the business. Section 7 of the 2020 Protocol provides indirect guidance, stating that, "Any gain or loss from the sale of Company-owned assets will be allocated among or to states based upon the proportional allocation or assignment of the asset at the time of the execution date of the sale agreement."[4] The approach outlined above is consistent with the principles set forth in Section 7.

V. ASSIGNMENT OF GOODWILL VALUE BETWEEN CUSTOMERS AND PACIFICORP

Q. What amount of the goodwill value does PacifiCorp propose to return to Utah customers?

A. PacifiCorp proposes returning goodwill value of approximately $68.9 million to Utah customers ($141 million for the remaining five states). This figure represents 68 percent of the total assignable goodwill value for Utah prior to the accumulated deferred income tax ("ADIT") remeasurement referenced below. PacifiCorp plans to record this

[4] *In the Matter of the Application of Rocky Mountain Power for Approval of the 2020 Inter-Jurisdictional Cost Allocation Agreement*, Docket No. 19-035-42, Exhibit RMP___(JRS-1) at 43 (filed Dec. 3, 2019).

amount as a regulatory liability and amortize the benefit as a rate credit over three years, beginning in the next general rate case.

Q. Please describe the calculation PacifiCorp used to determine Utah customers' share of the goodwill value.

A. PacifiCorp's calculation begins with the total goodwill value allocated by category of assets sold as presented in Table 2 above. The goodwill assignment for the distribution assets was 100 percent allocated to Washington as Washington customers alone paid for those assets. Those assets included in Utah rates which received an allocation of the goodwill value are Chehalis, Goodnoe Hills, Marengo, certain transmission assets and other general plant assets. The allocation of the goodwill value related to these assets was then allocated to Utah based on the system generation ("SG") factor described in the 2020 Protocol. For Utah, PacifiCorp used 45 percent.

Next, PacifiCorp proposes assigning 68 percent of the goodwill value, net of selling costs, to customers with 32 percent retained by PacifiCorp. This outcome is then reduced by Utah's share of the ADIT remeasurement discussed below. Utah is allocated 49 percent of that remeasurement. The resulting assignment is approximately $68.9 million.

Q. Did Utah receive a portion of all selling expenses?

A. No. Both the REET and retail sales tax amounts are allocated 100 percent to Washington as a reduction to their available goodwill value. These tax payments will directly benefit Washingtonians.

Q. What is the ADIT remeasurement mentioned above and how has PacifiCorp calculated it?

A. For financial reporting purposes, at each balance sheet date, PacifiCorp must estimate its deferred income tax liability for temporary differences between book and tax, known as the ADIT liability, which is generally expressed as a product of gross temporary differences and enacted tax rates. A gross temporary difference is a measure of future taxable income or deductions resulting from amounts that have already been recognized in PacifiCorp's financial statements. As of December 31, 2025, PacifiCorp has an estimated $13.7 billion of gross temporary differences, representing future taxable income, primarily resulting from accelerated tax depreciation.

For federal income tax purposes, the ADIT liability is the product of PacifiCorp's gross temporary differences and the enacted federal tax rate of 21 percent. For state income tax purposes, the ADIT liability is the product of PacifiCorp's gross temporary differences and the "applicable state tax rate," where the applicable state tax rate is the product of the applicable state apportionment[5] percentage and the enacted state tax rate. State apportionment factors are a significant part of the equation, especially because they change from period to period, primarily based on changes in where gross receipts are sourced based on a company's business activities for the taxable period.

[5] For multi-state corporations like PacifiCorp, state apportionment refers to the division of federal taxable income (as adjusted by state tax law) among the states in which a corporation is taxable using a mathematical formula. The predominant formula in use today is called a single sales factor formula with the numerator being sales within the state and the denominator being sales everywhere and the where the term "sales" is more accurately described as "gross receipts." PacifiCorp is also taxable in states that use a three-factor formula based on property, payroll, and sales, with each factor evenly weighted or with the sales factor double-weighted.

For more than 20 years, PacifiCorp has used a blended applicable state tax rate of 4.54 percent to measure ADIT. PacifiCorp annually compares this rate to the actual state tax rate based on its most recently filed state income tax returns and historically speaking, the amounts have been well aligned, typically within a tolerance of 0.1 percent.

Should this transaction be approved, while PacifiCorp will continue to have a presence in Washington state, it will be greatly reduced and PacifiCorp estimates that its applicable state tax rate will increase from 4.54 percent to approximately 5.00 percent. While the apportionment factor denominator in PacifiCorp's states with an income tax will generally remain the same, the numerator will decrease meaning that more of the gross temporary differences that form the basis of PacifiCorp's post-transaction ADIT will reverse as taxable income in the remaining states with an income tax. Much like ADIT was remeasured in 2017 when the federal income tax rate was reduced from 35 percent to 21 percent, the increase in PacifiCorp's applicable state tax rate will also require an ADIT remeasurement. Based on 2025 balances, PacifiCorp projects the remeasurement will increase its ADIT liability by approximately $50 million.

Absent regulatory treatment for recovery of this deficient ADIT PacifiCorp would take a one-time charge to its income statement for the remeasurement. Utah customers have been benefiting from lower taxes in rates due to having a zero income tax state as part of PacifiCorp's system. Since this remeasurement is the result of this transaction, PacifiCorp proposes offsetting the goodwill value with the impact of the

ADIT remeasurement. Future rate cases will include the higher ADIT balance as an offset to rate base.

Q. How did you calculate Utah's allocation of the ADIT remeasurement?

A. For the purposes of Exhibit RMP___(NLK-1), to provide an estimate of each state's allocation of the ADIT remeasurement, I removed Washington from the SG factor totals making it 92 percent. I then recalculated each state's new percentage based on their relative share of the 92 percent. For example, Utah was 45 percent of the SG factor so 45 percent of 92 percent is 49 percent. This is consistent with the recalculation of allocation factors discussed in the testimony of PacifiCorp witness Shelley E. McCoy. Each state's actual allocation will be finalized after the transaction closes, and will be a detailed calculation for each individual component of ADIT and the actual allocation factor assigned.

Q. Have you prepared an exhibit that shows the state allocation calculation?

A. Yes, please see Exhibit RMP___(NLK-1) to my testimony.

Q. Why is PacifiCorp's proposal to share the goodwill value with customers reasonable?

A. First, PacifiCorp's approach is generally consistent with direction the Commission has provided PacifiCorp in connection with prior property sales. Second, allowing PacifiCorp to retain 32 percent of the goodwill value will strengthen its financial position, which generally benefits customers. Third, the 68 percent that will be shared with customers is nearly double the amount that customers have paid in depreciation expense for the generation assets. Fourth, PacifiCorp is absorbing additional costs that effectively reduce its share of retained goodwill value.

Q. Turning to the first argument, how is PacifiCorp's proposal consistent with prior Commission guidance?

A. The Commission previously shared gains between customers and PacifiCorp based on an analysis of the risks each party will bear following the sale and would have borne absent the sale.[6] Here, assigning 68 percent of the goodwill value of the Service Area Transfer to customers and 32 percent to PacifiCorp adequately compensates customers and PacifiCorp for these risks. The Service Area Transfer reduces customer risk following the sale by supporting PacifiCorp's financial health (discussed more below) and increasing resource adequacy (discussed by PacifiCorp witness Michael G. Wilding).

Moreover, absent the sale, PacifiCorp would continue to bear the uncompensated risk of conducting the business of serving Washington customers, which has predominantly been borne by PacifiCorp, not Utah customers. This is demonstrated in the tens of millions in annual costs PacifiCorp has been forced to absorb over the last three years for Chehalis's compliance with Washington's Climate Commitment Act ("CCA"). Specifically, PacifiCorp has been required to purchase emissions allowances for generation from Chehalis that is used to serve customers in PacifiCorp's non-Washington states, but those states did not allow recovery in rates of the costs incurred to purchase the CCA-mandated emission allowances.[7] In addition, PacifiCorp has had to absorb other cost recovery shortfalls resulting from diverging

[6] *See In the Matter of the Application for an Order Approving the Sale of its Interest in (1) the Centralia Steam Electric Generating Plant*, Docket No. 99-2035-03, Report and Order (Mar. 14, 2000).
[7] *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).

energy policies and discrepancies in approved cost allocation methodologies across six states. Considering the risk PacifiCorp has borne serving the Washington service area, PacifiCorp's proposed sharing of the goodwill value is reasonable.

Q. How does the proposed assignment of goodwill value benefit customers by strengthening PacifiCorp's financial health?

A. The ability to retain 32 percent of the goodwill value, along with the net proceeds received for the NBV of the assets sold, supports the financial health of PacifiCorp largely through a reduction of future debt. Absent these dollars, PacifiCorp will experience further pressure on its credit metrics and increased borrowing costs.

Q. What is the estimated impact of increased borrowings if this transaction is not approved?

A. This transaction is estimated to net cash of approximately $1.4 billion, before retention of any of the goodwill value. Without this cash, PacifiCorp would need to borrow the same amount to meet liquidity targets. Issuing $1.4 billion in 10-year First Mortgage Bonds could raise annual interest expense by about $95 million based on current credit ratings. A downgrade or placement on CreditWatch Negative status may increase debt costs beyond these estimated amounts or limit access to much needed capital.

Q. Will retention of 32 percent of the goodwill value provide additional support to PacifiCorp's financial profile?

A. Yes. Allowing PacifiCorp to retain 32 percent of the goodwill value better positions PacifiCorp to meet the financial challenges associated with the rapidly changing utility landscape. A financially healthy utility benefits PacifiCorp's remaining customers, including those in Utah.

Q. Will PacifiCorp retain these earnings to support its capital structure?

A. Yes, PacifiCorp will retain any earnings.

Q. Please summarize PacifiCorp's need for new capital and liquidity.

A. PacifiCorp requires capital to meet its customers' needs for the required maintenance of its generation, transmission, and distribution assets, for the safe and reliable operation of the electric grid, and to support its wildfire mitigation program. PacifiCorp also needs new capital to fund its operations, such as the purchase of energy for its customers and to fund long-term debt maturities. Additionally, PacifiCorp is currently facing significant wildfire liabilities, which have strained PacifiCorp's credit ratings and overall financial stability.

Q. Please explain PacifiCorp's operational needs for new capital.

A. PacifiCorp requires capital to support its liquidity needs to fund its ongoing operations and to meet its customers' needs, as well as liquidity to support its credit rating. Maintaining utility operations is a capital-intensive process, especially when facing the combined operational demands of addressing emerging wildfire risks and associated insurance premium increases, expanding the distribution and transmission systems to serve load, and additional integration of renewable resources to meet both customer need and state energy policies.

Q. How does the 68 percent sharing level compare to the depreciation level of the generation assets?

A. The three generation assets PacifiCorp is selling (Chehalis, Goodnoe Hills and Marengo) are only 37 percent depreciated, as discussed in more detail below. Although the excess consideration here is tied to the goodwill value of operating the business, an

intangible value attributable to PacifiCorp's long-time service in Washington and not the specific assets, PacifiCorp is proposing to assign nearly double that amount of goodwill value to customers.

Q. You stated the generation assets are only 37 percent depreciated. Please describe the analysis underlying that calculation.

A. Through depreciation expense, customers pay for the cost of assets over their operating lives, consistent with the period in which those assets provide service. PacifiCorp records and maintains accumulated depreciation by depreciation group, as established in its Commission-approved depreciation studies. For example, accumulated depreciation associated with distribution assets is maintained on a state-by-state basis. This allows PacifiCorp to determine the extent to which customers have contributed to the recovery of the costs of the assets included within each depreciation group. By the end of 2026, PacifiCorp estimates that customers will have paid the percentages outlined in the table below.

Table 3

Asset	Depreciation Ratio
Chehalis	49%
Marengo	31%
Goodnoe Hills	30%
Distribution, WA only	45%
Transmission, Chehails adjacent	24%
Transmission, all other	23%
General, Intangible, & Other - Chehalis adjacent	58%
General, Intangible, & Other	32%
General, Intangible, & Other - distribution related	55%
Weighted average - All assets	38%
Weighted average - Generation assets only	37%

Focusing solely on the generation assets, customers have paid for approximately 37 percent of the assets being sold.

Q. How does the portion of the assets that customers have paid for support PacifiCorp's proposed assignment of 68 percent of the goodwill value to customers?

A. Based on PacifiCorp's accumulated depreciation, customers have paid between 23 percent and 58 percent for the assets sold. Using the upper end of that range indicates that the value generated by goodwill could be assigned 58 percent to customers and 42 percent to shareholders. PacifiCorp is proposing to assign 68 percent to customers despite the analysis showing closer to 38 percent of the value of the assets has been paid for by customers on a weighted average basis, and 37 percent for the generation assets sold, with the highest for any asset being 58 percent. This additional customer assignment recognizes that customers do share in some of the risk associated with operating company assets that is difficult to measure through a mathematical analysis.

Q. Are there any other cost impacts PacifiCorp will incur that should be considered when assessing the reasonableness of PacifiCorp's proposed assignment of the goodwill value?

A. Yes, there are four additional items that will be absorbed by PacifiCorp, largely offsetting its 32 percent of the goodwill value that will be retained by PacifiCorp. First, some of the goodwill value is being double-allocated as a result of the over-allocation of Chehalis between the WIJAM and 2020 Protocol. PacifiCorp is allocating 22 percent of the goodwill value based on the Chehalis-related assets to Washington and 92

percent of the same goodwill value to other jurisdictions. This, of course, is greater than 100 percent, leaving a 14 percent over-allocation for PacifiCorp to absorb.

Second, certain amounts associated with pension and other post-retirement medical benefits are not being transferred as part of this transaction. Accounting standards for pension and other post-retirement medical benefits permit deferred recognition of certain actuarial gains and losses incurred by plan sponsors, resulting in regulatory assets and regulatory liabilities that are amortized to expense over time. In addition, PacifiCorp was authorized by the Washington Utilities and Transportation Commission[8] to defer and amortize into rates the 2018, 2021, and 2022 pension settlement losses. As of December 31, 2025, Washington's portion of these items amounted to a regulatory asset balance of approximately $17.0 million.

Third, for financial and regulatory reporting purposes, the calculation of income realized by PacifiCorp related to this transaction consists of amounts that are both deductible and non-deductible for income tax purposes. The non-deductible amounts are primarily attributable to the equity allowance for funds used during construction and result in income tax expense that is not being recovered from customers by virtue of PacifiCorp's proposed assignment of goodwill value which has been calculated on a pre-tax basis.

Fourth, when BHE acquired PacifiCorp in 2006, an acquisition premium, also known as goodwill, was recorded. This transaction confirms some of that amount of goodwill is attributable to the Washington service area as demonstrated through the

[8] In Docket No. UE-181042, the Washington Utilities and Transportation Commission approved PacifiCorp's request to defer and amortize pension settlement losses over the same period used to amortize the underlying regulatory asset and liability balances.

premium paid in this transaction. As part of the merger commitments, PacifiCorp agreed the acquisition premium would not be part of customer rates. The sale of these assets and realization of an acquisition premium should therefore also not be included in rates. PacifiCorp estimates the amount of the original acquisition premium recorded at PacifiCorp's parent company PPW Holdings attributable to Washington is $90.1 million, or approximately eight percent of the total recorded goodwill.

Q. Is PacifiCorp's proposed assignment of goodwill value consistent with ensuring that there is no harm to customers from this transaction?

A. Yes, this assignment of the goodwill value is identified as part of the customer impacts in Ms. Steward's direct testimony.

VI. CONCLUSION

Q. Please summarize your recommendation.

A. The Commission should approve the asset sale included in the Service Area Transfer and assign the goodwill value in accordance with PacifiCorp's proposal.

Q. Does this conclude your direct testimony?

A. Yes.

Rocky Mountain Power
Exhibit RMP___(NLK-1)
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Exhibit Accompanying Direct Testimony of Nikki L. Kobliha

Calculation, Allocation, and Assignment of Goodwill Value

April 2026

	Book		
Asset	**Cost**	**Accum. Depr.**	**Net Book Value**
Chehalis	375,993,003	(184,109,368)	191,883,635
Marengo	326,337,354	1,927,022	328,264,376
Goodnoe Hills	157,468,913	13,931,199	171,400,112
Distribution, WA only	770,736,290	(349,132,453)	421,603,837
Transmission, Chehails adjacent	12,522,798	(3,061,881)	9,460,917
Transmission, all other	322,976,970	(74,718,217)	248,258,753
General, Intangible, & Other - Chehalis adjacent	16,208,930	(9,415,636)	6,793,294
General, Intangible, & Other	5,463,700	(1,735,568)	3,728,132
General, Intangible, & Other - Distribution related	44,884,284	(24,606,551)	20,277,733
Total: Fixed Assets	**2,032,592,241**	**(630,921,454)**	**1,401,670,788**

Giveback Percentage - Gain	**68.00%**
Giveback Percentage - WA REET	**100.00%**
Giveback Percentage - ADIT Remeasurement	**100.00%**

	Net Book Value		Goodwill	Customer	Allocation	State Allocation							Company Allocation			
Asset	**Amount**	**%**	**Assignment**	**Giveback @ 68%**	**Method**	**Washington**	**Oregon**	**California**	**Utah**	**Idaho**	**Wyoming**	**Total**	**Overallocation**	**Retained**	**Total**	**Check Total**
Chehalis	191,883,635	13.69%	69,099,752	46,987,831	**B**	10,337,323	12,216,836	469,878	21,144,524	2,819,270	6,578,296	**53,566,127**	(6,578,296)	22,111,921	**15,533,625**	**0**
Marengo	328,264,376	23.42%	118,211,555	80,383,857	**A**	6,430,709	20,899,803	803,839	36,172,736	4,823,031	11,253,740	**80,383,858**	0	37,827,698	**37,827,698**	**(1)**
Goodnoe Hills	171,400,112	12.23%	61,730,458	41,976,711	**A**	3,358,137	10,913,945	419,767	18,889,520	2,518,603	5,876,740	**41,976,712**	0	19,753,747	**19,753,747**	**(1)**
Distribution, WA only	421,603,837	30.08%	151,827,651	103,242,803	**WA**	103,242,803	0	0	0	0	0	**103,242,803**	0	48,584,848	**48,584,848**	**0**
Transmission, Chehails adjacent	9,460,917	0.67%	3,381,799	2,299,623	**B**	505,917	597,902	22,996	1,034,830	137,977	321,947	**2,621,569**	(321,947)	1,082,176	**760,229**	**1**
Transmission, all other	248,258,753	17.71%	89,390,549	60,785,573	**A**	4,862,846	15,804,249	607,856	27,353,508	3,647,134	8,509,980	**60,785,573**	0	28,604,976	**28,604,976**	**0**
General, Intangible, & Other - Chehalis adjacent	6,793,294	0.48%	2,422,782	1,647,492	**B**	362,448	428,348	16,475	741,371	98,850	230,649	**1,878,141**	(230,649)	775,290	**544,641**	**0**
General, Intangible, & Other	3,728,132	0.27%	1,362,815	926,714	**A**	74,137	240,946	9,267	417,021	55,603	129,740	**926,714**	0	436,101	**436,101**	**0**
General, Intangible, & Other - Distribution related	20,277,733	1.45%	7,318,819	4,976,797	**WA**	4,976,797	0	0	0	0	0	**4,976,797**	0	2,342,022	**2,342,022**	**0**
Subtotal: Fixed Assets	**1,401,670,788**	**100.00%**	**504,746,180**	**343,227,401**		**134,151,117**	**61,102,029**	**2,350,078**	**105,753,510**	**14,100,468**	**32,901,092**	**350,358,294**	**(7,130,892)**	**161,518,779**	**154,387,887**	**(1)**
Washington Real Estate Excise Tax			(49,058,478)	(49,058,478)	**WA**	(49,058,478)	0	0	0	0	0	**(49,058,478)**	0	0	**0**	**0**
Other selling costs			(14,100,000)	(9,588,000)	**A**	(767,040)	(2,492,880)	(95,880)	(4,314,600)	(575,280)	(1,342,320)	**(9,588,000)**	0	(4,512,000)	**(4,512,000)**	**0**
Subtotal			**441,587,702**	**284,580,923**		**84,325,599**	**58,609,149**	**2,254,198**	**101,438,910**	**13,525,188**	**31,558,772**	**291,711,816**	**(7,130,892)**	**157,006,779**	**149,875,887**	**(1)**
ADIT Remeasurement + Gross-Up			(66,301,200)	(66,301,200)	**C**	0	(18,564,336)	(663,012)	(32,487,588)	(4,641,084)	(9,945,180)	(66,301,200)	0	0	0	0
Total Pre-tax			**375,286,502**	**218,279,723**		**84,325,599**	**40,044,813**	**1,591,186**	**68,951,322**	**8,884,104**	**21,613,592**	**225,410,616**	**(7,130,892)**	**157,006,779**	**149,875,887**	**(1)**

Allocation Methods

Description	Method	WA	OR	CA	UT	ID	WY	PAC	Total
Use of SG factor from 2020 Protocol	**A**	0.08	0.26	0.01	0.45	0.06	0.14	0.00	**1.00**
Use of WIJAM for WA and overallocation assigned to company	**B**	0.22	0.26	0.01	0.45	0.06	0.14	(0.14)	**1.00**
Recalcuation to remove WA from allocations	**C**	0.00	0.28	0.01	0.49	0.07	0.15	0.00	**1.00**
100% assignment to WA	**WA**	1.00	0.00	0.00	0.00	0.00	0.00	0.00	**1.00**