Docket No. 20000-633-ER-23
Witness: Nikki L. Kobliha

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

ROCKY MOUNTAIN POWER

Rebuttal Testimony of Nikki L. Kobliha

September 2023

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 the "Company")?

A. Yes, I am.

I. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your rebuttal testimony?

A. I will respond to certain issues raised by intervening parties in their direct testimony filed with the Wyoming Public Service Commission ("Commission") on August 14, 2023. Specifically, I respond to the testimonies of Mr. David J. Garrett sponsored by the Wyoming Industrial Energy Consumers ("WIEC") and Mr. Christopher C. Walters on behalf of the Wyoming Office of Consumer Advocate ("WOCA"). I will also update the Company's proposed cost of capital.

Q. Please explain how your testimony is organized and the issues you will address in your rebuttal testimony.

A. I will comment on the following issues and recommendations and explain why my analysis continues to support the capital structure proposed in my direct testimony.

1. In Section II, I update the Commission with the cost of capital reflecting the May 2023 debt issuance and an interest rate update for the projected 2024 long-term debt issuances.
2. In Section III, I respond to the recommendations by WIEC witness Mr. David J. Garrett and observations made by WOCA witness Mr. Christopher C. Walters on the Company's proposed capital structure.

II. UPDATED COST OF CAPITAL

Q. Please discuss the recent financing work that the Company has completed.

A. During May 2023, the Company completed the issuance of a new series of long-term debt, $1.2 billion of 5.50 percent first mortgage bonds due May 2054. This issuance of new long-term debt was included as pro-forma issuances in my direct testimony cost of debt exhibit (RMP Exhibit 3.2), and I have now updated it with the actual principal amount, terms, interest rate, yield discount and related actual and estimated issuance costs.

Q. Does the Company currently anticipate further long-term debt issuances through the end of 2024 test period?

A. The Company is still evaluating its financing needs for 2024. My direct testimony indicated an additional $1.7 billion of new long-term debt would be issued during 2024, split between 10-year and 30-year issuances occurring in January and July. While the amount, timing and tenor of these issuances have not changed, I have updated the cost of debt using current forward treasury rates and indicative credit spreads provided by PacifiCorp's relationship bank on July 10, 2023.

Q. What is the new cost of debt?

A. As shown in RMP Exhibit 3.8, the net impact from these changes described above, plus an update to the variable-rate Pollution Control Revenue Bond rates using more recent forward market rates, results in a weighted average cost of debt of 5.09 percent, which is 32 basis points higher than the 4.77 percent projected in my direct testimony.

Q. Are you currently recommending an update to the percentage capital structure recommendation in your direct testimony for PacifiCorp?

A. No change is proposed. Updating the capital structure to include the May 2023 bond issuance and maintaining the same 2024 issuances as included in my direct testimony, coupled with a reduction in the projected 2023 dividend, results in a slightly higher equity component of the capital structure than included in my direct testimony. As a result I am still recommending a 51.27 percent equity level.

Q. What overall cost of capital do you recommend for PacifiCorp?

A. I am recommending an overall cost of capital of 7.60 percent. This cost includes the return on equity recommendation of 10.00 percent, supported by the rebuttal testimony of Company witness Ms. Ann E. Bulkey, and the capital structure and costs are shown in Table 1.

Table 1: Overall Cost of Capital

Component	% of Total	Cost %	Weighted Ave Cost %
Long-Term Debt	48.72%	5.09%	2.48%
Preferred Stock	0.01%	6.75%	0.00%
Common Stock Equity	51.27%	10.00%	5.12%
	100.00%		7.60%

III. CAPITAL STRUCTURE

Q. Please summarize Mr. Garrett's capital structure proposal.

A. Mr. Garrett proposes a significant change in the Company's proposed equity ratio reducing it to 46.11 percent.[1] Mr. Garrett provides no evidence as to why such a thin equity level is reasonable other than to make inaccurate proxy group and irrelevant

[1] Direct Testimony of David J. Garret at 10 (WIEC Exhibit No. 201).

other competitive industries' comparisons. Mr. Garrett further purports that the rate base model does not incentivize utilities to operate at the optimal capital structure,[2] that credit ratings are primarily a concern of management and that maintaining a strong credit rating will not benefit ratepayers if it comes at a higher weighted average cost of capital.[3] I disagree with all these points as further explained below.

Q. Mr. Garrett concludes the average debt ratio of the proxy group found in RMP Exhibit 4.11 of Ms. Bulkley's testimony is 54 percent[4] and Mr. Walters concludes the average equity ratio is 45.5 percent (excluding short-term debt).[5] Do you agree with these observations?

A. No. Mr. Garrett provides a table of Proxy Company Debt Ratios in WIEC Exhibit No. 201.17 and Mr. Walters provides a table of Proxy Group data including equity ratios in WOCA Exhibit No. 602.3. Both sets of data are different than that provided by the Company in RMP Exhibit 4.11 for two reasons. First, the source for Mr. Garrett's proxy company debt ratios table and Mr. Walters proxy group common ratios tables is a Value Line Investment Survey. Value Line only reports ratios at the parent company, or holding company, level and not at the utility operating company level. The Company's exhibit is presented at the utility operating company level which provides a more direct comparison of the Company to its peers. Second, Mr. Garrett's data uses year end 2022 actual debt ratios[6] and Mr. Walters uses data from the months of April, May and June 2023 while the Company presented eight quarters of historical common

[2] *Id.,* at 60.
[3] *Id.,* at 68-70.
[4] *Id.,* at 62.
[5] Direct Testimony of Christopher C. Walters at 30 (WOCA Exhibit No. 602).
[6] Many of Mr. Garrett's exhibits focus on debt ratio side of the calculation while the Company's support focuses on the equity ratio.

equity ratio data and the resulting average of all quarters presented. Looking at several data points and compiling an average smooths out peaks and valleys that occur in debt or equity ratios due to timing of debt issuances, equity issuances or dividend payments. The Company considers this variability when setting the common equity level proposed in its rate cases by using an average of the five quarter-ending balances spanning the test period. Using the eight-quarter average in RMP Exhibit 4.11 the low, high and mean common equity ratios are 45.95 percent, 61.06 percent and 53.18 percent, respectively, placing the Company's request within a reasonable range when compared to the proxy group.

Q. Mr. Garrett bases his capital structure recommendation partly on the debt ratios of competitive industries. Does the review of these companies have any relevance to the appropriate capital structure for the Company?

A. No. First, Mr. Garrett's position ignores a key factor that influences financing practices of utility companies when compared to the majority of other industries: its regulatory environment. Due to a utility company's obligation to serve, they generally do not have the option to defer large capital investments as non-regulated companies do. This means utilities such as PacifiCorp must have continued access to capital markets even in times of market volatility or turmoil. This on its own is a significant difference that needs to be considered with evaluating leverage ratios. Mr. Garrett's reference to the Green & Renewable Energy companies as a relevant comparison differs as these companies are not rate regulated and therefore do not finance their operations in a manner similar to utility operating companies.

Second, Mr. Garrett observes that nearly 2,000 firms in United States ("U.S.") industries have higher debt ratios than requested by the Company in this case, making the Company's debt ratio seem out of the ordinary. What Mr. Garrett does not provide is the remaining 4,800-plus firms in U.S. industries that have an average debt ratio that is equal to or less than the level requested by the Company in this case. Considering this larger population places the Company in the 42nd percentile of the group.[7]

Q. Do you agree with Mr. Garrett's assertion that utilities have no incentive to minimize their cost of capital?[8]

A. I do not want to speak for all utilities but will instead provide a perspective on the Company. The Company strives to minimize its cost of capital and keep all other costs at the lowest level possible that still enables it to provide safe and reliable power to its customers at reasonable rates. The Company's proposed capital structure is the most cost-effective approach to maintain a solid credit rating enabling the Company to raise capital at a reasonable cost, which directly benefits customers.

Q. Mr. Garrett says ratings are only a concern of management, and will not benefit customers if it comes at a higher weighted average cost of capital ("WACC").[9] Can you explain why ratings are important to more than just management?

A. A company's credit rating is a key consideration when assessing its financial strength and allows for consistent access and at reasonable rates to capital markets. The financial strength of the Company allows it to attract capital at reasonable rates to support operations and investments in various market conditions both good and bad. Having

[7] http://people.stern.nyu.edu/adamodar/New_Home_Page/datacurrent.html
[8] Direct Testimony of David J. Garrett at 60 (WIEC Exhibit No. 201).
[9] *Id.*, at 68.

consistent access to capital markets during unanticipated economic events that cause market volatility, which are outside of the control of the Company, is a benefit to customers to obtain the most competitive rates possible. For example, during the COVID-19 pandemic and the Great Recession, the Company had consistent access to capital markets, which allowed us to continue to provide safe, reliable service for customers at competitive rates. Having credit metrics on the threshold of a downgrade or below investment grade leaves the Company no flexibility to respond to unexpected economic events. Hence, ratings are a concern to more than just management.

Mr. Garrett takes a mathematical approach to customer benefits rather than a more holistic and balanced view of how the financial health of the utility provides a significant benefit to customers. The Company is seeking a cost-efficient capital structure targeted to maintain a solid credit rating, which enables continued access to the debt capital markets at the lowest possible cost. This is a direct benefit to customers since significant borrowings are needed to fund capital projects necessary to provide safe, reliable service to customers.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR AUTHORITY TO INCREASE ITS RETAIL ELECTRIC SERVICE RATES BY APPROXIMATELY $140.2 MILLION PER YEAR OR 21.6 PERCENT AND TO REVISE THE ENERGY COST ADJUSTMENT MECHANISM)	DOCKET NO. 20000-633-ER-23 (RECORD NO. 17252)

AFFIDAVIT, OATH AND VERIFICATION

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

Affiant is the Chief Financial Officer (CFO) & 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 their official capacity as CFO & Treasurer.

Further Affiant Sayeth Not.

Dated this 25 day of September, 2023

Nikki Kobliha
CFO & Treasurer

STATE OF Oregon)
) SS:
COUNTY OF Multnomah)

The foregoing was acknowledged before me by Nikki Kobliha on this 25 day of September, 2023. Witness my hand and official seal.

Notary Public

My Commission Expires:

OFFICIAL STAMP
KELLY ANN WIGGINS
NOTARY PUBLIC - OREGON
COMMISSION NO. 1015825
MY COMMISSION EXPIRES SEPTEMBER 06, 2025

Rocky Mountain Power
Exhibit 3.8
Docket No. 20000-633-ER-23
Witness: Nikki L. Kobliha

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

ROCKY MOUNTAIN POWER

Exhibit Accompanying Rebuttal Testimony of Nikki L. Kobliha

Pro Forma Cost of Long-Term Debt Summary (Rebuttal)

September 2023

PACIFICORP
Electric Operations
Pro Forma Ave Cost of Long-Term Debt Summary
12 months ended December 31, 2024

LINE NO.	DESCRIPTION	AMOUNT 5QE AVE OUTSTANDING	ISSUANCE EXPENSES	REDEMPTION EXPENSES	NET PROCEEDS TO COMPANY	ANNUAL DEBT SERVICE COST	INTEREST RATE	ALL-IN COST	ORIG LIFE	LINE NO.
1										1
2	**Total First Mortgage Bonds**	**$11,100,000,000**	**($126,460,296)**	**($2,073,225)**	**$10,971,466,479**	**$564,533,100**	**5.004%**	**5.086%**	**26.8**	2
3										3
4	Subtotal - Pollution Control Revenue Bonds secured by FMBs	$160,460,000	($4,953,665)	($2,181,869)	$153,324,466	$7,980,713	4.687%	4.974%	30.0	4
5	Subtotal - Pollution Control Revenue Bonds	$24,400,000	($225,000)	($428,469)	$23,746,531	$1,178,032	4.658%	4.828%	29.9	5
6	**Total Pollution Control Revenue Bonds**	**$184,860,000**	**($5,178,665)**	**($2,610,338)**	**$177,070,997**	**$9,158,745**	**4.683%**	**4.954%**	**29.9**	6
7										7
8	Loss on Long Term Debt Reacquistions, without Refunding					$202,495				8
9	**Total Cost of Long Term Debt**	**$11,284,860,000**	**($131,638,962)**	**($4,683,563)**	**$11,148,537,475**	**$573,894,340**	**4.999%**	**5.086%**	**26.8**	9
10										10

PACIFICORP
Electric Operations
Pro Forma Ave Cost of Long-Term Debt Detail
12 months ended December 31, 2024

						PRINCIPAL AMOUNT				NET PROCEEDS TO COMPANY				
										TOTAL	PER $100			
LINE NO.	INTEREST RATE	DESCRIPTION	ISSUANCE DATE	MATURITY DATE	ORIG LIFE	ORIGINAL ISSUE	5QE AVE OUTSTANDING	ISSUANCE EXPENSES	REDEMPTION EXPENSES	DOLLAR AMOUNT	PRINCIPAL AMOUNT	MONEY TO COMPANY	ANNUAL DEBT SERVICE COST	LINE NO.
	(a)	(b)	(c)	(d)	(e)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
1														1
2														2
3	3.600%	Series due Apr 2024	03/13/14	04/01/24	10	$425,000,000	$170,000,000	($1,440,066)	($777,230)	$167,782,705	$98.696	3.757%	$6,386,900	3
4	3.350%	Series due Jul 2025	06/19/15	07/01/25	10	$250,000,000	$250,000,000	($2,441,421)	$0	$247,558,579	$99.023	3.466%	$8,665,000	4
5	3.500%	Series due Jun 2029	03/01/19	06/15/29	10	$400,000,000	$400,000,000	($2,874,181)	$0	$397,125,819	$99.281	3.584%	$14,336,000	5
6	2.700%	Series due Sep 2030	04/08/20	09/15/30	10	$400,000,000	$400,000,000	($2,876,791)	$0	$397,123,209	$99.281	2.780%	$11,120,000	6
7	7.700%	Series due Nov 2031	11/21/01	11/15/31	30	$300,000,000	$300,000,000	($3,701,310)	$0	$296,298,690	$98.766	7.807%	$23,421,000	7
8	6.333%	Proforma Series#3	01/15/24	01/15/34	10	$500,000,000	$400,000,000	($2,356,000)	$0	$397,644,000	$99.411	6.413%	$25,652,000	8
9	5.900%	Series due Aug 2034	08/24/04	08/15/34	30	$200,000,000	$200,000,000	($2,614,365)	$0	$197,385,635	$98.693	5.994%	$11,988,000	9
10	5.250%	Series due Jun 2035	06/08/05	06/15/35	30	$300,000,000	$300,000,000	($3,992,021)	($1,295,995)	$294,711,984	$98.237	5.369%	$16,107,000	10
11	6.100%	Series due Aug 2036	08/10/06	08/01/36	30	$350,000,000	$350,000,000	($4,048,881)	$0	$345,951,119	$98.843	6.185%	$21,647,500	11
12	5.750%	Series due Apr 2037	03/14/07	04/01/37	30	$600,000,000	$600,000,000	($613,216)	$0	$599,386,784	$99.898	5.757%	$34,542,000	12
13	6.250%	Series due Oct 2037	10/03/07	10/15/37	30	$600,000,000	$600,000,000	($5,877,281)	$0	$594,122,719	$99.020	6.323%	$37,938,000	13
14	6.350%	Series due Jul 2038	07/17/08	07/15/38	30	$300,000,000	$300,000,000	($3,961,333)	$0	$296,038,667	$98.680	6.450%	$19,350,000	14
15	6.000%	Series due Jan 2039	01/08/09	01/15/39	30	$650,000,000	$650,000,000	($12,309,687)	$0	$637,690,313	$98.106	6.139%	$39,903,500	15
16	4.100%	Series due Feb 2042	01/06/12	02/01/42	30	$300,000,000	$300,000,000	($3,724,911)	$0	$296,275,089	$98.758	4.173%	$12,519,000	16
17	4.125%	Series due Jan 2049	07/13/18	01/15/49	31	$600,000,000	$600,000,000	($6,984,085)	$0	$593,015,915	$98.836	4.193%	$25,158,000	17
18	4.150%	Series due Feb 2050	03/01/19	02/15/50	31	$600,000,000	$600,000,000	($7,938,771)	$0	$592,061,229	$98.677	4.227%	$25,362,000	18
19	3.300%	Series due Mar 2051	04/08/20	03/15/51	31	$600,000,000	$600,000,000	($10,127,937)	$0	$589,872,063	$98.312	3.388%	$20,328,000	19
20	2.900%	Series due June 2052	07/09/21	06/15/52	31	$1,000,000,000	$1,000,000,000	($16,599,374)	$0	$983,400,626	$98.340	2.982%	$29,820,000	20
21	5.350%	Series due Dec 2053	12/01/22	12/01/53	31	$1,100,000,000	$1,100,000,000	($13,265,000)	$0	$1,086,735,000	$98.794	5.431%	$59,741,000	21
22	5.500%	Series due May 2054	05/17/23	05/15/54	31	$1,200,000,000	$1,200,000,000	($11,558,000)	$0	$1,188,442,000	$99.037	5.566%	$66,792,000	22
23	6.845%	Proforma Series#4	01/15/24	01/15/54	30	$500,000,000	$400,000,000	($3,656,000)	$0	$396,344,000	$99.086	6.918%	$27,672,000	23
24	6.820%	Proforma Series#5	07/15/24	07/15/54	30	$700,000,000	$280,000,000	($2,595,200)	$0	$277,404,800	$99.073	6.894%	$19,303,200	24
25	**4.989%**	**Subtotal - Bullet FMBs**			**27**		**$11,000,000,000**	**($125,555,830)**	**($2,073,225)**	**$10,872,370,945**		**5.070%**	**$557,752,100**	25
26														26
27	6.710%	Series G due Jan 2026	01/23/96	01/15/26	30	$100,000,000	$100,000,000	($904,467)	$0	$99,095,533	$99.096	6.781%	$6,781,000	27
28	**6.710%**	**Subtotal - Series G MTNs**			**30**		**$100,000,000**	**($904,467)**	**$0**	**$99,095,533**		**6.781%**	**$6,781,000**	28
29														29
30	**5.004%**	**Total First Mortgage Bonds**			**27**		**$11,100,000,000**	**($126,460,296)**	**($2,073,225)**	**$10,971,466,479**		**5.086%**	**$564,533,100**	30
31														31
32														32
33	4.689%	Converse 94 due Nov 2024	11/17/94	11/01/24	30	$8,190,000	$6,552,000	($209,778)	($86,323)	$6,255,899	$95.481	4.980%	$326,290	33
34	4.657%	Emery 94 due Nov 2024	11/17/94	11/01/24	30	$121,940,000	$97,552,000	($3,274,246)	($1,925,767)	$92,351,987	$94.669	5.001%	$4,878,576	34
35	4.799%	Lincoln 94 due Nov 2024	11/17/94	11/01/24	30	$15,060,000	$12,048,000	($422,858)	($81,427)	$11,543,715	$95.814	5.071%	$610,954	35
36	4.723%	Sweetwater 94 due Nov 2024	11/17/94	11/01/24	30	$21,260,000	$17,008,000	($510,479)	($88,352)	$16,409,169	$96.479	4.949%	$841,726	36
37	4.639%	Converse 95 due Nov 2025	11/17/95	11/01/25	30	$5,300,000	$5,300,000	($132,043)	$0	$5,167,957	$97.509	4.796%	$254,188	37
38	4.742%	Lincoln 95 due Nov 2025	11/17/95	11/01/25	30	$22,000,000	$22,000,000	($404,262)	$0	$21,595,738	$98.162	4.859%	$1,068,980	38
39	**4.687%**	**Subtotal - Secured PCRBs**			**30**		**$160,460,000**	**($4,953,665)**	**($2,181,869)**	**$153,324,466**		**4.974%**	**$7,980,713**	39
40														40
41	4.658%	Sweetwater 95 due Nov 2025	12/14/95	11/01/25	30	$24,400,000	$24,400,000	($225,000)	($428,469)	$23,746,531	$97.322	4.828%	$1,178,032	41
42	**4.658%**	**Subtotal - Unsecured PCRBs**			**30**		**$24,400,000**	**($225,000)**	**($428,469)**	**$23,746,531**		**4.828%**	**$1,178,032**	42
43														43
44	**4.683%**	**Total PCRB Obligations**			**30**		**$184,860,000**	**($5,178,665)**	**($2,610,338)**	**$177,070,997**		**4.954%**	**$9,158,745**	44
45														45
46			REACQ	ORG MAT										46
47			DATE	DATE										47
48		8.375% Series A QUIDS	11/17/00	06/30/35									$107,887	48
49		8.55% Series B QUIDS	11/17/00	12/31/25									$84,084	49
50		Carbon '94 PCRB Series	02/18/16	11/01/24									$10,524	50
51		**Long-Term Debt Reacquisition, without refunding amortization**											**$202,495**	51
52														52
53	**4.999%**	**Total Long-Term Debt**			**27**		**$11,284,860,000**	**($131,638,962)**	**($4,683,563)**	**$11,148,537,475**		**5.086%**	**$573,894,340**	53
54														54