

Docket No. 20000-633-ER-23  
Witness: Julie Lewis

BEFORE THE WYOMING PUBLIC SERVICE  
COMMISSION

ROCKY MOUNTAIN POWER

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Rebuttal Testimony of Julie Lewis

September 2023

1                   **I. INTRODUCTION AND WITNESS QUALIFICATIONS**

2   **Q. Please state your name, business address, and present position with PacifiCorp**  
3   **d/b/a Rocky Mountain Power (“PacifiCorp” or the “Company”).**

4   A. My name is Julie Lewis. My business address is 825 NE Multnomah Street, Suite 1800,  
5   Portland, Oregon 97232. I am currently the Vice President of Human Resources for  
6   PacifiCorp.

7   **Q. Please describe your education and professional experience.**

8   A. I joined PacifiCorp in 1980 and have worked in human resources since 1985. During  
9   this time, I have taken on roles of increasing responsibility, including as Director of  
10   Compensation and Benefits for two years, before assuming my current role in 2018.

11                   **II. PURPOSE OF TESTIMONY**

12   **Q. What is the purpose of your rebuttal testimony in this case?**

13   A. The purpose of my rebuttal testimony is to explain why the Wyoming Public Service  
14   Commission (“Commission”) should reject certain wage and labor related adjustments  
15   proposed by Wyoming Industrial Energy Consumers (“WIEC”) witness Kevin C.  
16   Higgins and Office of Consumer Advocate (“OCA”) witness Greg R. Meyer.

17   **Q. Please summarize your rebuttal testimony.**

18   A. In my testimony, I explain that employee incentive payments should not be disallowed.  
19   The Company’s incentive program is not a “bonus,” it is structured to provide benefits  
20   to customers, and is part of the Company’s total market-based compensation package.  
21   The removal of incentive expense would therefore result in below-market  
22   compensation. In addition, balanced outcomes on return on equity (“ROE”) and  
23   achieving financial targets benefit both customers and the Company.

**III. RESPONSE TO WIEC AND OCA**

**Q. Please describe PacifiCorp's compensation philosophy.**

A. The Company's primary objective in establishing employee compensation is to provide pay at the market average. Compensation at the market average (competitive level) is critical to attracting and retaining qualified employees to support the business and our customers. To encourage employee performance, a certain percentage of each employee's market compensation must be "at risk." The Company's Annual Incentive Plan ("AIP") is structured so that each eligible employee has the opportunity to receive total compensation at the market average for that position, so long as the employee performs at an acceptable level. In exceptional performance years, an employee's at-risk incentive may be more than target and in low performance years it may be below target, but on average, the at-risk incentive is generally at the guideline level. If the individual fails to earn the full guideline incentive, that individual will be paid less than the competitive total cash compensation in the marketplace for that year. Central to the Company's approach to total compensation is that, while certain employees may be paid more than or less than market in a given year as a result of the at-risk incentive portion of compensation, on an overall basis the base compensation and at-risk incentive will result in a level of compensation commensurate with the market. Stated another way, in the unlikely event every employee performed at exactly the same level, each employee would be paid only at the market average.

#### IV. INCENTIVES

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2 **Q. Please describe how PacifiCorp determines AIP for employees.**

3 A. The Company uses Company-wide and department goals, which are detailed in  
4 scorecards, to determine at-risk incentive payments. Each management-level employee  
5 has an individual scorecard by which their at-risk incentive payment is determined.  
6 Employees without an individual scorecard are judged based on the PacifiCorp  
7 scorecard and their work performance. An employee's individual at-risk incentive  
8 payment is then adjusted according to their manager's assessment of their performance  
9 and their contribution to the department and Company scorecards.

10 **Q. How are scorecard goals determined?**

11 A. Individual department managers establish specific business unit goals consistent with  
12 the core principles of the Berkshire Hathaway Energy family of companies, which have  
13 direct customer benefits. The six core principles are: (1) customer service; (2) employee  
14 commitment; (3) environmental respect; (4) regulatory integrity; (5) operational  
15 excellence; and (6) financial strength. Each principle comprises one-sixth of the total  
16 available AIP compensation. Performance against scorecard goals is measured with  
17 Key Performance Indicators ("KPIs") that establish the measurable metric for success.  
18 KPIs are specific and measurable goals, such as achieving a certain reliability score or  
19 reducing the number of safety-incidents. Business unit goals must advance the business  
20 and demonstrate continuous improvement over previous year goals.

21 **Q. Please explain the customer benefits associated with each core principle.**

22 A. Each of the six pillars is weighted equally and could include within those pillars  
23 targeted KPI's.

1            *Customer Service* is based on delivering reliable and dependable service to  
2 customers at fair prices. This principle also includes providing exceptional service to  
3 customers. Customer satisfaction surveys comprise 5.56 percent of the total incentive-  
4 based compensation calculation, and approximately 30 percent of the Customer Service  
5 category. Keeping customer rates stable and as low as possible, while ensuring reliable  
6 service, provides a direct customer benefit.

7            *Employee Commitment* is based on preventing employee injury and workplace  
8 accidents, encouraging teamwork, and meeting goals related to employee engagement,  
9 training, and development plans. Ensuring that PacifiCorp's employees are safe,  
10 healthy, engaged with the Company, and well-trained helps ensure that PacifiCorp  
11 operates safely and well. This in turn benefits PacifiCorp's customers.

12           *Environmental Respect* focuses on, improving emissions rates and efficiency of  
13 fossil-fueled generation, offering resources to help customers manage their energy use,  
14 investing in new transmission and distribution equipment to reduce the loss of kilowatts  
15 and improve reliability, and adding cost-effective renewable energy. Reducing  
16 emissions, increasing renewable resources, offering demand-side resources, improving  
17 reliability provides a direct benefit to PacifiCorp's customers.

18           *Regulatory Integrity* is based on minimizing rate increases by achieving  
19 balanced regulatory and legislative outcomes. Achieving favorable regulatory  
20 outcomes and legislation that do not have adverse impacts to the Company or its  
21 customers directly benefits customers.

22           *Operational Excellence* is based on achieving transmission and distribution  
23 reliability goals. Operational Excellence is also based on optimizing availability factors

1 for PacifiCorp’s thermal and renewables fleets, and on ensuring PacifiCorp’s electronic  
2 and physical assets are safe and secure. A reliable transmission and distribution system,  
3 transmitting power produced by generating assets that are performing at optimal levels,  
4 and whose electronic and physical assets are safe and secure undeniably provides a  
5 direct benefit to PacifiCorp’s customers.

6 *Financial Strength* is based on achieving strong credit ratings and maintaining  
7 a high-quality, diversified portfolio of regulated businesses. A financially healthy and  
8 well-capitalized utility is able to obtain lower interest rates, which translates to lower  
9 costs for customers.

10 **Q. Please summarize WIEC witness Mr. Higgins’ position on the Company’s AIP.**

11 A. WIEC witness Mr. Higgins agrees that the cost of annual incentive compensation plans  
12 is appropriate when the compensation is “not excessive” and “not tied to achieving the  
13 Company’s allowed [return on equity (“ROE”)] and achieving a target net income.”<sup>1</sup>  
14 He states that 16.67 percent of the Company’s AIP is “related to the Company’s  
15 financial performance” and should therefore be disallowed.<sup>2</sup> He specifically points to  
16 the PacifiCorp total-Company goals of achieving the Company’s allowed ROE and  
17 achieving net income goals.<sup>3</sup>

18 **Q. Please summarize OCA witness Mr. Meyer’s position on the Company’s AIP.**

19 A. OCA witness Mr. Meyer suggests a reduction in the incentive associated with financial  
20 and regulatory goals. He argues that the Company has not demonstrated a clear benefit  
21 to ratepayers resulting from the attainment of these goals. Furthermore, he assumes that

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<sup>1</sup> Direct Testimony of Kevin C. Higgins at 15-16 (WIEC Exhibit No. 200).

<sup>2</sup> *Id.*, at 28.

<sup>3</sup> *Id.*, at 27.

1 achieving financial goals primarily benefits the Company's shareholders rather than its  
2 customers.<sup>4</sup>

3 **Q. Do you agree with Mr. Higgins and Mr. Meyer that these goals do not benefit**  
4 **customers?**

5 A. No, there are a couple of points to consider. First, Mr. Higgins is basing his argument  
6 on the assumption that 100 percent of the AIP is awarded each year, which is not  
7 accurate. The AIP award pool is diminished before distribution when targets are not  
8 met. Regarding the disallowance for “achieving net income,” the Company did not  
9 attain this goal, and it was not factored into the AIP pool. Therefore, it should not be  
10 included in Mr. Higgins' calculation of a proposed 16.67 percent reduction.

11 Regarding Mr. Meyer’s arguments, the KPIs of Regulatory Integrity are  
12 centered around minimizing rate increases by attaining a balanced regulatory and  
13 legislative outcome. Accomplishing favorable regulatory outcomes and legislation  
14 without adverse impacts on the Company or its customers directly benefits customers.  
15 Similarly, the KPI of Financial Strength is grounded in achieving robust credit ratings  
16 and sustaining a high-quality, diversified portfolio of regulated businesses.  
17 A financially sound and well-capitalized utility can secure lower interest rates, leading  
18 to reduced costs for customers.

19 Finally, as explained in the testimony of Company witness Ms. Nikki L.  
20 Koblaha, the Company is able to maintain its high credit rating and receive favorable  
21 terms on long-term debt as a direct result of its financial strength. Additionally, when

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<sup>4</sup> Direct Testimony of Greg R. Meyer at 27 (WOCA Exhibit No. 604).

1 the Company is able to achieve its allowed ROE, it is able to extend the time between  
2 rate cases, which promotes rate stability and is in the interest of customers.<sup>5</sup>

3 **Q. Do you believe that Mr. Higgins or Mr. Meyer have presented a basis for**  
4 **disallowing any portion of the Company’s at-risk incentive program?**

5 A. No. As discussed above, AIP is designed to be an “at-risk” portion of total market  
6 compensation. To the extent AIP is tied to financial or regulatory performance, those  
7 goals benefit customers. In addition, if goals are not met the AIP is reduced to reflect  
8 as such.

9 **V. CONCLUSION**

10 **Q. What is your recommendation?**

11 A. I recommend the Commission reject both WIEC’s and OCA’s proposals to disallow a  
12 portion of the Company’s “at-risk” AIP payments due to the reasons outlined above.

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

14 A. Yes.

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<sup>5</sup> Direct Testimony of Nikki L. Kobliha at 7-13 (RMP Exhibit 3.0).



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

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

Affiant is the Vice President, Human Resources 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 Vice President, Human Resources.

Further Affiant Sayeth Not.

Dated this 25 day of September, 2023

*Julie Lewis*

Julie Lewis  
Vice President, Human Resources

STATE OF Oregon )  
 ) SS:  
COUNTY OF Multnomah

The foregoing was acknowledged before me by Julie Lewis on this 25<sup>th</sup> day of September, 2023. Witness my hand and official seal.

*Elizabeth M. Stewart*  
Notary Public

My Commission Expires: 04/28/25

