Docket : A.22-05-006
Exhibit Number : Cal Advocates-02
Commissioner : A. Reynolds
ALJ : S. O'Rourke
Witness : K. Lo

PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations for PacifiCorp's General Rate Case Test Year 2023

Revenue Requirement, Taxes, Rate Base, Depreciation

San Francisco, California
December 22, 2022

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PACIFICORP
REVENUE REQUIREMENT, TAXES, RATE BASE, DEPRECIATION

I. INTRODUCTION

This testimony presents the Public Advocates Office at the California Public Utilities Commission's (Cal Advocates) analyses and recommendations regarding PacifiCorp d/b/a Pacific Power's (PacifiCorp) revenue requirement, taxes, rate base, and depreciation for Test Year (TY) 2023.

This testimony presents Cal Advocates' analysis and discussion of PacifiCorp's proposed revenue requirement, cash working capital, taxes, depreciation, and amortization adjustments.

II. SUMMARY OF RECOMMENDATIONS

The following summarizes Cal Advocates' recommendations for PacifiCorp's revenue requirement, rate base, taxes, and depreciation:

A. Revenue Requirement: Cal Advocates recommends a revenue requirement of $97,401,593. PacifiCorp's proposal of $110,253,147 exceeds Cal Advocates' recommendation by $12,851,554 or 13.19%.

B. Rate Base: Cal Advocates proposes modest adjustments to PacifiCorp's California "Cash Working Capital".

C. Taxes: Cal Advocates does not oppose PacifiCorp's tax calculations.

D. Depreciation: Cal Advocates does not oppose the modest increase in depreciation rates from PacifiCorp's 2013 Depreciation Study to its 2018 Depreciation Study, which was utilized for the 2023 GRC. Cal Advocates also does not oppose PacifiCorp's Depreciation Expense calculations. Lastly, Cal Advocates does not oppose PacifiCorp's Proposed End of Coal Plant Depreciable Life retirement dates.

E. Amortization: Cal Advocates recommends a reduction of $1,682,101 to PacifiCorp's Amortization Expense calculation of

$4,131,795 based on proposing a longer time frame for recovery of accelerated coal plant retirement related costs.

III. DISCUSSION/ANALYSIS

A. Revenue Requirement

PacifiCorp used its 2021 Integrated Resource Plan (IRP), 2020 Protocol, and Summary of Results of Operations (RO)[1] to compile its witnesses' cumulative quantitative forecasts and to subsequently report its revenue requirement calculations. PacifiCorp's California-allocated revenue requirement is calculated using the 2020 Protocol rather than the 2017 PacifiCorp Inter-jurisdictional Allocation Protocol, which was utilized in the 2019 General Rate Case (GRC).

PacifiCorp requests approval of the 2020 Protocol for use in California. The 2020 Protocol "describes the multi-jurisdictional allocation methodology that will be used by [PacifiCorp] in all rate proceedings filed in California until a new allocation method is proposed."[2] PacifiCorp's Jurisdictional Allocation Methodology (JAM) model applies varying 2020 Protocol California factor allocation percentages at the functional level (i.e. distribution and generation) to arrive at revenue requirement totals.

Cal Advocates does not oppose PacifiCorp's 2020 Protocol and JAM model. Cal Advocates relied on PacifiCorp's JAM model to compile its witnesses' collective quantitative forecasts and to calculate its recommendations for TY 2023.

For the TY 2023 GRC, PacifiCorp proposes a revenue requirement of $110,253,147, which is $27,954,622 or 33.9673% higher than the currently authorized rate revenues. Cal Advocates recommends a revenue requirement of $97,401,593. PacifiCorp's proposed revenue requirement exceeds Cal Advocates' recommendation by $12,851,554, or 13.19%. These results are shown in Tables 1 through 3 on the pages below.

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[1] PacifiCorp Results of Operations Model, file "CA GRC JAM Dec 2023 Test Period."

[2] Ex. PAC/900, p. 4, lines 5-7.

Table 1 Test Year 2023 Increase in Proposed Revenue Requirements				
	Cal Advocates	PacifiCorp	PacifiCorp Exceeds Cal Advocates	
Proposed Rates	97,401,593	110,253,147	12,851,554	13.19%
Present Rates	82,298,526	82,298,526	-	0.0000%
Increase/(Decrease)	15,103,067	27,954,621	12,851,554	
Percentage	18.3516%	33.9673%		
Source: PacifiCorp Results of Operations Model, file "CA GRC JAM Dec 2023 Test Period"				

Table 2 on the following page sets forth the TY GRC revenue requirements at a return on equity rate of 9.00%.

Table 2
RESULTS OF OPERATIONS SUMMARY
Proposed GRC Revenue Requirements for TY 2023
PacifiCorp - California Jurisdiction
For The Forecasted Twelve Months Ending December 31, 2023

Description of Account Summary:	Cal Advocates @ Proposed Rates	PacifiCorp @ Proposed Rates	PacifiCorp Exceeds Cal Advocates' Proposed Rates	
			Dollars	Percent
Operating Revenues				
General Business Revenues	97,401,593	110,253,147	12,851,554	13.1944%
Interdepartmental	-	-	-	0.0000%
Special Sales	-	-	-	0.0000%
Other Operating Revenues*	3,760,921	3,761,213	292	0.0000%
Total Operating Revenues	101,162,515	114,014,360	12,851,845	12.7042%
Operating Expenses:				
Steam Production	4,134,831	4,134,831	-	0%
Nuclear Production	-	-	-	0%
Hydro Production	683,854	683,854	-	0%
Other Power Supply	1,493,406	1,500,723	7,317	0.490%
Transmission	1,060,977	1,061,436	459	0%
Distribution	27,332,234	31,336,716	4,004,482	14.6511%
Customer Accounting	1,837,863	1,878,676	40,813	2%
Customer Service & Infor	279,947	279,947	-	0%
Sales	-	-	-	0%
Administrative & General	5,905,007	6,032,678	127,671	2.1621%
Total O & M Expenses	42,728,119	46,908,861	4,180,742	9.7845%
Depreciation	22,934,920	23,000,640	65,720	0.2866%
Amortization	2,422,609	4,131,795	1,709,186	70.5515%
Taxes Other Than Income	5,772,125	6,106,966	334,841	5.8010%
Income Taxes - Federal	2,982,072	4,251,368	1,269,296	42.5642%
Income Taxes - State	675,419	962,880	287,461	42.5603%
Income Taxes - Def Net	462,315	412,516	(49,799)	-10.7717%
Investment Tax Credit Adj.	-	-	-	0%
Misc Revenue & Expense	(38,426)	(38,429)	(3)	0.0068%
Total Operating Expenses	77,939,153	85,736,598	3,616,703	4.6404%
Operating Revenue for Return	23,223,362	28,277,764	5,054,402	21.7643%
Rate Base:				
Electric Plant in Service	717,628,607	749,098,965	31,470,358	4.3853%
Plant Held for Future Use	838,899	838,899	-	0%
Misc Deferred Debits	13,519,585	13,775,760	256,175	1.8948%
Elec Plant Acq Adj	39,488	39,488	-	0%
Pensions	642,482	668,631	26,149	4.0700%
Prepayments	538,115	557,700	19,585	3.6396%
Fuel Stock	(31,783)	(31,783)	-	0%
Material & Supplies	4,378,816	4,370,613	(8,203)	-0.1873%
Working Capital	(42,427)	4,371	46,798	-110.3014%
Weatherization Loans	-	-	-	0%
Miscellaneous Rate Base	-	-	-	0%
Total Electric Plant	737,511,781	769,322,644	31,810,863	4.3133%
	-			
Rate Base Deductions:				
Accum Prov For Depr	(283,429,198)	(283,568,389)	(139,191)	0.0491%
Accum Prov For Amort	(16,125,792)	(16,431,916)	(306,124)	1.8984%
Accum Def Income Taxes	(61,458,669)	(61,508,952)	(50,283)	0.0818%
Unamortized ITC	(2,491)	(2,491)	-	0%
Customer Adv for Const	(1,295,728)	(1,295,728)	-	0%
Customer Service Deposits	-	-	-	0%
Misc. Rate Base Deductions	(34,336,527)	(34,285,051)	51,476	-0.1499%
Total Rate Base Deductions	(396,648,405)	(397,092,527)	(444,122)	0.1120%
	-			
Total Rate Base	340,863,376	372,230,117	31,366,741	9.2021%
Return on Rate Base	6.813%	7.597%		11.5036%
Return on Equity	9.000%	10.500%		16.6667%

Source: PacifiCorp Results of Operations Model, file "CA GRC JAM Dec 2023 Test Period"
*** Differences in Other Operating Revenues are due to JAM model's allocational treatment of plant balance reductions.**

Table 3 sets forth the TY GRC revenue requirements at present rates:

Table 3
RESULTS OF OPERATIONS SUMMARY
Present Rate Revenues
PacifiCorp - California Jurisdiction
For The Forecasted Twelve Months Ending December 31, 2023

Description of Account Summary:	Cal Advocates @ Present Rates	PacifiCorp @ Present Rates	PacifiCorp Exceeds Cal Advocates' Proposed Rates	
			Dollars	Percent
Operating Revenues				
General Business Revenues	82,298,526	82,298,526	-	0.0000%
Interdepartmental	-	-	-	0.0000%
Special Sales	-	-	-	0.0000%
Other Operating Revenues*	3,760,921	3,761,213	292	0.0078%
Total Operating Revenues	86,059,447	86,059,739	292	0.0003%
Operating Expenses:				
Steam Production	4,134,831	4,134,831	-	0%
Nuclear Production	-	-	-	0%
Hydro Production	683,854	683,854	-	0%
Other Power Supply	1,493,406	1,500,723	7,317	0%
Transmission	1,060,977	1,061,436	459	0%
Distribution	27,332,234	31,336,716	4,004,482	14.6511%
Customer Accounting	1,789,900	1,789,900	-	0%
Customer Service & Infor	279,947	279,947	-	0%
Sales	-	-	-	0%
Administrative & General	5,905,006	6,032,678	127,672	2.1621%
Total O & M Expenses	42,680,155	46,820,085	4,139,930	9.6999%
Depreciation	22,934,920	23,000,640	65,720	0.2866%
Amortization	2,422,609	4,131,796	1,709,187	70.5515%
Taxes Other Than Income	5,584,847	5,760,329	175,482	3.1421%
Income Taxes - Federal	1,578	(1,265,298)	(1,266,876)	-80283.3514%
Income Taxes - State	420	(286,492)	(286,912)	-68325.7158%
Income Taxes - Def Net	462,315	412,515	(49,800)	-10.7720%
Investment Tax Credit Adj.	-	-	-	0%
Misc Revenue & Expense	(38,426)	(38,429)	(3)	0.0068%
Total Operating Expenses	74,048,418	78,535,146	346,798	0.4683%
Operating Revenue for Return	12,011,029	7,524,593	(4,486,436)	-37.3526%
Rate Base:				
Electric Plant in Service	717,628,607	749,098,965	31,470,358	4.3853%
Plant Held for Future Use	838,899	838,899	-	0%
Misc Deferred Debits	13,519,585	13,775,760	256,175	1.8948%
Elec Plant Acq Adj	39,488	39,488	-	0%
Pensions	642,482	668,631	26,149	4.0700%
Prepayments	538,115	557,700	19,585	3.6395%
Fuel Stock	(31,783)	(31,783)	-	0%
Material & Supplies	4,378,816	4,370,613	(8,203)	-0.1873%
Working Capital	(42,427)	4,371	46,798	-110.3014%
Weatherization Loans	-	-	-	0%
Miscellaneous Rate Base	-	-	-	0%
Total Electric Plant	737,511,782	769,322,644	31,810,862	4.3133%
Rate Base Deductions:				
Accum Prov For Depr	(283,429,198)	(283,568,389)	(139,191)	0.0491%
Accum Prov For Amort	(16,125,792)	(16,431,916)	(306,124)	1.8984%
Accum Def Income Taxes	(61,458,669)	(61,508,952)	(50,283)	0.0818%
Unamortized ITC	(2,491)	(2,491)	-	0%
Customer Adv for Const	(1,295,728)	(1,295,728)	-	0%
Customer Service Deposits	-	-	-	0%
Misc. Rate Base Deductions	(34,336,527)	(34,285,051)	51,476	-0.1499%
Total Rate Base Deductions	(396,648,404)	(397,092,527)	(444,123)	0.1120%
	-	-		
Total Rate Base	340,863,378	372,230,117	31,336,739	9.1933%
Return on Rate Base	3.524%	2.021%		-42.6317%
Return on Equity	2.705%	-0.171%		-106.3060%

Source: PacifiCorp Results of Operations Model, file "CA GRC JAM Dec 2023 Test Period"
*** Differences in Other Operating Revenues are due to JAM model's allocational treatment of plant balance reductions.**

B. Rate Base and Cash Working Capital

One of the components within Rate Base is Working Capital, which is the difference between Cash Working Capital (CWC) and Other Working Capital (OWC). The purpose of CWC "is to compensate investors for funds provided by them which are permanently committed to the business for the purpose of paying operating expenses in advance of receipt of offsetting revenues from its customers and in order to maintain minimum bank balances."[3] OWC refers to the sum of current assets and liabilities that are excluded from CWC for rate recovery. In other words, Working Capital is an amount of money contributed by shareholders that is eligible to earn a return funded by ratepayers.[4] As Cal Advocates does not oppose PacifiCorp's OWC calculation methodology, any adjustments to the OWC total are attributed to recommendations in other sections.

PacifiCorp's RO Model calculates CWC by multiplying a Net Lag Days figure by its Average Daily Cost of Service. To calculate its Daily Cost of Service, PacifiCorp first calculates the sum of its Operations & Maintenance (O&M), Taxes Other Than Income, Federal Income Tax and State Income Tax expenses. It then divides this total by the number of days in the year to calculate its "Average Daily Cost of Service" figure. And finally, it multiplies this figure by its "Net Lag Days." Based on the 2015 lead lag study, which the company utilized in the TY2019 GRC as well, PacifiCorp reports that it experiences 0.92 net revenue lag days in California. Based on this, PacifiCorp projects that $128,608 in CWC must be added to its rate base.[5]

However, PacifiCorp's methodology fails to exclude certain expenses which should properly be excluded under the California Public Utilities Commission (CPUC or the Commission) guidelines. The Commission's Standard Practice (SP) U-16-W (SP U-16-W), *Determination of Working Cash Allowance*, describes present practices for assisting staff in determining a utility's proper working cash allowance.

[3] Standard Practice U-16-W, *Determination of Working Cash Allowance*, Chapter 1, pp. 2

[4] Law Insider, Other Working Capital, https://www.lawinsider.com/dictionary/other-working-capital

[5] Ex. No. PAC/901, p. 8.1.1.

Specifically, SP U-16-W requires that a working cash allowance determination include sources of operational cash, which are a utility's "average monthly operating expenses, excluding taxes, depreciation, and uncollectibles, multiplied by a certain number of months."[6] "[T]axes, depreciation, and uncollectibles" are excluded from a utility's operational cash requirement because they represent sources of working cash that the utility's investors did not provide.

Disregarding SP U-16-W's express definition, PacifiCorp fails to exclude "Taxes Other than Income," "Federal Income Taxes," and "State Income Taxes" from its CWC calculation, even though these are all sources of working cash not provided by investors. These tax expenses improperly add an extra $4,208,539 to PacifiCorp's working cash calculation. Removing these tax expenses from Working Cash results in a $121,554 Cash Working Capital calculation, which is $6,955 less than PacifiCorp's request.

While Cal Advocates does not oppose PacifiCorp's OWC calculation, Cal Advocates opposes PacifiCorp's CWC determination methodology and recommends a CWC amount of $121,554. This results in a recommended Total Working Capital recommendation of $4,371.

C. Taxes

PacifiCorp's testimony organizes its tax obligations into five categories: (1) "Taxes Other Than Income," (2) "Federal Income Taxes," (3) "State Income Taxes," (4) "Deferred Net Income Taxes," and (5) "Accumulated Deferred Income Taxes."[7] Cal Advocates independently analyzed PacifiCorp's supporting work papers and Data Request responses with respect to pertinent tax laws and Commission precedents. Cal Advocates does not oppose PacifiCorp's tax calculations. All differences in tax expense forecasts are attributed to Cal Advocates' recommended adjustments to other line items.

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[6] Standard Practice U-16-W, *Determination of Working Cash Allowance*, Chapter 2, pp. 2-3

[7] Ex. No. PAC/901 p. 2.1, lines 24-27, and 53.

D. Accelerated Coal Plant Depreciation

PacifiCorp's RO model calculates depreciation and amortization expense by "applying functional composite depreciation and amortization rates to projected plant balances by month."[8] As new plant is placed in service, depreciation expenses increase. The company's amortization expenses account for non-depreciable plant, such as software or land rights.

PacifiCorp used plant retirement dates consistent with the retirement dates reflected in its IRP, which was ordered in Decision (D.) 20-02-025,[9] in connection with Application (A.) 18-04-002, PacifiCorp's last GRC. PacifiCorp's IRP highlighted certain coal plants whose updated retirement dates were earlier than the probable retirement dates listed in PacifiCorp's 2018 Depreciation Study.[10]

For the 2023 GRC, PacifiCorp requests that certain coal plants' end of depreciable lives be accelerated so that they match those listed in the IRP.[11] Depreciation rates, accrual amounts, future accruals, book depreciation reserve, and original cost figures were all re-calculated retroactively based on the plants' new retirement dates. Cal Advocates does not oppose PacifiCorp's accelerated coal plant depreciation methodology. These parameters are presented in Table 4 below.

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[8] Ex. No. PAC/900 p.38, lines 14-15.

[9] Ex. (D) 20-02-025, Decision on Test Year 2019 General Rate Case For PacifiCorp, p. 29.

[10] PacifiCorp 2018 Depreciation Study, file "Exhibit No PAC307 PacifiCorp 2020 – Depr Schedule.

[11] Ex. No. PAC/900, p. 39, lines 12-23, and p. 40, lines 1-2.

Table 4
Test Year 2023 Calculation of Accelerated Depreciation of Coal-Fired Power Plants
PacifiCorp - California Jurisdiction

ACCOUNT	PROBABLE RETIREMENT DATE	PROPOSED RETIREMENT DATE	PROPOSED REMAINING LIFE	ORIGINAL COST	BOOK DEPRECIATION RESERVE	CALCULATED ACCRUAL			ACCRUAL RATE		
						PROPOSED	CURRENT	DIFFERENCE	PROPOSED	CURRENT	DIFFERENCE
COLSTRIP GENERATING STATION	12-2027	12-2025	2.8	245,350,823	166,173,471	34,477,917	19,760,535	14,717,382	14.05	8.07	5.98
CRAIG UNIT 2	12-2026	09-2028	5.7	108,124,258	70,929,483	6,906,706	10,740,133	(3,833,427)	6.39	9.88	(3.49)
CRAIG COMMON	12-2026	09-2028	5.7	52,549,480	40,833,281	2,196,733	4,246,028	(2,049,295)	4.18	8.11	(3.93)
HAYDEN UNIT 1	12-2030	12-2028	5.6	56,065,913	34,673,521	4,033,242	2,940,233	1,093,009	7.20	5.24	1.96
HAYDEN UNIT 2	12-2030	12-2027	4.6	32,277,324	20,448,878	2,722,651	1,663,361	1,059,290	8.44	5.14	3.30
HAYDEN COMMON	12-2030	12-2028	5.7	28,199,269	18,745,187	1,716,985	1,206,824	510,161	6.09	4.98	1.11
NAUGHTON UNIT 1	12-2029	12-2025	2.7	217,503,599	134,733,664	37,736,626	15,451,030	22,285,596	17.35	7.10	10.25
NAUGHTON UNIT 2	12-2029	12-2025	2.7	278,903,301	157,636,710	53,578,496	20,101,915	33,476,581	19.21	7.21	12.00

Source: Attach Cal Advocates 17.1

E. Depreciation Expense

In 2018, PacifiCorp produced an updated Depreciation Study to replace its 2013 study. However, due to the 2011 Rate Case settlement that stated that "adjustments to distribution depreciation rates in use in California will only be made pursuant to a Commission order in a PacifiCorp general rate case," PacifiCorp was impelled to use its 2013 Depreciation Study in the TY2019 GRC.[12] The company is proposing to apply depreciation rates from its 2018 Depreciation Study in the TY2023 GRC.

Cal Advocates does not dispute PacifiCorp's transition to the 2018 study in its calculation of Depreciation Expenses given that it is the same study utilized in all the other jurisdictions that the company services. In addition, the updated depreciation rates are only 0.05 percent higher than the 2013 study, which Cal Advocates finds reasonable.

PacifiCorp's 2018 Depreciation Study utilizes the following equations to calculate the company's depreciation rates:[13]

Future Accruals =

$$[[(1 - Net\ Salvage\ \% \div 100) \times Original\ Cost] - Depreciation\ Reserve]$$

Accrual Amount =

[12] Ex. No. PAC/900, p. 37, lines 16-18.

[13] PacifiCorp Coal-fired Depreciable Lives Update, file "Attach Cal Advocates 17.1."

$$Future\ Accruals\ \div Composite\ Remaining\ Life$$

Accrual Rate (Depreciation Rate) =

$$(Accrual\ Amount\ \div Original\ Cost) \times 100$$

Where:

- *Original cost* refers to the gross dollar value of plant in service;
- *Depreciation reserve* refers to the account within which the annual depreciation expenses accumulate; and,
- *Net Salvage* refers to the gross salvage value of the plant at the end of its life, less the cost of its removal

Commission Form D-2, "*Summary of Annual Depreciation Accrual and Rate Determination Straight Line Remaining Life Method*" details the Commission's standard method of calculating depreciation rates. The Commission's calculation method is below:[14]

Net Balance =

$$Original\ Cost - Net\ Salvage - Depreciation\ Reserve$$

Annual Accrual =

$$Net\ Balance\ \div Composite\ Remaining\ Life$$

Depreciation Rate =

$$(Annual\ Accrual\ \div Original\ Cost) \times 100$$

PacifiCorp's depreciation rate calculations use net salvage percentages while Form D-2 calculates rates using total net salvage values. Regardless, in this instance, both calculation methodologies yield equivalent depreciation rates. Cal Advocates does not oppose PacifiCorp's depreciation calculation methodology.

PacifiCorp calculates depreciation and amortization expenses for the Test Period by applying functional composite depreciation and amortization rates to

[14] Standard Practice U-4, *Determination of Straight-Line Remaining Depreciation Accruals*, Chapter 4, p. 14.

projected monthly plant balances. The company is projecting a $4,937,697 increase to Depreciation Expense for TY2023. Of this increase, $1,726,273 can be attributed to the 0.05% increase in depreciation rates from the 2013 Depreciation Study to the 2018 Depreciation Study. Another $986,893 can be attributed to increased rates resulting from PacifiCorp's accelerated Coal Plant Depreciation. Finally, $2,224,531 of the increase can be attributed to the increase in PacifiCorp's California distribution plant related to wildfire mitigation capital additions.[15] Cal Advocates does not oppose the company's calculated depreciation expenses.

F. Amortization

PacifiCorp accelerated its coal plant retirement dates in its 2018 Depreciation Study to match the updated dates in PacifiCorp's 2021 IRP. The IRP's updated coal plant retirement dates reflect updated performance projections while also considering new California environmental legislation. For the TY2023 GRC, PacifiCorp is seeking to recover $4,131,795 annually in amortization expenses over the next four years. PacifiCorp's accelerated coal plant retirement accounts for $1,218,447 of this annual amortization expense.

Cal Advocates opposes the annual $1,218,447 amortization expense increase resulting from this adjustment because it is a significant increase that would more than double PacifiCorp's TY2019 amortization expenses. This request is excessive given the significant revenue increase PacifiCorp is requesting for the 2023 test year and will adversely impact ratepayers who are already subjected to inflationary challenges in the current post-pandemic economic climate.[16]

To mitigate the impacts of rate shock, Cal Advocates proposes that the accelerated coal plant retirement costs be amortized over eight years, or two GRC periods. This proposal would reduce the increase in the accelerated coal plant amortization expense by 50%, which is $609,223 collected in each of eight years instead of $1,218,447 in each of four years. Cal Advocates also recommends that such costs could be traced in a balancing account. By allowing the balancing

[15] Ex. CA A.22-05-006 Cal PA Set 31 (1-3), page 3.

[16] Federal Reserve Monetary Policy Report, June 17, 2022. https://www.federalreserve.gov/monetarypolicy/files/20220617_mprfullreport.pdf

account treatment for the requested adjustment, this recommendation provides PacifiCorp with certainty on the recoverability of these amounts in future years while avoiding the rate shock that the expense increase would cause to ratepayers.

PacifiCorp also proposes to add "into results the amortization of deferred unrecovered plant balance, closure costs, and estimated decommissioning costs from the closure of Cholla Unit 4 facilities in December 2020."[17] PacifiCorp filed for and was granted approval to establish a memorandum account to defer all costs associated with this closure to a future proceeding. PacifiCorp is now seeking to recover $5,149,809 in amortization expenses resulting from the Cholla Unit 4 closure over a three-year period, which is an additional annual amortization expense of $1,716,603.

Cal Advocates opposes the recovery of these costs over a three-year amortization period as it charges ratepayers over fewer years than the current GRC period while also more than doubling PacifiCorp's current amortization expenses.

Cal Advocates proposes that the costs associated with the Cholla Unit 4 closure be recovered over eight years, or two GRC cycles. This proposal would reduce the increase in the Cholla Unit 4 closure expense by 63%, and result in $643,726 collected annually over eight years instead of $1,716,603 annually over three years. Extending the memorandum account's amortization period will provide assurance to PacifiCorp on the recoverability of the total closure cost while mitigating the increased economic pressure on ratepayers.

To mitigate the rate impact on ratepayers from PacifiCorp's proposed amortization expense increase, Cal Advocates recommends recording the expenses associated with accelerated coal plant retirements and the closure of the Cholla Unit 4 facilities in balancing accounts that will be charged to ratepayers over an eight-year period. Table 5 compares Cal Advocates proposed adjustments to amortization expense with PacifiCorp's proposed adjustments.

[17] Ex. CA A.22-05-006 Cal PA Set (1-4) 9-23-2022, p. 2.

Table 5

Comparison of PacifiCorp's Proposed Amortization Adjustment and Cal Advocates' Recommended Amortization Adjustment

PacifiCorp - California Jurisdiction

ADJUSTMENT	ADJUSTMENT DESCRIPTION	PACIFICORP PROPOSED ADJUSTMENT	CAL ADVOCATES RECOMMENDED ADJUSTMENT	DIFFERENCE
6.1 - Depreciation & Amortization Expense	This adjustment reflects the incremental amortization expense into the Test Period 12 months ending December 2023 calculated on incremental plant additions included in this filing through Adjustment 8.4 – Pro Forma Plant Additions & Retirements.	235,854	235,854	0
6.5 - Incremental Decommissioning & Other Closure Costs	This adjustment includes into Test Year results the incremental decommissioning costs from the revised decommissioning study and in the 2018 Depreciation Study, spread evenly over the remaining life of the last retired unit of each generation facility	1,218,447	609,223	609,224
8.6 - Regulatory Assets & Liabilities Amortization	This adjustment reflects into Test Period results the reduction to amortization expense of Electric Plant Acquisition Adjustment balances due to a portion of the balance being fully amortized by March 2022.	-69,054	-69,054	0
8.10 - Cholla Decommissioning	This adjustment adds into results the amortization of deferred unrecovered plant balance, closure costs and estimated decommissioning costs from the closure of Cholla Unit 4 facilities in December 2020. The Company had filed and were approved to establish a memorandum account to defer all costs associated with the closure of Cholla Unit 4, with ratemaking treatment delayed into a future proceeding. The Company is seeking to recover these deferred costs in this GRC over a three-year amortization period, beginning with the rate effective date of this GRC.	1,716,603	643,726	1,072,877

Source: Attach Cal Advocates 25.1

IV. WITNESS QUALIFICATIONS

My name is Kevin Lo. My business address is 505 Van Ness Avenue, San Francisco, California. I am employed by the Public Advocates Office at the California Public Utilities Commission as a Public Utilities Regulatory Analyst in the Energy Cost of Service and Natural Gas Branch. I received a Bachelor of Arts in Economics from Pitzer College, with a focus on public policy. During my second and third year in college, I worked as an intern for the Business Development Department of the San Francisco Mayor's Office of Economic and Workforce Development (OEWD). In addition to conducting research and data analysis, I evaluated the results of Requests For Proposals (RFP) to measure accomplishments and identify areas for improvement. This included analyzing survey results and providing recommendations to improve certain RFP processes and the program practices. In addition, I established an eligibility framework for nonprofit partnerships that contains procurement standards aimed at enabling OEWD to select partners who are aligned with its strategies for shared and equitable prosperity. I also established a Nonprofit Starter Kit for San Francisco small businesses, which resides in the San Francisco Office of Small Business portal website. I am responsible for Exhibit Cal Advocates-02.

This concludes my statement of qualifications.