ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

Joelle R. Steward
Vice President, Regulation
1407 West North Temple, Suite 330
Salt Lake City, UT 84116

September 6, 2019

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Wyoming Public Service Commission
2515 Warren Avenue, Suite 300
Cheyenne, Wyoming 82002

Attn: Chris Petrie, Chief Counsel

Docket No. 20000-550-EA-18
Record No.15179

RE: IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR AN ACCOUNTING ORDER FOR SETTLEMENT CHARGES RELATED TO ITS PENSION PLANS – Rebuttal Testimony

Dear Mr. Petrie:

Rocky Mountain Power hereby submits for electronic filing the rebuttal testimony as required by the Scheduling Order issued on June 11, 2019. An original and four copies are being provided for the docket.

All formal correspondence and staff requests regarding this matter should be addressed to:

By E-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232

with copies to: Stacy Splittstoesser
Wyoming Regulatory Affairs Manager
Rocky Mountain Power
315 West 27th Street
Cheyenne, Wyoming 82001
Email: stacy.splittstoesser@pacificorp.com

Yvonne Hogle
Emily Wegener
Assistant General Counsel
Rocky Mountain Power
1407 West North Temple, Suite 320
Salt Lake City, Utah 84116
Email: yvonne.hogle@pacificorp.com
emily.wegener@pacificorp.com

Please contact Stacy Splittstoesser, Wyoming Regulatory Affairs Manager at (307) 632-2677 if you have any informal questions or would like additional information.

Sincerely,

Joelle R. Steward
Vice President, Regulation

Enclosure

cc: Service List

CERTIFICATE OF SERVICE

Docket No. 20000-550-EA-18 (Record No. 15179)

I hereby certify that on September 6, 2019, I caused to be served, via email a true and correct copy of Rocky Mountain Power's **Rebuttal Testimony** to the following service list:

<table>
<tr><td colspan="2">Office of Consumer Advocate</td></tr>
<tr><td>Ivan Williams
Office of Consumer Advocate
2515 Warren Avenue, Suite 304
Cheyenne, WY 82002
ivan.williams@wyo.gov</td><td></td></tr>
<tr><td colspan="2">Wyoming Industrial Energy Consumers</td></tr>
<tr><td>Thorvald Nelson
Holland & Hart LLP
555 Seventeenth Street, Suite 3200
Denver, CO 80202
tnelson@hollandhart.com</td><td>Abigail C. Briggerman
Holland & Hart LLP
555 Seventeenth Street, Suite 3200
Denver, CO 80202
acbriggerman@hollandhart.com</td></tr>
<tr><td>Austin Rueschhoff
Holland & Hart LLP
555 Seventeenth Street, Suite 3200
Denver, CO 80202
darueschhoff@hollandhart.com</td><td>Adele Lee – aclee@hollandhart.com
Gina Gargano-Amari – glgargano-amari@hollandhart.com</td></tr>
<tr><td colspan="2">Rocky Mountain Power</td></tr>
<tr><td>Stacy Splittstoesser
Wyoming Regulatory Affairs Manager
Rocky Mountain Power
315 West 27th Street
Cheyenne, Wyoming 82001
stacy.splittstoesser@pacificorp.com</td><td>Yvonne R. Hogle
Assistant General Counsel
Rocky Mountain Power
1407 West North Temple, Suite 320
Salt Lake City, Utah 84116
yvonne.hogle@pacificorp.com</td></tr>
<tr><td>Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232
datarequest@pacificorp.com</td><td>Emily Wegener
Senior Attorney
Rocky Mountain Power
1407 West North Temple, Suite 320
Salt Lake City, Utah 84116
emily.wegener@pacificorp.com</td></tr>
</table>

Katie Savarin

Katie Savarin
Coordinator, Regulatory Operations

Docket No. 20000-550-EA-18
Witness: Nikki L. Kobliha

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

ROCKY MOUNTAIN POWER

Rebuttal Testimony of Nikki L. Kobliha

September 2019

Q. Are you the same Nikki L. Kobliha who previously submitted direct testimony in this proceeding on behalf of PacifiCorp d/b/a Rocky Mountain Power (PacifiCorp or Company)?

A. Yes.

PURPOSE AND CONCLUSIONS OF REBUTTAL TESTIMONY

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the direct testimony of Dr. Belinda J. Kolb, filed on behalf of the Wyoming Office of Consumer Advocate ("OCA") and the direct testimony Mr. Kevin C. Higgins, filed on behalf of the Wyoming Industrial Energy Consumers ("WIEC").

Q. How is your rebuttal testimony structured?

A. My testimony is organized by topic, and I will address the similar arguments raised by Dr. Kolb and Mr. Higgins together, where appropriate.

Q. What recommendation do you make in your rebuttal testimony?

A. I recommend that the Wyoming Public Service Commission approve the Company's request with respect to the 2018 settlement loss, specifically, to (1) record the deferred amount in Account 182.3, Other Regulatory Assets; (2) record the impact of pension event separate from the existing pension regulatory asset or liability for tracking purposes; and (3) amortize the regulatory asset or liability resulting from the 2018 settlement loss to expense over 21 years, which is the same period that is used to amortize the underlying regulatory assets or liabilities with the opportunity to recover the amount in rates as part of net periodic benefit cost. The Company has demonstrated that the 2018 settlement loss was unforeseeable. In addition, the Company's requested deferred accounting order matches appropriately the costs borne by and the benefits received by customers, and minimizes the frequency and fluctuation of rate changes. Deferred accounting orders allow utilities to avoid immediately filing a rate case when an unforeseen event occurs (such as the settlement loss). And the Commission has recognized that the Company's commitment to stay out of rate cases "serves the worthy goals of general rate relief … and increased certainty and predictability."[1]

PENSION EXPENSE CURRENTLY REFLECTED IN RATES

Q. Mr. Higgins claims that PacifiCorp has over-recovered pension expense in rates based on the amounts used in the Wyoming 2015 general rate case ("GRC") and that the Company's application should be denied on that ground.[2] How do you respond?

A. I disagree that the disparity between the 2015 GRC amounts and the costs incurred should bear on whether the Company is entitled to a deferred accounting order in this matter. Mr. Higgins concedes that "the Company's accounting proposal is not necessarily unreasonable." He justifies his opposition only based on "the facts surrounding PacifiCorp's pension cost recovery and recent history." However, in a general rate case proceeding, the Commission sets rates to approximate the costs and investments that will likely be incurred for the rate effective period. During the time the rates are in effect, costs will vary from the amounts estimated in a rate case. While the Company's actual Accounting Standards Codification ("ASC") 715 expense has

[1] *See* 2012 WL 6700584 (Wyo. P.S.C.), Dockets No. 20000-405-ER-11 et al., (Record No. 13034), Memorandum Opinion, Findings and Order Approving Stipulation, ¶¶ 9 and 75, in which the Commission, in consideration of a stipulation that settled applications for a general rate case, two accounting orders and the annual ECAM filing noted "it advances worthy goals of general rate relief through the ECAM; increased certainty and predictability, especially for large customers; and time for the Company to focus on future needs and reassess its budgets …"
[2] Higgins Direct page 11, line 14 through page 13, line 2. Kolb Direct page 7, lines 12-27.

fluctuated, it is not appropriate to isolate this single cost to compare actual expense to what was presented for recovery in the most recent general rate case. The Company takes a more holistic view when managing costs with the benefit of lower-than-anticipated costs offsetting higher-than anticipated costs. This cost management has enabled the Company to stay out of general rate cases over the past several years.

2016 CURTAILMENT GAIN

Q. Mr. Higgins argues that the Commission should deny the Company's request because of its treatment of the 2016 curtailment gain.[3] Do you agree?

A. No. While I agree with Mr. Higgins' testimony that when a curtailment gain occurred in 2016, the Company did not file an application for an accounting order, I disagree with his assertion that the Commission deny the Company's request on this basis. The 2016 total Company curtailment gain of $5 million was much smaller than the $22 million total Company 2018 settlement loss and the $41 million total Company 2008 curtailment gain.

Q. Please explain the circumstances surrounding the 2016 curtailment gain.

A. As part of the Company's ongoing risk mitigation and cost management efforts the Company decided in 2016 to fully freeze the pension plan and shift all future pay credits/contributions to the 401(k) plan.[4] The plan freeze in 2008 was only a partial freeze as employees hired before January 1, 2008 could elect to continue their future pay credits in the pension plan. Continuation of pay credits in the pension plan for those who elected that option increases the plan liability and adds to the Company's risk as

[3] Higgins Direct page 17, line 4 through page 18, line 8.

[4] In the Company's pension plan, participants accrued benefits by receiving "pay credits" under the plan's cash balance formula while benefits provided to participants in the 401(k) plan are based on cash "contributions" to the participants' accounts.

the future obligation grows. Shifting the future pay credits/contributions to the 401(k) puts the burden of having enough funds for retirement to the employee. In making this decision, the Company realized a $5 million curtailment gain. The decision to de-risk the plan in this way, not only mitigates the *Company's* risk as the future obligation grows, it likewise mitigates its *customers'* risk as well, because ultimately the Company recovers its pension costs from customers.

Q. How did the Company treat the $5 million curtailment gain?

A. Without consideration for regulatory accounting, the Company could have recognized the entire $5 million 2016 curtailment gain to income immediately. The Company instead opted to follow the provisions of ASC 980 and deferred the gain to a regulatory liability consistent with treatment of the 2008 curtailment gain. The Company also began amortization of this gain over three years effective January 1, 2017, which was the amortization period ordered in Wyoming for the 2008 curtailment gain. Using the three years provided the opportunity for the amortization to offset base period pension costs had the Company filed for a rate case in any of the three years following the gain.

Q. Mr. Higgins also notes that the Company amortized the gain over three years (unlike the 21 years the Company proposes to amortize the settlement loss).[5] Can you explain the basis of the three years used with respect to the 2016 curtailment gain and the 21 year amortization period proposed in this proceeding?

A. The Company amortized the 2016 curtailment gain over three years based on it being the amortization period used in a majority of the Company's jurisdictions, and specifically ordered in Wyoming, for the 2008 curtailment gain. The 21 year

[5] Higgins Direct page 17, lines 12-13.

amortization of the 2018 settlement loss was selected to approximate the time period over which the unrecognized loss balance would have otherwise amortized to expense had a settlement event not occurred. The Company would be open to a shorter amortization period if so desired by the Commission.

Q. Did freezing the plan have other impacts besides the curtailment gain?

A. Yes. In addition to the curtailment gain, freezing the plan resulted in a reduction to pension service cost. Since participants no longer earn a pay credit in the pension plan, no service costs exist. This cost shifted to the 401(k) plan where future pay contributions are now applied.

Another impact to freezing the plan was the change in the amortization of unrecognized gains and losses. For an active plan, unrecognized gains and losses are amortized back to pension expense over the average remaining service life of the plan participants, or 8.4 years in 2016. A frozen plan amortizes unrecognized gains and losses over the average remaining life of the plan participants, or 21 years. Freezing the plan had the effect of spreading the unrecognized gains and losses over a much longer period of time and reducing near term pension expense. Although this is purely a timing issue as unrecognized gains and losses must be recognized through income eventually, the ability to recognize gains and losses over the 21 years rather than the 8.4 years significantly reduced the Company's on-going annual expense. This type of cost management demonstrates the holistic view I referred to above where the Company considers all offsetting costs and benefits when making decisions and determining whether a general rate case filing is warranted. Where it can, the Company manages these costs with a goal to de-risk and mitigate costs for customers.

Q. Has the Company filed an application for deferred accounting for curtailment gains?

A. Yes. The implication of Mr. Higgins and Dr. Kolb's testimony is that the Company is only requesting deferred accounting when it benefits the Company's shareholders. This is not accurate. The Company filed an application for deferred accounting with respect to the 2008 curtailment mentioned above related to employee participation in PacifiCorp's defined benefit pension plans, which declined substantially, when union employees and approximately 41 percent of non-union employees migrated to 401(k) retirement plans. The Commission approved the Company's request to defer $41 million pension curtailment gain and a $14 million measurement date change transitional adjustment related to both the pension and other post-retirement welfare plan.[6]

DEFERRED ACCOUNTING IS APPROPRIATE

Q. Dr. Kolb states that the Company's proposal does not create more rate stability for customers.[7] How do you respond?

A. I disagree with Dr. Kolb. The accounting order requested in this proceeding allows the Company to smooth costs and credits associated with the defined benefit plans over the actuarial lives of the plan participants. Thus the deferral will allow the Company to continue the prior amortizations that would have continued if it were not for the accelerated recognition due to the settlement.

Further, it will be difficult for the Company to commit to staying out of rate

[6] *In the Matter of the Application of Rocky Mountain Power for Approval of an Accounting Order Regarding Pension Curtailment and Pension Measurement Date Change*, Docket No. 20000-336-EA-08 (Record No. 11944), Notice and Order Approving Accounting Order, (January 20, 2009).
[7] Kolb Direct page 7, lines 1-11.

cases for any length of time if it cannot request deferred accounting when it experiences unforeseen events, like the settlement loss in the current proceeding. Authorizing deferred accounting can allow a utility to avoid immediately filing a rate case when an unforeseen event occurs (such as the settlement loss) and thus, minimizes the frequency of rate changes. I also note that rates do not change as a result of the Commission granting the Company's application for deferral but it does provide the opportunity for the Company to request recovery of this loss in its next filed rate case.

Q. Dr. Kolb states that the number of plan participants who elect lump sum settlements has been "relatively stable and predictable" and that therefore this settlement event was also predictable.[8] Do you agree?

A. No. The Company does not consider settlements to be foreseeable. While participants electing to take lump sum distributions is foreseeable, there are multiple variables associated with triggering settlement accounting under ASC 715 that are not predictable or within the Company's control as described in my direct testimony, including changes in discount and interest rates. The fact that the number of participants electing lump sums has stayed relatively constant since 2007 and yet the Company has not realized a settlement speaks to the fact that pension settlements are unforeseeable because they are influenced by more than this one relatively predictable factor.

Based on the facts and circumstances surrounding the 2018 pension event, the Company should be allowed to defer the loss with the opportunity to recover in its next rate case.

[8] Kolb Direct page 8, lines 1-10.

PROSPECTIVE ACCOUNTING REQUEST

Q. Dr. Kolb and Mr. Higgins recommend that the Commission reject the Company's proposal for an accounting order for future similar settlement losses.[9] How do you respond?

A. In order to narrow the issues in this proceeding, the Company withdraws this element of its request. The Company may seek accounting orders for future settlement events, which the Commission can evaluate individually.

RATE BASE CONSIDERATIONS

Q. Mr. Higgins requests that the Commission decide in this proceeding whether the $22 million dollar loss, if recognized in 2018, should not be included in rate base.[10] How do you respond?

A. I disagree with Mr. Higgins request that if the Commission approves the Company's request, the deferred loss should be explicitly excluded from rate base[11] as to do so would depart from established prepaid pension asset accounting. As indicated in Mr. Higgins' testimony, the prepaid pension asset equals the difference between cumulative contributions and cumulative expense.[12] To the extent the Commission approves the Company's request to defer the settlement loss, no expense will have been immediately recognized and thus the prepaid pension asset would be unchanged. To the extent the Commission denies the Company's request, the settlement loss will be immediately recognized as expense and inherently decrease the prepaid pension asset.

---

[9] Higgins Direct page 18, line 16 through page 19, line 2. Kolb Direct, page 8, lines 11-27.
[10] Higgins Direct page 19, line 3 through page 23, line 10.
[11] Higgins Direct page 23 lines 7-10.
[12] Higgins Direct page 19 lines 19-20, which states "The prepaid pension asset represents the cumulative cash contributions made to the pension plan in excess of the cumulative net periodic pension cost."

The Company believes the impact of the settlement loss should be reflected in the prepaid pension asset under this established practice and not be isolated for inconsistent treatment.

SUMMARY OF RECOMMENDATIONS

Q. Please summarize the conclusions of your rebuttal testimony.

A. A settlement event occurred during the Company's administration of its pension plan that was unforeseeable and beyond the Company's control. The Company cannot accurately foresee how the dollar value of lump sum payments to plan participants will vary due to interest rates and how the resulting lump sum will compare with the settlement threshold. Deferral of this loss is allowable for financial accounting and ratemaking purposes and the Company's application should be approved based on the facts and circumstances surrounding the 2018 pension event. Specifically, the Commission should permit the Company to defer the loss resulting from the pension settlement event and amortize it to expense over 21 years.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR AN ACCOUNTING ORDER FOR SETTLEMENT CHARGES RELATED TO ITS PENSION PLANS	)	DOCKET NO. 20000-550-EA-18 (RECORD NO. 15179)

AFFIDAVIT, OATH AND VERIFICATION

Nikki Kobliha (Affiant) being of lawful age and being first duly sworn, hereby deposes and says that:

Affiant is the Vice President, Chief Financial Officer and Treasurer for PacifiCorp, which is a party in this matter.

Affiant prepared and caused to be filed the foregoing testimony. Affiant has, by all necessary action, been duly authorized to file this testimony and make this Oath and Verification.

Affiant hereby verifies that, based on Affiant's knowledge, all statements and information contained within the testimony and all of its associated attachments are true and complete and constitute the recommendations of the Affiant in her official capacity as Vice President, Chief Financial Officer and Treasurer.

Further Affiant Sayeth Not.

Dated this 4 day of September, 2019

Nikki Kobliha
VP, Chief Financial Officer and Treasurer
825 NE Multnomah
Portland, OR 97232

STATE OF Oregon)
) SS:
COUNTY OF Multnomah

The foregoing was acknowledged before me by Nikki Kobliha on this 4 day of September, 2019. Witness my hand and official seal.

Notary Public

My Commission Expires:

March 31, 2023

OFFICIAL STAMP
TIFFANY LEE BROWN
NOTARY PUBLIC - OREGON
COMMISSION NO. 985584
MY COMMISSION EXPIRES MARCH 31, 2023