

Docket No. 20000-633-ER-23  
Witness: Joelle R. Steward

BEFORE THE WYOMING PUBLIC SERVICE  
COMMISSION

ROCKY MOUNTAIN POWER

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Rebuttal Testimony of Joelle R. Steward

September 2023

1 **Q. Are you the same Joelle R. Steward who filed direct testimony in this proceeding**  
2 **on behalf of PacifiCorp, d/b/a Rocky Mountain Power (“Rocky Mountain Power”**  
3 **or the “Company”)?**

4 A. Yes.

5 **I. PURPOSE OF TESTIMONY**

6 **Q. What is the purpose of your rebuttal testimony?**

7 A. In my testimony, I summarize the Company’s rebuttal case reflecting certain  
8 corrections and updates, respond to various intervenor positions in direct testimony,  
9 and provide recommendations to the Wyoming Public Service Commission  
10 (“Commission”) for their consideration in this proceeding. Specifically, I respond to  
11 intervenor positions regarding certain net power costs issues, the Company’s  
12 investment in the Gateway South transmission line, a renewable energy certificate  
13 (“REC”) tariff, the Integrated Resource Plan (“IRP”), and energy resource  
14 procurement. I, along with Company witness Ms. Mariya V. Coleman, address the  
15 update to insurance premium costs.

16 **Q. Please summarize the recommendation you make in your rebuttal testimony.**

17 A. The Commission should approve the updated revenue requirement increase of  
18 \$137.2 million that is supported by the other Company witnesses’ rebuttal testimonies.

19 **Q. How is your rebuttal testimony structured?**

20 A. My testimony is structured as follows: Section II provides an overview of the  
21 Company’s rebuttal position and a summary of the positions from intervenors’  
22 testimony; Section III addresses net power costs; Section IV addresses the Company’s  
23 capital investment in the Gateway South transmission line; Section V addresses

1 insurance premiums; Section VI addresses a REC tariff; and in Section VII, I respond  
 2 to certain proposals set forth by Sierra Club regarding the IRP and energy resource  
 3 procurement.

4 **II. ROCKY MOUNTAIN POWER’S REBUTTAL POSITION**

5 **Q. What is the purpose of this section of your rebuttal testimony?**

6 A. In this section of my testimony, I provide an overview of the direct testimony filed by  
 7 intervenors and an overview of the Company’s rebuttal position in this proceeding.

8 **Q. Which intervenors filed direct testimony in this proceeding?**

9 A. Direct testimony was filed by the following intervenors: the Wyoming Office of  
 10 Consumer Advocate (“WOCA”), Wyoming Industrial Energy Consumers (“WIEC”),  
 11 Walmart and Sierra Club. I will refer to these parties as the “Filing Parties.”

12 **Q. Please provide a comparison of the revenue change proposed by the Filing Parties  
 13 in their direct testimony.**

14 A. The revenue change proposed by each party as stated in their testimonies is indicated  
 15 in Table 1 below.

16 **Table 1: Filing Parties’ Revenue Requirement Change**

<b>Filing Party</b>	<b>Proposed Revenue Change (in millions)</b>
Company – <i>as filed</i>	\$140.2
Company – <i>rebuttal</i>	\$137.2
WOCA <sup>1</sup>	\$59.83
WIEC <sup>2</sup>	(\$20.76)

17 Walmart did not specify an overall proposed revenue requirement but recommends that  
 18 the Commission closely examine the Company’s proposed revenue requirement

<sup>1</sup> Direct Testimony of Anthony J. Ornelas at 9 (Confidential WOCA Exhibit No. 601).

<sup>2</sup> Direct Testimony of Kevin C. Higgins at 9 (WIEC Exhibit No. 200).

1 increase and the associated return on equity (“ROE”).<sup>3</sup> Sierra Club limited its  
2 comments to the Company’s proposed changes to the Energy Cost Adjustment  
3 Mechanism (“ECAM”) sharing band.<sup>4</sup>

4 **Q. What are the major drivers causing divergence between the Filing Parties’**  
5 **positions and the Company’s direct testimony?**

6 A. The difference between the positions of the Company and the Filing Parties is  
7 attributable to several key drivers: net power costs, the recommended ROE and capital  
8 structure, and treatment of state income taxes.<sup>5</sup>

9 **Q. Please comment on WIEC’s proposal to reduce the Company’s revenue**  
10 **requirement by approximately \$160.93 million for a rate decrease of**  
11 **approximately \$20.76 million.**

12 A. In the current context, WIEC’s proposal to decrease PacifiCorp’s rates is manifestly  
13 unreasonable. WIEC has proposed 14 adjustments in this case,<sup>6</sup> including unsupported  
14 reductions of over \$80 million to net power costs and a recommended ROE that is well  
15 below any authorized ROE for a vertically-integrated electric utility in the past 40  
16 years.<sup>7</sup> As a whole, WIEC’s adjustments appear designed to drive down the Company’s  
17 revenue requirement, irrespective of the reasonableness of the Company’s costs to  
18 serve Wyoming customers.

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<sup>3</sup> Direct Testimony of Lisa V. Perry at 15-16 (Walmart Exhibit No. 400).

<sup>4</sup> Direct Testimony of Ronald J. Binz at 4-5 (Sierra Club Exhibit No. 300).

<sup>5</sup> Company witness Mr. Ramon J. Mitchell addresses net power costs. Company witnesses Ms. Ann E. Bulkley and Ms. Nikki L. Koblaha address Filing Parties’ recommendations regarding ROE and capital structure, respectively. Company witness Mr. Ryan Fuller addresses the treatment of state income taxes.

<sup>6</sup> Direct Testimony of Kevin C. Higgins at 10 (WIEC Exhibit No. 200).

<sup>7</sup> See, Rebuttal Testimony of Ramon J. Mitchell (RMP Exhibit 10.7), who responds to the net power cost adjustments proposed by WIEC, and Rebuttal Testimony of Ann E. Bulkley (RMP Exhibit 4.12), who responds to WIEC’s cost of capital recommendations.

1 **Q. Please explain why WIEC’s proposal to decrease the Company’s rates at this time**  
2 **is so extreme.**

3 A. Setting aside this current proceeding, the Company has only filed three rate cases since  
4 2013. In its decision in the Company’s last general rate case, Docket  
5 No. 20000-578-ER-20, the Commission allowed a base rate increase of \$6.98 million,  
6 or 1.1 percent.<sup>8</sup> However, that amount was offset by a tax reduction refund and resulted  
7 in an overall rate decrease of 3.5 percent.<sup>9</sup> As explained by Company witness Mr. Gary  
8 W. Hoogeveen, in the last decade, the Company has filed three rate cases seeking  
9 modest increases. In fact, the Company’s rates have increased by less than the national  
10 consumer price index and Wyoming’s cost of living.<sup>10</sup> Further, the majority of the  
11 requested increase in this case is attributable to significant increases in net power costs,  
12 which are primarily driven by regional market dynamics that are largely outside the  
13 Company’s control. In this context, a proposal to decrease PacifiCorp’s rates is facially  
14 unreasonable.

15 **Q. What are the Filing Parties’ positions on ROE, the equity portion of the capital**  
16 **structure, cost of debt, and resulting rate of return (“ROR”)?**

17 A. The Filing Parties’ positions on ROE, the equity portion of the capital structure, the  
18 cost of debt, and ROR are reflected in Table 2 below.

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<sup>8</sup> *In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Service Rates by Approximately \$7.1 Million Per Year or 1.1 Percent, to Revise the Energy Cost Adjustment Mechanism, and to Discontinue Operations at Cholla Unit 4*, Docket No. 20000-578-ER-20 (Record No. 15464), Memorandum Opinion, Findings and Order at 2 (July 15, 2021).

<sup>9</sup> *Id.*

<sup>10</sup> *See*, Rebuttal Testimony of Gary W. Hoogeveen (RMP Exhibit No. 2.1).

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**Table 2: Filing Parties' Positions on Capital Structure Elements**

<b>Filing Party</b>	<b>ROE</b>	<b>Capital Structure - Equity</b>	<b>Cost of Debt</b>	<b>ROR</b>
Company - <i>as filed</i>	10.30%	51.27%	4.77%	7.61%
Company - <i>rebuttal</i>	10.00%	51.27%	5.09%	7.61%
WOCA	9.55%	51.27%	4.77%	7.22%
WIEC - Primary	8.60%	46.11%	4.77%	6.54%
WIEC - Secondary	8.20%	51.27%	4.77%	6.53%

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Company witnesses Ms. Ann E. Bulkley and Ms. Nikki L. Kobliha address the Filing

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Parties' positions regarding ROE and capital structure and demonstrate the

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reasonableness of the Company's recommendations given current capital market

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conditions. As shown on Table 2, the Company is dropping its recommended ROE

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from 10.3 percent to 10.0 percent. While the Company continues to believe a 10.3

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percent ROE is reasonable based on the market analyses and risk considerations

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discussed by Ms. Bulkley, the increase in debt costs discussed by Ms. Kobliha in her

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rebuttal testimony is adding new cost pressures. As a result, the Company is reducing

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the recommended ROE to 10.0 percent to offset the higher cost of debt to mitigate any

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further rate pressures in this case. Accordingly, the Company's requested ROR remains

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unchanged at 7.6 percent from the Company's initial filing.

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**Q. Please summarize generally the Company's positions on rebuttal.**

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A. The Company's rebuttal filing reflects a revised revenue requirement and revenue

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increase of \$137.2 million, which is a \$3 million decrease relative to the direct filing.

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The revised revenue requirement is attributable to certain adjustments in rebuttal

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testimony, which can be classified as either: (1) corrections, or (2) updates based on

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more recent information or in response to the Filing Parties' recommendations.



1    **A.     Ozone Transport Rule**

2    **Q.     Have there been any developments regarding the OTR since the Company filed**  
3    **its general rate case in March 2023?**

4    A.     Yes. As explained by Company witnesses Mr. James C. Owen and Mr. Ramon J.  
5    Mitchell, the Tenth Circuit Court of Appeals has issued an order staying the  
6    enforcement of the OTR in Utah.<sup>11</sup> As I explained in my direct testimony, there was  
7    already a question regarding whether OTR was applicable in Wyoming.

8    **Q.     As a result of the Tenth Circuit Court of Appeals’ order, has the Company revised**  
9    **net power costs?**

10   A.     Yes. As explained by Mr. Mitchell, the Company has removed the Utah and Wyoming  
11   impact of the OTR from net power costs, which reduces net power costs by  
12   \$3.2 million, Wyoming-allocated.

13   **B.     Washington Cap and Invest Program**

14   **Q.     Please provide an overview of the Washington Cap and Invest Program.**

15   A.     The Washington Cap and Invest Program impacts the Company in two separate and  
16   distinct ways. First, the Cap and Invest Program imposes an obligation on the  
17   Company to acquire greenhouse gas (“GHG”) emission allowances for generation from  
18   the Chehalis natural gas-fired generation plant (“Chehalis”). These generally applicable  
19   compliance costs are tied to *generation* and are imposed on all generating facilities  
20   located in Washington state and govern all energy generated at Chehalis, regardless of  
21   whether the energy is exported outside the state.<sup>12</sup>

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<sup>11</sup> *State of Utah v. U.S. Env’t Prot. Agency*, Case No. 23-9509, Order (10th Cir. July 27, 2023) (available at [https://www.oag.ok.gov/sites/g/files/gmc766/f/documents/2023/stay\\_order.pdf](https://www.oag.ok.gov/sites/g/files/gmc766/f/documents/2023/stay_order.pdf)) (last visited Sept. 18, 2023)

<sup>12</sup> RCW 70A.65.080(1)(b).



1           Second, Washington state allocates PacifiCorp a certain number of no-cost  
2 allowances based on the Company’s *retail load* in Washington.<sup>13</sup> These no cost  
3 allowances are provided only to utilities subject to Washington’s Clean Energy  
4 Transformation Act (“CETA”)<sup>14</sup> and are calculated based on the Company’s load and  
5 CETA-compliant resources that will be used to serve that load.<sup>15</sup> The Washington state  
6 agency responsible for managing the GHG allowances has indicated that the Company  
7 must allocate the benefits of the no-cost allowances exclusively to Washington  
8 customers.<sup>16</sup>

9 **Q. What are WOCA’s and WIEC’s positions regarding the treatment of the**  
10 **compliance costs associated with the Washington Cap and Invest Program?**

11 A. Both WOCA and WIEC recommend that the Commission remove all Cap and Invest  
12 Program compliance costs from Wyoming rates, while continuing to include the net  
13 power cost benefits of Chehalis in Wyoming rates.<sup>17</sup> To support this recommendation,  
14 WOCA witness Mr. Fitzhenry claims that only exported energy from the Chehalis plant  
15 is taxed, while energy produced to serve Washington customers is not taxed and  
16 therefore the state of Washington reaps the benefits of having the Chehalis plant while  
17 not paying any of the tax burden associated with the plant.<sup>18</sup> He also claims that while  
18 Washington customers are not paying any of the tax burden, any revenues generated

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<sup>13</sup> RCW 70A.65.120(1).

<sup>14</sup> *Id.*

<sup>15</sup> WAC 173-446-230(2)(a)-(b).

<sup>16</sup> *See*, RCW 70A.65.010(21) (defining “cost burden” to mean “the impact on rates or charges to customers of electric utilities in Washington state for the incremental cost of electricity service to serve load due to the compliance cost for greenhouse gas emissions caused by the program.”) (emphasis added); *see also* State of Washington, Dep’t. of Ecology, Publication 22-02-046, Concise Explanatory Statement Chapter 173-446 WAC Climate Commitment Act Program, (Sept. 2022) (available at <https://apps.ecology.wa.gov/publications/documents/2202046.pdf>) (last visited Sept. 19, 2023).

<sup>17</sup> Direct Testimony of Colin T. Fitzhenry at 14 (WOCA Exhibit No. 603); Direct Testimony of Bradley G. Mullins at 39 (WIEC Exhibit No. 202).

<sup>18</sup> Direct Testimony of Colin T. Fitzhenry at 14 (WOCA Exhibit No. 603).

1 from allowances sold at auction are returned to customers as a credit on their utility  
2 bills.<sup>19</sup>

3 WIEC witness Mr. Mullins makes similar arguments. Mr. Mullins claims it is  
4 not fair for Wyoming customers to pay for Washington state policy.<sup>20</sup> He also asserts  
5 that the Washington Cap and Trade Program is not covered by the 2020 PacifiCorp  
6 Inter-Jurisdictional Allocation Protocol (“2020 Protocol”) and results in the Company  
7 over-recovering for the Chehalis plant.<sup>21</sup>

8 **Q. How do you respond to the recommendations to remove *all* compliance costs from  
9 Wyoming rates?**

10 A. Disallowing recovery of the compliance costs penalizes the Company for complying  
11 with Washington law. Neither WOCA nor WIEC dispute that the Company is required  
12 to obtain emission allowances for Chehalis generation. And neither WOCA nor WIEC  
13 recommend that the Commission remove the benefit of Chehalis generation from  
14 Wyoming rates. If Wyoming customers are going to receive the benefits of Chehalis,  
15 then Wyoming customers need to pay the costs to generate those benefits. And if  
16 Wyoming customers do not want to pay compliance costs for Chehalis, then it is  
17 reasonable for Wyoming customers to not receive the benefits of Chehalis’ generation.

18 **Q. Has the Company quantified the net power cost benefits of Chehalis?**

19 A. Yes. Wyoming rates would increase significantly if Chehalis were removed from the  
20 net power cost forecast, as explained by Company witness Mr. Mitchell. This means  
21 that even accounting for the Cap and Invest Program compliance costs, Wyoming

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<sup>19</sup> *Id.*

<sup>20</sup> Direct Testimony of Bradley G. Mullins at 35-36 (WIEC Exhibit No. 202).

<sup>21</sup> *Id.*, at 36-38.

1 customers benefit from Chehalis generation. WOCA's and WIEC's adjustments,  
2 therefore, amount to insisting that the Company subsidize Wyoming customers so that  
3 Wyoming customers receive the net power cost benefits of Chehalis, while the  
4 Company pays for those compliance costs to achieve those benefits.

5 **Q. Is WOCA's and WIEC's proposal that Wyoming customers not pay compliance**  
6 **costs consistent with your understanding of how other environmental compliance**  
7 **costs are allocated to Wyoming customers?**

8 A. No. All the Company's generation resources incur various types of environmental  
9 compliance costs and generation taxes, many of which are imposed by the state where  
10 the resource is located. These include costs like the Wyoming wind tax and the cost of  
11 emission control equipment installed at the Company's Wyoming coal plants. These  
12 direct impacts to generation are consistently system allocated and Wyoming customers  
13 pay these environmental compliance costs and generation taxes incurred by resources  
14 that are used to serve Wyoming customers, just like customers in other states pay costs  
15 imposed by Wyoming on Wyoming-located facilities. Adopting these parties' position  
16 here sets a poor precedent for other existing and future environmental compliance costs  
17 imposed by Wyoming or any other state on generating resources located in those states.  
18 Additionally, adopting WOCA's and WIEC's position relative to the Cap and Invest  
19 Program could lead to the situs assignment of Wyoming's generation compliance costs  
20 or taxes that impact a system resource located in Wyoming, like the Jim Bridger  
21 generating facility or any other Wyoming coal plant.

1 **Q. How are generation taxes, like the Cap and Invest Program compliance costs,**  
 2 **allocated under the 2020 Protocol?**

3 A. Section 3.1.7 of the 2020 Protocol applies to the generally applicable compliance costs  
 4 associated with purchasing GHG allowances for the Chehalis plant. Section 3.1.7 states  
 5 that generation-related dispatch costs and generation- and fuel-related taxes are  
 6 allocated using the System Generation, or SG, allocation factor.<sup>22</sup> Here, the Cap and  
 7 Invest Program is a generation tax because there is no compliance obligation if there is  
 8 no generation, and the amount of the compliance obligation is determined by the  
 9 amount of generation.<sup>23</sup> Because the GHG allowance costs imposed by the Washington  
 10 Cap and Invest Program are appropriately characterized as a generation-related tax, or  
 11 a dispatch cost, imposed by Washington on generation from Chehalis, the emission  
 12 allowance costs are appropriately allocated using the SG allocation factor. In this way,  
 13 the Washington emission allowances are treated the same as other state-imposed  
 14 generation taxes, like the Wyoming wind tax.

15 **Q. Do WOCA and WIEC agree that the Cap and Invest Program costs are**  
 16 **appropriately characterized as generation taxes?**

17 A. It appears so. WOCA describes the Cap and Invest Program as a “carbon tax”<sup>24</sup> and  
 18 WIEC describes it as a “Washington-imposed tax.”<sup>25</sup> WIEC witness Mr. Mullins’  
 19 similarly called the Cap and Invest Program a “generation tax” in testimony recently  
 20 filed with the Public Utility Commission of Oregon.<sup>26</sup> Given that there is agreement

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<sup>22</sup> 2020 Protocol at 10.

<sup>23</sup> See, RCW 70A.65.010(1) (defining “Allowance” as “an authorization to emit up to one metric ton of carbon dioxide equivalent”).

<sup>24</sup> Direct Testimony of Colin T. Fitzhenry at 13 (WOCA Exhibit No. 603)

<sup>25</sup> Direct Testimony of Bradley G. Mullins at 31 (WIEC Exhibit No. 202).

<sup>26</sup> *In the Matter of PacifiCorp, dba Pacific Power, 2024 Transition Adjustment Mechanism*, OPUC Docket No. UE 420, Opening Testimony of Bradley G. Mullins at 12-13 (Exhibit AWEC/100).

1 that the Cap and Invest Program is a tax, there is little room to argue for anything except  
2 system allocation under the 2020 Protocol.

3 **Q. WIEC also claims that because of the “nature and magnitude” of the compliance**  
4 **costs imposed by the Cap and Invest Program, the costs are not a generation tax**  
5 **as that term is used in the 2020 Protocol.<sup>27</sup> How do you respond?**

6 A. The 2020 Protocol does not include any magnitude thresholds above which taxes are  
7 situs-assigned to the state imposing the tax. Therefore, the magnitude of the  
8 Washington generation tax has no bearing on its treatment under the 2020 Protocol.  
9 And, as discussed by Mr. Mitchell, notwithstanding the magnitude of the tax, Wyoming  
10 customers still receive net benefits from Chehalis in the form of reduced net power  
11 costs.

12 **Q. WIEC claims that the 2020 Protocol does not specifically address the Cap and**  
13 **Invest Program and therefore the Commission is not bound by the 2020 Protocol.<sup>28</sup>**  
14 **How do you respond?**

15 A. The Company disagrees. The fact that the 2020 Protocol does not specifically address  
16 the Cap and Invest Program does not mean it does not apply; many environmental  
17 compliance costs are not specifically identified or addressed in the 2020 Protocol,  
18 including costs incurred after the 2020 Protocol was adopted, and yet the 2020 Protocol  
19 controls.

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<sup>27</sup> Direct Testimony of Bradley G. Mullins at 37 (WIEC Exhibit No. 202).

<sup>28</sup> *Id.*

1 **Q. WIEC also claims that because Washington is not a signatory to the 2020 Protocol,**  
2 **the Commission is not bound by the 2020 Protocol when allocating Cap and Invest**  
3 **Program compliance costs.<sup>29</sup> Is Washington’s agreement to the 2020 Protocol**  
4 **relevant?**

5 A. No. As an initial matter, WIEC is incorrect—Washington is a signatory to the 2020  
6 Protocol.<sup>30</sup> More importantly, however, there is no doubt that the costs and benefits of  
7 the Chehalis plant are governed by the 2020 Protocol, notwithstanding the fact that  
8 Washington uses a unique methodology for allocating certain system costs to  
9 Washington retail customers. Applying WIEC’s logic would wrongly suggest that the  
10 2020 Protocol also does not apply to generation plants located in Colorado or Montana,  
11 for example, because neither of those states have signed the 2020 Protocol.

12 **Q. WIEC argues that Wyoming customers should not pay Cap and Invest Program**  
13 **compliance costs because the program is a Washington state initiative and a**  
14 **fundamental principle of the Multi-State Process (“MSP”) is that states’ policy**  
15 **decisions should not impact the costs allocated to other states.<sup>31</sup> How do you**  
16 **respond?**

17 A. The Company disagrees with WIEC’s characterization. As an initial matter, state laws  
18 impact costs allocated to other states on a regular basis. For example, when Wyoming  
19 imposes a tax on wind generation or property tax on land on which a coal plant is  
20 located, those taxes are paid by customers in other states. Here, the Cap and Invest  
21 Program imposes a generally applicable generation tax on Chehalis generation, which

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<sup>29</sup> *Id.*

<sup>30</sup> 2020 Protocol at 49.

<sup>31</sup> Direct Testimony of Bradley G. Mullins at 36 (WIEC Exhibit No. 202).

1 is used to serve Wyoming customers as a valuable source of dispatchable generation.  
2 Therefore, the Cap and Invest Program costs are appropriately paid by Wyoming  
3 customers as a generation tax like all other system-allocated taxes. In this way, the Cap  
4 and Invest Program is no different from Wyoming-imposed coal plant environmental  
5 compliance costs, which are imposed by Wyoming and reflect a Wyoming state  
6 environmental requirement but are nonetheless system allocated.

7 While it is true that the 2020 Protocol situs-assigns certain “state-specific  
8 initiatives,” those programs are very different from the generally applicable generation  
9 tax imposed by the Cap and Invest Program. Section 3.1.2.1 of the 2020 Protocol  
10 specifically lists examples of state-specific costs that are situs assigned and those  
11 programs include demand response programs, resources acquired to comply with a  
12 state’s portfolio standards, incentive programs, net-metering tariffs, capacity standard  
13 programs, solar subscription programs, electric vehicle programs, and acquisition of  
14 renewable energy certificates.<sup>32</sup>

15 **Q. Is WIEC witness Mr. Mullins’ recommendation here inconsistent with the position**  
16 **he has taken in other cases?**

17 A. In testimony filed with the Washington Utilities and Transportation Commission on  
18 September 14, 2023, Mr. Mullins addressed the Washington Cap and Invest Program  
19 on behalf of Washington industrial customers but did not recommend situs-assigning  
20 the costs of the program to Washington, which effectively resulted in his

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<sup>32</sup> 2020 Protocol at 8 (Section 3.1.2.1) (State-Specific Initiatives: Costs and benefits associated with Interim Period Resources acquired in accordance with a State-specific initiative will be allocated and assigned on a situs basis to the State adopting the initiative. State-specific initiatives include, but are not limited to, the costs and benefits of incentive programs, net-metering tariffs, feed-in tariffs, capacity standard programs, solar subscription programs, electric vehicle programs, and the acquisition of renewable energy certificates.).

1 recommendation that the costs be system allocated.<sup>33</sup> Mr. Mullins is therefore  
2 simultaneously recommending situs-assignment on behalf of Wyoming customers and  
3 system allocation on behalf of Washington customers, which are perfectly  
4 contradictory positions that ensure no customers anywhere pay the costs of the Cap and  
5 Invest Program.

6 **Q. Turning to the no-cost allowances, both WOCA and WIEC argue that the Cap and**  
7 **Invest Program is unfair because no-cost allowances are provided for only**  
8 **Washington customers.<sup>34</sup> How do you respond to this argument?**

9 A. As an initial matter, it is important to reiterate the two distinct aspects of the Cap and  
10 Invest Program. First, there are the generally applicable GHG compliance costs  
11 associated with *generation*,<sup>35</sup> like Chehalis. Second, there is the state-specific provision  
12 of no-cost GHG allowances based on *retail load* and provided only to utilities subject  
13 to CETA.<sup>36</sup> Incremental costs incurred to comply with CETA are situs assigned to  
14 Washington and Wyoming customers do not pay those costs. Because no-cost  
15 allowances are provided for the benefit of customers paying CETA costs and Wyoming  
16 customers do not pay CETA costs, it is reasonable to allocate the no-cost allowances to  
17 Washington.

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<sup>33</sup> See, WUTC Docket Nos. UE-230172 & UE-210852, Response Testimony of Bradley G. Mullins (Sept. 14, 2023).

<sup>34</sup> Direct Testimony of Colin T. Fitzhenry at 14 (WOCA Exhibit No. 603); Direct Testimony of Bradley G. Mullins at 35-36 (WIEC Exhibit No. 202).

<sup>35</sup> RCW 70A.65.080(1)(b).

<sup>36</sup> RCW 70A.65.120(1).



1 **Q. WIEC faults the Company for not launching a legal challenge to the Cap and**  
2 **Invest Program on behalf of Wyoming customers.<sup>37</sup> How do you respond to this**  
3 **claim?**

4 A. The Company specifically requested authority to receive no-cost allowances for all its  
5 customers, including those in Wyoming, from the Washington state agency tasked with  
6 implementing the Cap and Invest Program (the Washington Department of Ecology  
7 (“Ecology”). Ecology responded by stating that the provisions for no-cost allowances  
8 are intended to be allocated to Washington retail load.<sup>38</sup> While the Company has not  
9 sued the state of Washington, WIEC is incorrect to suggest that the Company did not  
10 advocate on behalf of *all* its customers for additional no-cost allowances.

11 **Q. WIEC also argues that the funds collected from the sale of GHG allowances are**  
12 **used by Washington state for the benefits of Washington residents.<sup>39</sup> Is that fact**  
13 **relevant for purposes of allocating costs to Wyoming customers?**

14 A. No. Revenues earned by Wyoming from its wind tax or tax revenues earned by  
15 Wyoming for coal mined in Wyoming are used for the benefit of Wyoming residents.  
16 Yet, that fact does not impact the allocation costs among the Company’s state  
17 jurisdictions.

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<sup>37</sup> Direct Testimony of Bradley G. Mullins at 38 (WIEC Exhibit No. 202).

<sup>38</sup> State of Washington, Dep’t. of Ecology, Publication 22-02-046, Concise Explanatory Statement Chapter 173-446 WAC Climate Commitment Act Program, (Sept. 2022) available at <https://apps.ecology.wa.gov/publications/documents/2202046.pdf> (last visited Sept. 19, 2023).

<sup>39</sup> Direct Testimony of Bradley G. Mullins at 32 (WIEC Exhibit No. 202).

1 **Q. WIEC argues that the Company over-recovers the costs of Chehalis as a result of**  
2 **the different allocation methodology used by Washington.<sup>40</sup> Is that relevant here?**

3 A. No. Indeed, while the different allocation methodology used by Washington results in  
4 over-allocation of Chehalis, it results in under-allocation of the Company's Wyoming  
5 coal plants and other generation resources located in its eastern balancing area.

6 **Q. WOCA claims that “according to Section 15.3.b of the [Washington Climate**  
7 **Commitment Act], revenues from [GHG] allowances sold at auction must be**  
8 **returned by providing nonvolumetric credits on ratepayer utility bills.”<sup>41</sup> How do**  
9 **you respond?**

10 A. Section 15 of the legislation controls allocation of allowances to natural gas utilities so  
11 it is not clear why that section is relevant here.<sup>42</sup> I would also note that it appears the  
12 section WOCA was intending to reference is Section 15(2)(b).

13 **Q. WIEC also claims that the Company is using the wrong accounting for the GHG**  
14 **allowances, which should not be included as a cost of fuel for Chehalis under the**  
15 **Federal Energy Regulatory Commission (“FERC”) uniform system of accounts.<sup>43</sup>**  
16 **How do you respond?**

17 A. This issue is a red herring; to the extent that the compliance costs are incurred when  
18 Chehalis generates electricity to serve Wyoming customers, it is appropriate for  
19 Wyoming customers to pay those amounts, regardless of the specific account into  
20 which the costs are expensed. Company witness Mr. Highsmith provides additional

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<sup>40</sup> Direct Testimony of Bradley G. Mullins at 37 (WIEC Exhibit No. 202).

<sup>41</sup> Direct Testimony of Colin T. Fitzhenry at 14 (WOCA Exhibit No. 603).

<sup>42</sup> For reference, the legislation can be found here: <https://lawfilesexternal.wa.gov/biennium/2021-22/Pdf/Bills/Session%20Laws/Senate/5126-S2.SL.pdf?cite=2021%20c%20316%20%20C2%A7%201>. Section 15 of the Climate Commitment Act was codified at RCW 70A.65.130.

<sup>43</sup> Direct Testimony of Bradley G. Mullins at 34 (WIEC Exhibit No. 202).

1 discussion of this issue and explains why WIEC’s testimony is also contrary to  
2 guidance from FERC.

3 **Q. What is your recommendation regarding the WOCA and WIEC adjustments to**  
4 **net power costs related to the Washington Cap and Invest Program?**

5 A. The Commission should reject the adjustments that penalize the Company for complying  
6 with Washington’s Cap and Invest Program. WOCA and WIEC both recommend that  
7 Wyoming customers not pay the costs to purchase GHG-emission allowances required  
8 by Washington law. If Wyoming customers are going to receive the benefits of the  
9 Chehalis plant—in the form of lower net power costs—then Wyoming customers should  
10 pay the costs to generate at Chehalis, including the costs to comply with Washington law.  
11 Both WOCA’s and WIEC’s adjustments are contrary to sound public policy and contrary  
12 to the 2020 Protocol.

#### 13 IV. CAPITAL INVESTMENTS

14 **Q. What is the purpose of this section of your rebuttal testimony?**

15 A. In this section of my testimony I respond to WIEC witness Mr. Higgins’ proposed  
16 disallowance related to the Company’s investment in Gateway South transmission line.

17 **Q. Please describe WIEC’s adjustment related to the Gateway South transmission**  
18 **line.**

19 A. WIEC claims that a “critical” component of the Company’s economic case for  
20 constructing Gateway South was the requirement that the Company provide  
21 point-to-point transmission service for a pending 500 megawatt (“MW”) transmission  
22 service request.<sup>44</sup> Because that transmission customer has deferred commencement of

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<sup>44</sup> Direct Testimony of Kevin C. Higgins at 31-32 (WIEC Exhibit No. 200).

1 its transmission service until 2028, WIEC recommends an adjustment to impute the  
 2 revenue that would have been earned by supplying transmission service to the 500 MW  
 3 customer as an offset in this case.<sup>45</sup> WIEC quantified its adjustment as a revenue  
 4 requirement decrease of approximately \$212,405 relative to the Company’s filed  
 5 case.<sup>46</sup>

6 **Q. Do you agree that the 500 MW point-to-point transmission service was a “critical”**  
 7 **component of the economic justification for constructing Gateway South?**

8 A. No. WIEC’s argument ignores the Commission’s basis for granting the certificate of  
 9 public convenience and necessity (“CPCN”) for Gateway South, which focused on the  
 10 need for additional generation resources that could be interconnected via Gateway  
 11 South, not the requirement that the Company provide transmission service:

12 Our primary basis for concluding that the Transmission Projects  
 13 are necessary for the present and future public interest is that the  
 14 Company presented us with an analysis of future system  
 15 resource needs that support construction of the Projects. The  
 16 Company demonstrated a system deficit of approximately 1,600  
 17 megawatts in 2025, with ever greater deficits into the future in  
 18 the absence of the Transmission Projects. As such, we conclude  
 19 the Company faces relatively near-term system capacity deficits.  
 20 None of the parties opposing the Transmission Projects provided  
 21 sufficient evidence to refute the Company’s demonstration of a  
 22 capacity shortfall.<sup>47</sup>

23 The Commission’s order emphasized that delaying construction “increases the  
 24 risks of relying on potentially volatile market purchases to fill the projected capacity  
 25 shortfall, resulting in price uncertainty for Wyoming ratepayers.”<sup>48</sup> Delay also offered

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<sup>45</sup> *Id.*, at 34.

<sup>46</sup> *Id.*

<sup>47</sup> *In the Matter of the Supplemental Application of Rocky Mountain Power for Situs & Nonsitus Certificates of Public Convenience and Necessity for the Gateway South Transmission Project and the Gateway West Segment D.1 Transmission Project*, Docket No. 20000-588-EN-20 (Record No. 15604), Memorandum Opinion, Findings and Order Approving Application at ¶ 71 (Apr. 26, 2023).

<sup>48</sup> *Id.*, at ¶ 73.

1 “possible impacts to system resource adequacy, and the potential loss of valuable  
2 [production tax credit (“PTC”)] benefits.”<sup>49</sup> Notably, the Commission gave “little  
3 weight” to the argument that the pending transmission service request justified  
4 construction of Gateway South.<sup>50</sup>

5 Moreover, WIEC’s testimony oversimplifies and mischaracterizes the  
6 Company’s economic analysis used in the CPCN case for Gateway South. WIEC’s  
7 singular focus on that transmission service request ignores the Company’s evidence  
8 that it would have had to build the functional equivalent of Gateway South to  
9 independently satisfy 12 generator interconnection requests.<sup>51</sup> This means that even  
10 without that 500 MW transmission service request, the Company’s economic analysis  
11 and justification for Gateway South would have been largely unchanged. The direct  
12 testimony of Company witnesses Mr. Rick T. Link and Mr. Rick A. Vail in this case  
13 provides additional discussion of the economic justification for Gateway South,  
14 including the role played by the interconnection requests.

15 **Q. Have the benefits associated with interconnecting new generation resources**  
16 **materialized?**

17 A. Yes. The generation resources utilizing Gateway South for interconnection remain on  
18 track and those that will enter service during the test year are included in this case and  
19 provide significant net power cost benefits to Wyoming customers in the form of  
20 zero-fuel cost generation and PTCs, as discussed in Company witness Mr. Mitchell’s

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<sup>49</sup> *Id.*

<sup>50</sup> *Id.*, at ¶ 75.

<sup>51</sup> *Id.*, at ¶ 39.

1 testimony.<sup>52</sup> Therefore, the benefits of Gateway South discussed by the Commission  
2 when granting a CPCN will be realized even though the transmission service request  
3 has been delayed.

4 **V. INSURANCE PREMIUMS**

5 **Q. What is the purpose of this section of your testimony?**

6 A. In this section of my testimony, I discuss the update to the cost of insurance premiums  
7 in rebuttal testimony.

8 **Q. Please explain what portion of insurance premium costs that the Company is**  
9 **updating in rebuttal.**

10 A. The Company's is updating the insurance premiums related to excess liability  
11 insurance. As further explained by Company witness Ms. Coleman, excess liability  
12 insurance provides coverage for legal liability to third parties arising out of bodily  
13 injury and property damage losses suffered by those third parties, including general  
14 liability, wildfire liability, auto liability and employer's liability. Renewals for this  
15 insurance occurs in August of every year.

16 **Q. How much was included for excess liability insurance in the Company's direct**  
17 **filing?**

18 A. The best available information at the time of the direct filing was approximately \$32.2  
19 million, total-Company, for the liability insurance premiums paid in August 2022. In  
20 August 2023, premiums for excess liability insurance costs were \$125 million (total-  
21 Company) for the policy period beginning August 15, 2023, or later.

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<sup>52</sup> See, e.g., Direct Testimony of Ramon J. Mitchell at 21 (RMP Exhibit 10.0) (discussing net power cost benefits of wind generation interconnected by Gateway South transmission line).

1 **Q. Why is it appropriate to update the premiums for excess liability insurance**  
2 **premiums?**

3 A. It is appropriate to include the updated costs in the Company's rates as it reflects the  
4 costs of insurance during the time these rates will be in effect. It is important that rates  
5 are set to allow the Company the opportunity to recover its expected costs during the  
6 period of time rates are in effect. In a prior rate case, the Commission allowed updates  
7 to insurance expense "as a necessary adjustment to remove estimated data from the rate  
8 case in favor of actual figures which portray insurance expense to be experienced when  
9 the rates set in this case are in effect."<sup>53</sup>

10 Further, excess liability insurance provides coverage for third party claims  
11 related to general liability, wildfire liability, auto liability and employer's liability. This  
12 is reasonable insurance to maintain in the ordinary course of business, which the  
13 Company has maintained for many years and has been allowed into rates. The increase  
14 of costs for excess liability insurance is not an anomaly and is expected to increase  
15 because of the impact of wildfires with some insurers no longer providing insurance.  
16 For further discussion, see Ms. Coleman's rebuttal testimony.

## 17 VI. RENEWABLE ENERGY CERTIFICATE TARIFF

18 **Q. What is the purpose of this section of your testimony?**

19 A. The purpose of this section of my testimony is to respond to the direct testimony of  
20 WIEC witness Jeffrey C. Pollock regarding the development of a REC tariff.<sup>54</sup>

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<sup>53</sup> *In the Matter of the Application of PacifiCorp for a Retail Electric Utility Rate Increase of \$41.8 Million per Year*, Docket No. 20000-ER-03-198 (Record No. 8310), Opinion at ¶61 (Feb. 28, 2004).

<sup>54</sup> Direct Testimony of Jeffrey C. Pollock at 29-31 (WIEC Exhibit No. 203).

1 **Q. What is WIEC’s REC tariff proposal?**

2 A. WIEC proposes that the Company develop a REC tariff that would enable the Company  
3 to retire RECs associated with energy used to serve participating customers rather than  
4 be paid through lower rates when the Company sells the excess RECs to others.<sup>55</sup> WIEC  
5 recommends that the Commission order the Company to meet with interested  
6 stakeholders, and file a REC tariff no later than 60 days after the issuance of a final  
7 written order in this proceeding.<sup>56</sup>

8 **Q. Does WIEC recommend specific terms with the REC tariff proposal?**

9 A. No but it states as a general matter the REC tariff should (1) be available at least to  
10 large customers, (2) be voluntary in nature, and (3) hold all other customers harmless  
11 by ensuring that a customer that elects to have its RECs retired does not also benefit  
12 from the sale of RECs associated with serving other customers into the market.<sup>57</sup>

13 **Q. How do you respond to WIEC’s REC tariff proposal?**

14 A. The Company is supportive of helping customers meet all of their energy needs,  
15 including reaching customer-specific renewable and non-emitting energy goals. The  
16 Company currently has the voluntary “Blue Sky” program under Schedules 71 and 72  
17 as well as the recently approved Special Contract Schedule 400 tariff. Each of these  
18 options can be used by customers to help reach their renewable energy goals.

19 The Company has been working to develop a new tariff option that is largely  
20 consistent with WIEC’s request, however, working through the details has been more  
21 complex than anticipated. Fully considering the treatment of RECs, potential tariff

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<sup>55</sup> *Id.*, at 29.

<sup>56</sup> *Id.*, at 30.

<sup>57</sup> *Id.*, at 31.



1 options, and the implementation of policy or tariff changes requires thoughtful  
2 consideration to avoid unintended consequences and should not be constrained by an  
3 arbitrary 60-day deadline.

4 **Q. What types of issues does the Company foresee in addressing the handling of**  
5 **RECs allocated to Wyoming?**

6 A. The first important question is whether the Company should continue its program of  
7 selling Wyoming allocated RECs or if the RECs should simply be retired as is common  
8 practice in other states. Potential positives of a policy of retiring all Wyoming allocated  
9 RECs include: reduced administrative costs, providing a consistent basis for customers  
10 to make REC-based energy supply claims in support of their renewable goals (thus  
11 meeting the objectives of the interested WIEC customers), enhanced speed of  
12 retirement and reporting, and ability for all customer size and load types to make  
13 consistent claims. The negative of such an approach is foregoing potential rate credits  
14 due to the sale of RECs; however, these credits have historically been modest.

15 To be clear, the Company is not necessarily advocating for or against such a  
16 policy; however, it is important to consider when evaluating potential changes to the  
17 Company's REC retirement policy.

18 **Q. What types of issues need to be addressed to offer a voluntary program applicable**  
19 **to only a subset of Wyoming customers, as WIEC suggests?**

20 A. To track and monitor separate subsets of Wyoming-allocated RECs will require  
21 additional administration and may require system upgrades depending upon the final  
22 structure. The Company has found that separately tracking RECs quickly becomes  
23 more complicated than it may first appear. First and foremost, the RECs allocated to

1 Wyoming are dictated by system allocations. The number of RECs generated on the  
2 system and the number attributable to Wyoming is unknown until well after the  
3 conclusion of the calendar year. Likewise, if we suppose the decision was made to  
4 allocate RECs destined for voluntary retirement based on voluntary participant load as  
5 a ratio of overall Wyoming load, the final retirement requirements are not known until  
6 well after the conclusion of the calendar year. This creates challenges for both  
7 participants and non-participants.

8 Participants may desire RECs to be retired on their behalf during the applicable  
9 calendar year (or shortly thereafter); however, these retirements cannot take place until  
10 final allocations are settled without risking the accidental retirement of RECs that  
11 should be made available for sale to the benefit of non-participants. Similarly, the sale  
12 of RECs is generally most lucrative during the current calendar year; however, the  
13 ongoing sale of RECs cannot take place until final allocations are settled without  
14 risking the accidental sale of RECs that should have been retired for the benefit of  
15 voluntary participants.

16 The Company believes that these concerns can likely be addressed with relative  
17 trade-offs in accuracy and/or administrative costs through the use of a combination of  
18 advanced tracking systems and dedicated personnel, establishing holdbacks for  
19 participants and/or non-participants, limiting customer participation by customer class,  
20 number, and/or overall participation level, as well as leveraging simplifying  
21 assumptions such as prior year load and/or REC availability. As such compromises  
22 ultimately impact other customers, the Company believes that the issue should be  
23 thoroughly evaluated in a manner which includes feedback from all stakeholders.

1 **Q. What are the Company’s thoughts on limiting the program to “large customers,”**  
2 **as proposed by WIEC?**

3 A. As I alluded to above, limiting a voluntary program may help ease administrative  
4 burdens associated with the program and reduce costs to participants. It could also  
5 ensure that a sufficient number of Wyoming RECs remain available for sale to make  
6 the continued endeavor to sell RECs worthwhile. This is an important consideration as  
7 buyers of RECs are often more interested in making large block purchases of RECs  
8 over multiple small purchases of RECs.

9 **Q. Ultimately, how does the Company propose addressing the request raised by**  
10 **WIEC to retire RECs on customers behaves?**

11 A. The Company believes that a workshop strategy, separate from the ongoing rate case,  
12 should be established. This process would allow the Company to develop more details  
13 on the relative benefits of the various REC policy options and allow all stakeholders to  
14 offer feedback on the best path forward.

## 15 VII. RESPONSE TO SIERRA CLUB

16 **Q. What is the purpose of this section of your rebuttal testimony?**

17 A. In this section of my rebuttal testimony, I respond two proposals by Sierra Club witness  
18 Ronald J. Binz regarding the Company’s IRP and adoption of competitive bidding for  
19 Public Utility Regulatory Policies Act (“PURPA”) compliance.<sup>58</sup>

20 **Q. What is Sierra Club’s proposal related to the IRP?**

21 A. Mr. Binz proposes that the Commission use the opportunity of the Company’s IRP  
22 submission to examine how different portfolios could affect the Company and its

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<sup>58</sup> Direct Testimony of Ronald J. Binz at 28-32 (Sierra Club Exhibit No. 300).

1 customers.<sup>59</sup> Mr. Binz adds that this is especially important as the Company enters the  
2 Extended Day Ahead Market (“EDAM”) as selling low-cost renewable generation  
3 could be profitable and lower the Company’s net power costs.<sup>60</sup>

4 **Q. How do you respond?**

5 A. Mr. Binz’s proposal is not appropriate for several reasons. First, how the Commission  
6 examines a Company’s IRP is outside the scope of this general rate proceeding. Second,  
7 Sierra Club is an active participant in the Company’s IRP and can properly raise this  
8 issue either during the months-long IRP stakeholder input process that the Company  
9 conducts prior to the filing of an IRP or during the IRP review proceeding itself.  
10 Finally, as explained further by Mr. Mitchell, the expected start date with EDAM is  
11 now in 2026.

12 **Q. What is Sierra Club’s proposal regarding PURPA compliance?**

13 A. Mr. Binz proposes that a competitive bidding process be conducted to acquire PURPA  
14 resources.<sup>61</sup>

15 **Q. How do you respond?**

16 A. Again, this proposal is not an appropriate consideration for the Company’s general rate  
17 case. If the Commission wants to explore such a proposal, it should do so in a statewide  
18 docket where all relevant stakeholders, including other utilities and consumer  
19 advocates, would have an opportunity to participate and submit comments or testimony.

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<sup>59</sup> *Id.*, at 31-32.

<sup>60</sup> *Id.*

<sup>61</sup> *Id.*, at 28-31.

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**VIII. RECOMMENDATION**

2 **Q. Please summarize the Company's recommendation.**

3 A. The Commission should approve the updated revenue requirement increase that I  
4 describe above and that is supported by the other Company witnesses' rebuttal  
5 testimonies.

6 **Q. Does this conclude your rebuttal testimony?**

7 A. Yes.

