

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. PAC-E-24-04
OF ROCKY MOUNTAIN POWER FOR)
AUTHORITY TO INCREASE ITS RATES) DIRECT TESTIMONY OF
AND CHARGES IN IDAHO AND) RICHARD J. GARLISH
APPROVAL OF PROPOSED)
ELECTRIC SERVICE SCHEDULES AND)
REGULATIONS)

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-24-04

May 2024

1 I. INTRODUCTION AND QUALIFICATIONS

2 Q. Please state your name, business address, and current
3 position with PacifiCorp d/b/a Rocky Mountain Power (the
4 "Company").

5 A. My name is Richard J. Garlish, and my business address
6 is 1407 West North Temple, Salt Lake City, Utah 84116.
7 I am currently employed as President of Rocky Mountain
8 Power.

9 Q. Please summarize your education and professional
10 experience.

11 A. I have a Bachelor's Degree in Liberal Arts from the
12 Evergreen State College in Washington and a Juris
13 Doctorate Degree from the University of Montana Law
14 School. I have provided legal counsel to various clients
15 in the energy industry for the last 19 years. I joined
16 PacifiCorp in 2020, and before taking my current
17 position, I was Vice President of Government Affairs and
18 General Counsel for Rocky Mountain Power. In that
19 position, I was responsible for all legal and
20 governmental affairs matters. Prior to that, I served
21 as Senior Vice President and General Counsel at Peak
22 Reliability and held a number of senior positions at
23 Idaho Power Company, including Senior Attorney, Director
24 and Senior Counsel, and General Manager. Prior to
25 joining Idaho Power Company, I served as Senior

1 Corporate Counsel at NorthWestern Energy.

2 **II. PURPOSE OF TESTIMONY**

3 **Q. What is the purpose of your direct testimony in this**
4 **case?**

5 A. My testimony provides an overview of PacifiCorp, and its
6 Idaho service area. I also discuss the escalating
7 wildfire risk that the Company is facing since its last
8 filed general rate case and the steps the Company is
9 taking to address those risks. Further, I discuss the
10 Company's reason for filing the current rate case.
11 Finally, I introduce the Company witnesses that provide
12 direct testimony in support of PacifiCorp's rate
13 request.

14 **III. DESCRIPTION OF PACIFICORP AND IDAHO SERVICE AREA**

15 **Q. Please provide a brief description of PacifiCorp.**

16 A. As an investor-owned, multi-jurisdictional electric
17 utility, PacifiCorp serves approximately two million
18 customers in six western states: California, Idaho,
19 Oregon, Utah, Washington, and Wyoming.

20 The Company serves its customers with a vast,
21 integrated system of generation and transmission that
22 spans 10 states and connects customers and communities
23 across the West. PacifiCorp's integrated system provides
24 benefits to customers in all six states and includes
25 generation, transmission, and distribution assets.

1 PacifiCorp owns, or has interests in thermal,
2 hydroelectric, wind-powered, solar, and geothermal
3 generating facilities. PacifiCorp buys and sells
4 electricity on the wholesale market with other
5 utilities, energy marketing companies, financial
6 institutions, and other market participants to balance
7 and optimize the economic benefits of electricity
8 generation, retail customer loads, and existing
9 wholesale transactions.

10 PacifiCorp provides wholesale transmission service
11 under its open access transmission tariff approved by
12 the Federal Energy Regulatory Commission and owns or has
13 interests in approximately 17,700 miles of transmission
14 lines. PacifiCorp operates two Balancing Authority
15 Areas—PacifiCorp Balancing Authority Area East and
16 PacifiCorp Balancing Authority Area West—that together
17 comprise the largest privately owned and operated grid
18 in the Western United States (“U.S.”).

19 **Q. Please describe PacifiCorp’s Idaho service area.**

20 A. In Idaho, PacifiCorp serves approximately 91,000
21 customers. The Company provides retail electric service
22 in the following 14 counties: Bannock, Bear Lake,
23 Bingham, Bonneville, Butte, Caribou, Clark, Franklin,
24 Fremont, Jefferson, Madison, Oneida, Power, and Teton.
25 The Company also has contracts with a number of

1 independent power producers in the state of Idaho that
2 operate facilities representing over 330 megawatts of
3 installed capacity.¹ PacifiCorp's sales and revenues are
4 distributed among residential customers, small
5 businesses, and large businesses served under retail
6 tariffs subject to the jurisdiction of the Commission.
7 Tables 1 and 2 below provide the number of retail
8 customers and usage by customer class.

Table 1

Customer Class	Customer Count
Residential	73,216
Commercial	10,951
Industrial	587
Irrigation	5,732
Lighting	351
Total	90,837

Table 2

Customer Class	Energy Sales (MWh)
Residential	803,378
Commercial	551,078
Industrial	1,560,673
Irrigation	552,243
Lighting	2,687
Total	3,470,059

¹ PacifiCorp's 2023 Integrated Resource Plan, Table 6.5 (May 31, 2023) (available at <https://www.pacificorp.com/energy/integrated-resource-plan.html>); see also, *In the Matter of PacifiCorp's Application for Acknowledgement of the 2023 Integrated Resource Plan*, Case No. PAC-E-23-10, Order No. 35977.

1 **Q. What is the Company's core principle in providing**
2 **service to customers?**

3 A. The Company's core principle is to provide energy
4 solutions in the form of safe, reliable, and affordable
5 energy to customers in Idaho and throughout the West.
6 The Company has upheld this ideal for over 110 years and
7 remains steadfast in this commitment even as the
8 electricity sector transforms through changing economics
9 and public policies, emerging and maturing technologies,
10 and the rise of a regional energy market.

11 This energy sector transformation has the Company
12 operating under tremendous cost pressures as it
13 addresses a number of issues, including increased
14 severity and frequency of wildfires, large load growth,
15 and the need for new investments. Despite these
16 challenges, the Company has continued to deliver safe
17 and reliable electric service at low-cost. PacifiCorp's
18 efficient operations for customers have resulted in the
19 Company's average price of 8.38 cents per kilowatt-hour
20 ("kWh") being approximately 39 percent lower than the
21 national average for investor-owned utilities of
22 13.63 cents per kWh for the 12 months ending June 30,
23 2023, as reported by the Edison Electric Institute
24 Summer 2023 Typical Bills and Average Rates Report.

1 As I discuss further below, in this proceeding, the
2 Company is requesting a rate increase that is driven by
3 the increasing costs of operations, such as net power
4 costs ("NPC"), capital investments needed to serve
5 customers, and costs associated with the growing
6 financial pressures due to the escalating wildfire risks
7 in the West. In response to the latter, the Company is
8 setting forth proposals to address this risk and support
9 the financial stability of the utility.

10 **IV. THE COMPANY'S CURRENT RATE FILING**

11 **Q. Since PacifiCorp last filed a general rate case in May**
12 **2021 ("2021 GRC"),² what risks have increased with**
13 **respect to operations?**

14 **A.** The Company has experienced and continues to experience
15 escalating wildfire risk, which has impacted costs of
16 operations, such as insurance, and financing. Escalating
17 extreme weather events have become a challenge for all
18 industries and are being felt acutely by utilities in
19 the Western U.S., where wildfires are becoming more
20 frequent, longer lasting and more intense. Driving the
21 growth of wildfires in the Western U.S. are prolonged
22 droughts, heatwaves, high wind events, challenging

² *In the Matter of Rocky Mountain Power's Application for Authority to Increase its Rates and Charges in Idaho and Approval of Proposed Electric Service Schedules and Regulations*, Case No. PAC-E-21-07, Order No. 35277 at 1 (Dec. 30, 2021).

1 forest management and population growth in the wildland-
2 urban interface. These extreme weather events pose a
3 long-term practical and financial challenge to
4 PacifiCorp's ability to serve customers, jeopardizing
5 affordability and customer reliability. For further
6 discussion of the escalating wildfire risk to utilities
7 in the West, please see the testimony of Company witness
8 Frank Graves.

9 **Q. How have the Company's costs been impacted by the**
10 **escalating wildfire risks?**

11 A. Setting aside the Company's increasing costs associated
12 with wildfire mitigation, the Company's costs for
13 insurance and financing are two notable examples of how
14 PacifiCorp's costs have been impacted.

15 First, the insurance industry is facing significant
16 challenges due to wildfires, as it must contend with
17 property damage, business interruptions and liability
18 claims. Increased payouts for wildfire-related claims
19 are resulting in significantly rising insurance
20 premiums, making coverage less affordable and in some
21 cases, insurers are pulling out of the market, for
22 individuals and businesses.³ Company witness Mariya V.

³ For example, four western U.S. utilities are facing wildfire-related class action lawsuits: Avista Corporation in Washington, Xcel Energy in Colorado, Hawaiian Electric Company in Hawaii, and PacifiCorp in Oregon.

1 Coleman further addresses increasing insurance premium
2 costs.

3 Second, ratings agencies are reacting to the
4 increased wildfire risks being faced by utilities which
5 is threatening utilities' access to markets. For
6 example, Standard & Poor's currently has PacifiCorp at
7 a BBB+ rating but has PacifiCorp on negative outlook
8 indicating the potential for a further one or more notch
9 downgrade over the next 24 months. If downgraded two
10 more notches, it would put PacifiCorp at BBB-, the last
11 level of investment grade. Moody's downgraded
12 PacifiCorp's senior unsecured issuer rating to Baa1 from
13 A3. Both rating agencies have indicated regulatory
14 support will play a major role in their ongoing ratings
15 assessments and actions. Company witness Nikki L.
16 Koblaha provides further details on the rating agencies
17 and discusses details concerning the Company's plan to
18 provide financial support for PacifiCorp at this time.

19 **Q. What actions has PacifiCorp taken to address these**
20 **escalating risks?**

21 A. To continue the Company's core principles of service in
22 light of these escalating risks, the Company is taking
23 action now to ensure continued provision of safe and
24 reliable service to customers and financial stability.
25 Addressing this threat will require a multi-pronged

1 approach to ensure the Company's financial stability and
2 affordability and reliability for customers:

- 3 • Wildfire Mitigation: The Company has filed its
4 first Wildfire Mitigation Plan in Idaho.⁴ The
5 Company's mitigation efforts across its six state
6 service territory include (1) investments in
7 meteorology for increased situational awareness;⁵
8 (2) asset hardening;⁶ (3) installing additional
9 field reclosers with upgraded fault detection
10 (similar to relays) and remote setting capability
11 that reduces wildfire risk while minimizing outage
12 impacts to customers; (4) enhanced processes
13 supporting pro-active risk mitigation - Public
14 Safety Power Shutoff, Encroachment and others; and
15 (5) rebuilding overhead lines with covered
16 conductor or converting to underground reducing
17 exposure to interference from trees or other
18 objects.

- 19 • Cash management: The Company is suspending annual
20 dividends for five years, and has prioritized
21 capital investments, for example, it has canceled
22 its 2022 All-Source Request for Proposal and is
23 reviewing and revisiting its capital deployment
24 over the coming five years.

- 25 • Limitation of Liability: The Company is pursuing
26 tariff changes regarding limitation of liability.⁷

- 27 • Insurance proposals: The Company is adapting its
28 insurance coverage options to meet the challenges
29 of the times, which includes two new mechanisms—an

⁴ *In re the Application of Rocky Mountain Power Requesting Approval of the 2024 Idaho Wildfire Mitigation Plan*, Case No. PAC-E-24-09, filed Apr. 15, 2024.

⁵ This includes weather stations (454) providing 24/7 weather data for forecasting of wildfire conditions across our six-state territory down to the circuit level. This information also facilitates operational management as well as risk mitigation planning.

⁶ Such as replacing electro-mechanical relays with microprocessor relays throughout the fire high consequence areas to provide quicker fault detection that limits the amount of arc-energy (heat) present in a fault event.

⁷ In Idaho, the Commission denied the Company's application. See, *In the Matter of Rocky Mountain Power's Application to Revise Electric Service Regulation No. 3 - Electric Service Agreements*, Case No. PAC-E-23-22, Order No. 36175 (May 14, 2024).

1 Insurance Cost Adjustment that will enable the
2 Company to annually procure insurance for third-
3 party liability using the most economical
4 combination of commercial insurance and insurance
5 through a new Insurance Mechanism and a
6 Catastrophic Fire fund. Company witness Joelle R.
7 Steward's direct testimony discusses these
8 mechanisms.

9 These measures acting alone are insufficient;
10 without regulatory support, greater customer cost
11 increases, reliability issues and state policy
12 implementation impacts are inevitable. For example, the
13 state of Utah has recognized this risk and recently
14 enacted Senate Bill ("SB") 224. Through SB 224, Utah has
15 authorized large-scale electric utilities, like
16 PacifiCorp, to create a fire fund to supplement other
17 forms of wildfire insurance. The fire fund will provide
18 financial stability to the Company as a source of
19 liquidity and facilitate payment of claims in the event
20 of a catastrophic fire event in Utah. SB 224 also caps
21 noneconomic losses on wildfire claims.

22 Although the wildfire risks are larger than one
23 company, an industry and any single government, timely
24 actions by both the Company and regulatory jurisdictions
25 are critical to ensure the Company's ability to serve
26 customers reliably and affordably and financial
27 stability of the Company.

1 **Q. Why is the Company filing a rate case at this time?**

2 A. The Company's costs have increased since the 2021 GRC.
3 Drivers of the requested overall rate change include
4 NPC, significant capital investments in transmission,
5 such as the Gateway South and Gateway West Segment D-1
6 projects, and renewable resources, such as the Rock
7 Creek I project, and increased insurance costs due to
8 wildfire risk. Company witness Joelle R. Steward
9 addresses the rate case drivers in her testimony.
10 Additionally, the Company is proposing an Insurance Cost
11 Adjustment and Catastrophic Fire Fund that are aimed to
12 address insurance costs, including premiums and claims,
13 that are rising as a result of wildfire risk and that
14 will position the Company to support its financial
15 stability and continued service of safe and reliable
16 service at low cost. Company witness Steward supports
17 these proposals.

18 PacifiCorp recognizes that its requested increase
19 comes at a time when customers are facing increasing
20 prices for all necessities. The Company's proposals in
21 this proceeding are aimed at minimizing the frequency of
22 rate cases. Further, the Company proactively and
23 aggressively controls the costs that it can. These
24 efforts are demonstrated by the Company successfully
25 minimizing the frequency of general rate cases. In the

1 last 10 years, the Company has filed only one general
2 rate case in 2021.⁸ The Company is also managing its
3 controllable costs in a prudent manner, which is evident
4 in that they are not a material driver in this case
5 despite inflationary pressures.

6 PacifiCorp is, and will remain, actively engaged in
7 finding additional ways to leverage our vast, integrated
8 system for the benefit of our customers.

9 **V. INTRODUCTION OF COMPANY WITNESSES**

10 **Q. How is PacifiCorp presenting this case?**

11 A. PacifiCorp is presenting the following direct testimony
12 in support of its rate case filing:

- 13 • **Joelle R. Steward**, Senior Vice President,
14 Regulation, will describe PacifiCorp's request in
15 this proceeding and summarize the regulatory policy
16 of the Company. She also supports an Insurance
17 Cost Adjustment that will support a new insurance
18 mechanism in development and a Catastrophic Fire
19 Fund. Finally, Company witness Steward supports a
20 rate mitigation proposal to phase in the requested
21 increase over two steps.
- 22 • **Nikki L. Kobliha**, Senior Vice President, Chief
23 Financial Officer and Treasurer, will provide the
24 Company's overall cost of capital recommendation
25 for the Company, including a capital structure to
26 maximize value and minimize risk and the current
27 cost of debt.
- 28 • **Ann E. Bulkley**, Principal at The Brattle Group,
29 provides a comparison of PacifiCorp's business and
30 financial risk compared to peer utilities,

⁸ See Case No. PAC-E-21-07.

- 1 recommends a cost of equity, and provides
2 supporting analyses.
- 3 • **Frank Graves**, Principal at The Brattle Group,
4 discusses the increased wildfire risk and financial
5 exposure faced by utilities in the Western U.S. and
6 explains how PacifiCorp's proposed remedies are
7 reasonable to manage this growing risk.
 - 8 • **Mariya V. Coleman**, Vice President of Corporate
9 Insurance and Claims for Berkshire Hathaway Energy
10 Company, supports the Company's updated costs
11 associated with insurance premiums.
 - 12 • **Ramon J. Mitchell**, Manager, Net Power Costs,
13 supports the Company's proposed NPC for the 12-
14 month forecast period ending December 31, 2025. He
15 also supports the Company's modification to its
16 Energy Cost Adjustment Mechanism ("ECAM") and rate
17 mitigation proposal.
 - 18 • **John Tsoukalis**, Principal at the Brattle Group,
19 supports the Company's proposal to modify its ECAM.
 - 20 • **Rick T. Link**, Senior Vice President of Resource
21 Planning and Procurement, provides the economic
22 analyses of the Gateway South and Gateway West
23 Segment D.1 transmission projects.
 - 24 • **Thomas R. Burns**, Vice President of Resource
25 Planning and Acquisitions, provides the economic
26 analyses of the Rock Creek I wind facility, and the
27 Foote Creek II-IV and Rock River I repowering
28 projects.
 - 29 • **Richard A. Vail**, Vice President of Transmission
30 Services, discusses important transmission and
31 distribution system upgrades that will be completed
32 to serve customers, including the Gateway South and
33 Gateway West Segment D.1 transmission projects.
 - 34 • **Timothy J. Hemstreet**, Vice President of Renewable
35 Energy Development, supports the Company's Foote
36 Creek II-IV and Rock River I repowering projects.

- 1 • **Jeffrey M. Wagner**, Renewable Development Manager,
2 provides support of the prudence of the Rock Creek
3 I wind project.
- 4 • **Craig M. Eller**, Senior Vice President, Resource
5 Strategy and Development, supports the proposed
6 voluntary renewable energy credit option tariff
7 ("REC Option Program").
- 8 • **Shelley E. McCoy**, Director of Revenue Requirement,
9 summarizes the overall test year revenue
10 requirement, pro forma adjustments, and the rate
11 base calculation methodology.
- 12 • **Robert M. Meredith**, Director of Pricing and Tariff
13 Policy, provides PacifiCorp's cost of service study
14 and rate design, and discusses how the proposed
15 tariff changes recover the proposed revenue
16 requirement to achieve fair, just, and reasonable
17 prices for customers.

18 **Q. Does this conclude your direct testimony?**

19 **A. Yes.**