

Rocky Mountain Power
Docket No. 26-035-20
Witness: Nikki L. Kobliha

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Direct Testimony of Nikki L. Kobliha

April 2026

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address, and position at PacifiCorp d/b/a Rocky**
3 **Mountain Power.**

4 A. My name is Nikki L. Kobliha and my business address is 825 NE Multnomah Street,
5 Suite 1900, Portland, Oregon 97232. My present position is Senior Vice President of
6 Finance for PacifiCorp.

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

8 A. I received a Bachelor of Business Administration with a concentration in Accounting
9 from the University of Portland in 1994. I became a Certified Public Accountant in
10 1996. I joined PacifiCorp in 1997 and have taken on roles of increasing responsibility
11 before being appointed Chief Financial Officer from 2015 to 2025. Most recently, I
12 have taken on a Senior Vice President, Finance role where I lead various special
13 projects of significant financial consequence, working directly with PacifiCorp’s senior
14 leadership.

15 **II. PURPOSE OF TESTIMONY**

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

17 A. The purpose of this testimony is to explain and support PacifiCorp’s proposed
18 valuation, allocation, and regulatory treatment of the goodwill value and related
19 financial impacts arising from the sale of its Washington service area and related assets
20 to Gem Sub LLC (“Gem”), an affiliate of Portland General Electric Company (“PGE”).
21 Specifically, this testimony demonstrates that PacifiCorp’s proposal to allocate
22 goodwill value among jurisdictions and to assign 68 percent to customers and 32
23 percent to shareholders is reasonable, consistent with Public Service Commission of

24 Utah (“Commission”) precedent, and necessary to ensure that customers are not
25 harmed while maintaining the financial health of PacifiCorp.

26 III. VALUATION OF ASSETS TO BE SOLD

27 **Q. Can you describe the assets that are being sold by PacifiCorp to Gem?**

28 A. Yes, as detailed in the testimony of PacifiCorp witness Joelle R. Steward, PacifiCorp
29 is selling its distribution system in Washington, the Chehalis combined cycle gas
30 turbine power plant, the Marengo I and II and Goodnoe Hills wind farms, certain
31 identified transmission assets, and materials and supplies inventory. Along with this
32 real property and inventory, the sale includes certain regulatory assets, accounts
33 receivable, prepaid maintenance costs, and the transfer of liabilities for excess deferred
34 income tax, certain customer deposits, and employee paid time off balances. In
35 addition, PacifiCorp is selling its business of operating a public service company in
36 Washington. Gem will also remit to PacifiCorp on a quarterly basis amounts associated
37 with certain coal plant decommissioning and remediation costs currently being
38 collected in Washington rates.¹ The entirety of the transaction is referred to as the
39 Service Area Transfer.

40 **Q. What is the total consideration to be received by PacifiCorp from Gem?**

41 A. Gem is paying PacifiCorp an estimated purchase price of \$1.9 billion (subject to certain
42 adjustments) for PacifiCorp’s Washington distribution system, the various generation
43 and transmission facilities described above and for the business of operating a public
44 service company in Washington, net of liabilities transferring at closing. Gem will also

¹ *Wash. Utils. & Transp. Comm’n v. PacifiCorp, dba Pac. Power & Light Co.*, Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981 and UE-180778 (consolidated), Final Order 09/07/12 authorized PacifiCorp to recover Washington’s share of decommissioning and remediation costs for Colstrip Unit 4 and the Jim Bridger plant over 10 years through 2030.

45 pay for the above-described other assets currently estimated to be \$220.9 million, with
 46 the final amounts determined at that time.

47 **Q. Has the value of the assets being sold been estimated?**

48 A. Yes. The assets being sold have been valued at PacifiCorp’s estimated net book value
 49 (“NBV”) as provided in the table below.

50 **Table 1**

Asset	NBV
Chehalis	191,883,635
Marengo	328,264,376
Goodnoe Hills	171,400,112
Distribution, WA only	421,603,837
Transmission, Chehalis adjacent	9,460,917
Transmission, all other	248,258,753
General, Intangible, & Other - Chehalis adjacent	6,793,294
General, Intangible, & Other	3,728,132
General, Intangible, & Other - distribution related	20,277,733
Subtotal: Fixed Assets	1,401,670,788
Regulatory Assets: PCAMs, Decoupling, other misc	33,655,862
Inventory	34,399,331
Accounts Receivable: Billed and unbilled	109,042,187
Prepaid Maintenance - Chehalis and wind	48,994,498
Construction Work In Progress	39,876,545
Decommissioning/Reclamation Costs	19,586,059
Reg liability: Excess Deferred Income tax	(61,906,375)
Security Deposit Liability: Transmission and Customer deposits	(6,700,000)
Assumed PTO	(2,444,000)
Total	1,616,174,895

51 **Q. Why is the value of the assets estimated and not finalized at this time?**

52 A. Balances are subject to adjustment until the transaction closes. PacifiCorp has projected
 53 the balances through December 31, 2026, based on available information at this time.

54 **Q. How does the NBV of the assets being sold compare to the estimated purchase**
55 **price?**

56 A. The estimated purchase price of the assets being sold, net of liabilities assumed, plus
57 other consideration to be provided upon closing for certain assets transferred, exceeds
58 the NBV. This results in estimated excess consideration of \$504.7 million, or \$441.6
59 million after estimated selling costs of \$63.1 million. This excess consideration is
60 attributable to the goodwill value of the business being sold, as discussed in more detail
61 below.

62 **Q. What is included in the selling costs?**

63 A. The selling costs consist of various attorney and consulting fees necessary to effectuate
64 the transaction, but by far the largest selling costs relate to Washington State's real
65 estate excise tax ("REET") and Washington's retail sales tax.

66 **Q. What are these Washington taxes and how are they calculated?**

67 A. The REET is a tax outlined in the Revised Code of Washington and the Washington
68 Administrative Code² imposed on the sale of real property. PacifiCorp expects a sizable
69 portion of the assets transferred will be classified as real property and subject to the
70 REET. The state portion of the REET has a graduated tax rate that tops out at three
71 percent for the portion of the selling price in excess of \$3.025 million. Counties and
72 cities also have the authority to impose local option real estate excise taxes; the
73 maximum rate is between 0.25 percent and one percent of the selling price.

74 Washington's retail sales tax outlined in the Revised Code of Washington and
75 the Washington Administrative Code³ is imposed upon the sale of taxable tangible

² RCW Chapter 82.45; WAC Chapter 458-61A.

³ RCW Chapters 82.08 and 82.14; WAC Chapter 458-20.

76 personal property. The state portion of Washington’s retail sales tax is 6.5 percent with
77 local city/county rates ranging between 1.5 percent and 2.6 percent, for example, in the
78 counties of Lewis, Walla Walla, and Yakima.

79 During the period between execution of the Asset Purchase and Service Area
80 Transfer Agreement (the “Agreement”) and closing of the transaction, PacifiCorp will
81 be conducting a detailed study of the nature of the assets transferred (real property,
82 tangible personal property, etc.) and determining the applicable taxes. Consistent with
83 the Agreement’s approach to the Internal Revenue Code Section 1060 purchase price
84 allocation, PacifiCorp intends to use the NBV (not including deferred tax liabilities) of
85 the assets as reported on PacifiCorp’s internal books and records immediately prior to
86 the closing as the selling price of the property transferred in this transaction for the
87 purposes of Washington state and local transfer taxes. PacifiCorp provides a high-level
88 estimate of these taxes in this filing. Later in my testimony, I describe how this cost is
89 allocated to Washington, and the benefits of this tax flow directly to state and local
90 communities.

91 **Q. Outside of changes in the estimated NBV of the assets, what other items could**
92 **impact the estimated amount of goodwill value?**

93 A. The items that could impact the estimated goodwill value include true-ups to the
94 estimated NBV of the assets, other assets and liabilities being transferred or selling
95 costs.

96 **IV. TREATMENT OF GOODWILL VALUE**

97 **Q. Please explain what is meant by goodwill value and how it relates to this**
98 **transaction.**

99 A. The goodwill value is the consideration received in excess of the fair market value of
100 the assets sold in this transaction. PacifiCorp and Gem have agreed that the fair market
101 value of the assets being sold is equal to their NBV because such value is the basis for
102 what is currently being recovered in PacifiCorp’s retail rates. Accordingly, Gem will
103 record the cost and accumulated depreciation of such assets at PacifiCorp’s NBV in
104 accordance with the Federal Energy Regulatory Commission’s Uniform System of
105 Accounts Electric Plant Instruction No. 5 and any excess consideration is attributable
106 to the value of PacifiCorp’s operations as an ongoing public service company in
107 Washington, also known as goodwill.

108 When MidAmerican Energy Holdings Company, now Berkshire Hathaway
109 Energy Company (“BHE”), acquired PacifiCorp in 2006, an acquisition premium, also
110 known as goodwill, was recorded at the PacifiCorp parent company level. The excess
111 consideration paid by Gem in the Service Area Transfer confirms that a portion of the
112 goodwill paid in 2006 is attributable to PacifiCorp’s Washington service area.

113 **Q. Because the excess consideration is entirely attributable to goodwill (i.e., the**
114 **ability to continue as an ongoing public service company in Washington), how did**
115 **PacifiCorp determine an amount allocable to each state?**

116 A. Although the excess consideration is attributable to goodwill (i.e., operations as an
117 ongoing public service company) rather than the specific assets being sold, PacifiCorp
118 allocated the value of the goodwill from this transaction across the state jurisdictions

119 by first breaking down the asset listing into the NBV of each asset category being sold.
 120 This enabled the allocation of a specific percentage to each asset category, facilitating
 121 the distribution of the value of the goodwill based on the relative share of each asset
 122 category being sold. The asset categories and percentages are listed below.

123 **Table 2**

Asset	NBV		Goodwill Assignment
	Amount	%	
Chehalis	191,883,635	13.69%	69,099,752
Marengo	328,264,376	23.42%	118,211,555
Goodnoe Hills	171,400,112	12.23%	61,730,458
Distribution, WA only	421,603,837	30.08%	151,827,651
Transmission, Chehails adjacent	9,460,917	0.67%	3,381,799
Transmission, all other	248,258,753	17.71%	89,390,549
General, Intangible, & Other - Chehalis adjacent	6,793,294	0.48%	2,422,782
General, Intangible, & Other	3,728,132	0.27%	1,362,815
General, Intangible, & Other - Distribution related	20,277,733	1.45%	7,318,819
Subtotal: Fixed Assets	1,401,670,788	100.00%	504,746,180

124 **Q. Why does the allocation across asset categories not include an allocation for the**
 125 **other assets and liabilities being sold, such as accounts receivable or the regulatory**
 126 **assets?**

127 A. The other assets being transferred and liabilities assumed are at book value, less an
 128 amount for an assumed level of working capital typical for a business of this size, and
 129 adjustments for the time value of money. These adjustments are immaterial to the value
 130 of goodwill as a whole and were therefore not considered.

131 **Q. Once the value of goodwill was apportioned to the asset categories, how did**
 132 **PacifiCorp allocate the value among the states?**

133 A. PacifiCorp proposes that the allocation of the goodwill value should be guided by the
 134 2020 PacifiCorp Inter-Jurisdictional Cost Allocation Protocol (“2020 Protocol”),
 135 which was adopted by all states in 2020 for allocating certain system costs, including

136 Washington (which also adopted a Washington-specific protocol, the Washington
137 Interjurisdictional Allocation Methodology (“WIJAM”)). While the 2020 Protocol has
138 now expired, it is the basis for current rates in all of PacifiCorp’s states except
139 Washington. PacifiCorp has therefore relied upon the 2020 Protocol to guide allocation
140 of the goodwill value in this transaction.

141 **Q. Which provision of the 2020 Protocol is most relevant to the allocation of goodwill**
142 **value?**

143 A. There is no provision of the 2020 Protocol that directly addresses consideration paid
144 for the intangible, goodwill value of the business. Section 7 of the 2020 Protocol
145 provides indirect guidance, stating that, “Any gain or loss from the sale of Company-
146 owned assets will be allocated among or to states based upon the proportional allocation
147 or assignment of the asset at the time of the execution date of the sale agreement.”⁴ The
148 approach outlined above is consistent with the principles set forth in Section 7.

149 **V. ASSIGNMENT OF GOODWILL VALUE BETWEEN**
150 **CUSTOMERS AND PACIFICORP**

151 **Q. What amount of the goodwill value does PacifiCorp propose to return to Utah**
152 **customers?**

153 A. PacifiCorp proposes returning goodwill value of approximately \$68.9 million to Utah
154 customers (\$141 million for the remaining five states). This figure represents 68 percent
155 of the total assignable goodwill value for Utah prior to the accumulated deferred
156 income tax (“ADIT”) remeasurement referenced below. PacifiCorp plans to record this

⁴ *In the Matter of the Application of Rocky Mountain Power for Approval of the 2020 Inter-Jurisdictional Cost Allocation Agreement*, Docket No. 19-035-42, Exhibit RMP___ (JRS-1) at 43 (filed Dec. 3, 2019).

157 amount as a regulatory liability and amortize the benefit as a rate credit over three years,
158 beginning in the next general rate case.

159 **Q. Please describe the calculation PacifiCorp used to determine Utah customers’**
160 **share of the goodwill value.**

161 A. PacifiCorp’s calculation begins with the total goodwill value allocated by category of
162 assets sold as presented in Table 2 above. The goodwill assignment for the distribution
163 assets was 100 percent allocated to Washington as Washington customers alone paid
164 for those assets. Those assets included in Utah rates which received an allocation of the
165 goodwill value are Chehalis, Goodnoe Hills, Marengo, certain transmission assets and
166 other general plant assets. The allocation of the goodwill value related to these assets
167 was then allocated to Utah based on the system generation (“SG”) factor described in
168 the 2020 Protocol. For Utah, PacifiCorp used 45 percent.

169 Next, PacifiCorp proposes assigning 68 percent of the goodwill value, net of
170 selling costs, to customers with 32 percent retained by PacifiCorp. This outcome is
171 then reduced by Utah’s share of the ADIT remeasurement discussed below. Utah is
172 allocated 49 percent of that remeasurement. The resulting assignment is approximately
173 \$68.9 million.

174 **Q. Did Utah receive a portion of all selling expenses?**

175 A. No. Both the REET and retail sales tax amounts are allocated 100 percent to
176 Washington as a reduction to their available goodwill value. These tax payments will
177 directly benefit Washingtonians.

178 **Q. What is the ADIT remeasurement mentioned above and how has PacifiCorp**
179 **calculated it?**

180 A. For financial reporting purposes, at each balance sheet date, PacifiCorp must estimate
181 its deferred income tax liability for temporary differences between book and tax, known
182 as the ADIT liability, which is generally expressed as a product of gross temporary
183 differences and enacted tax rates. A gross temporary difference is a measure of future
184 taxable income or deductions resulting from amounts that have already been recognized
185 in PacifiCorp's financial statements. As of December 31, 2025, PacifiCorp has an
186 estimated \$13.7 billion of gross temporary differences, representing future taxable
187 income, primarily resulting from accelerated tax depreciation.

188 For federal income tax purposes, the ADIT liability is the product of
189 PacifiCorp's gross temporary differences and the enacted federal tax rate of 21 percent.
190 For state income tax purposes, the ADIT liability is the product of PacifiCorp's gross
191 temporary differences and the "applicable state tax rate," where the applicable state tax
192 rate is the product of the applicable state apportionment⁵ percentage and the enacted
193 state tax rate. State apportionment factors are a significant part of the equation,
194 especially because they change from period to period, primarily based on changes in
195 where gross receipts are sourced based on a company's business activities for the
196 taxable period.

⁵ For multi-state corporations like PacifiCorp, state apportionment refers to the division of federal taxable income (as adjusted by state tax law) among the states in which a corporation is taxable using a mathematical formula. The predominant formula in use today is called a single sales factor formula with the numerator being sales within the state and the denominator being sales everywhere and the where the term "sales" is more accurately described as "gross receipts." PacifiCorp is also taxable in states that use a three-factor formula based on property, payroll, and sales, with each factor evenly weighted or with the sales factor double-weighted.

197 For more than 20 years, PacifiCorp has used a blended applicable state tax rate
198 of 4.54 percent to measure ADIT. PacifiCorp annually compares this rate to the actual
199 state tax rate based on its most recently filed state income tax returns and historically
200 speaking, the amounts have been well aligned, typically within a tolerance of 0.1
201 percent.

202 Should this transaction be approved, while PacifiCorp will continue to have a
203 presence in Washington state, it will be greatly reduced and PacifiCorp estimates that
204 its applicable state tax rate will increase from 4.54 percent to approximately 5.00
205 percent. While the apportionment factor denominator in PacifiCorp's states with an
206 income tax will generally remain the same, the numerator will decrease meaning that
207 more of the gross temporary differences that form the basis of PacifiCorp's post-
208 transaction ADIT will reverse as taxable income in the remaining states with an income
209 tax. Much like ADIT was remeasured in 2017 when the federal income tax rate was
210 reduced from 35 percent to 21 percent, the increase in PacifiCorp's applicable state tax
211 rate will also require an ADIT remeasurement. Based on 2025 balances, PacifiCorp
212 projects the remeasurement will increase its ADIT liability by approximately \$50
213 million.

214 Absent regulatory treatment for recovery of this deficient ADIT PacifiCorp
215 would take a one-time charge to its income statement for the remeasurement. Utah
216 customers have been benefiting from lower taxes in rates due to having a zero income
217 tax state as part of PacifiCorp's system. Since this remeasurement is the result of this
218 transaction, PacifiCorp proposes offsetting the goodwill value with the impact of the

219 ADIT remeasurement. Future rate cases will include the higher ADIT balance as an
220 offset to rate base.

221 **Q. How did you calculate Utah's allocation of the ADIT remeasurement?**

222 A. For the purposes of Exhibit RMP___(NLK-1), to provide an estimate of each state's
223 allocation of the ADIT remeasurement, I removed Washington from the SG factor
224 totals making it 92 percent. I then recalculated each state's new percentage based on
225 their relative share of the 92 percent. For example, Utah was 45 percent of the SG factor
226 so 45 percent of 92 percent is 49 percent. This is consistent with the recalculation of
227 allocation factors discussed in the testimony of PacifiCorp witness Shelley E. McCoy.
228 Each state's actual allocation will be finalized after the transaction closes, and will be
229 a detailed calculation for each individual component of ADIT and the actual allocation
230 factor assigned.

231 **Q. Have you prepared an exhibit that shows the state allocation calculation?**

232 A. Yes, please see Exhibit RMP___(NLK-1) to my testimony.

233 **Q. Why is PacifiCorp's proposal to share the goodwill value with customers**
234 **reasonable?**

235 A. First, PacifiCorp's approach is generally consistent with direction the Commission has
236 provided PacifiCorp in connection with prior property sales. Second, allowing
237 PacifiCorp to retain 32 percent of the goodwill value will strengthen its financial
238 position, which generally benefits customers. Third, the 68 percent that will be shared
239 with customers is nearly double the amount that customers have paid in depreciation
240 expense for the generation assets. Fourth, PacifiCorp is absorbing additional costs that
241 effectively reduce its share of retained goodwill value.

242 **Q. Turning to the first argument, how is PacifiCorp’s proposal consistent with prior**
243 **Commission guidance?**

244 A. The Commission previously shared gains between customers and PacifiCorp based on
245 an analysis of the risks each party will bear following the sale and would have borne
246 absent the sale.⁶ Here, assigning 68 percent of the goodwill value of the Service Area
247 Transfer to customers and 32 percent to PacifiCorp adequately compensates customers
248 and PacifiCorp for these risks. The Service Area Transfer reduces customer risk
249 following the sale by supporting PacifiCorp’s financial health (discussed more below)
250 and increasing resource adequacy (discussed by PacifiCorp witness Michael G.
251 Wilding).

252 Moreover, absent the sale, PacifiCorp would continue to bear the
253 uncompensated risk of conducting the business of serving Washington customers,
254 which has predominantly been borne by PacifiCorp, not Utah customers. This is
255 demonstrated in the tens of millions in annual costs PacifiCorp has been forced to
256 absorb over the last three years for Chehalis’s compliance with Washington’s Climate
257 Commitment Act (“CCA”). Specifically, PacifiCorp has been required to purchase
258 emissions allowances for generation from Chehalis that is used to serve customers in
259 PacifiCorp’s non-Washington states, but those states did not allow recovery in rates of
260 the costs incurred to purchase the CCA-mandated emission allowances.⁷ In addition,
261 PacifiCorp has had to absorb other cost recovery shortfalls resulting from diverging

⁶ See *In the Matter of the Application for an Order Approving the Sale of its Interest in (1) the Centralia Steam Electric Generating Plant*, Docket No. 99-2035-03, Report and Order (Mar. 14, 2000).

⁷ *Rocky Mountain Power’s Application for Approval of the 2024 Energy Balancing Account*, Docket No. 24-035-01, Order at 25 (Feb. 25, 2025); *Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations*, Docket Nos. 24-035-04 *et al.*, Order at 48 (Apr. 25, 2025).

262 energy policies and discrepancies in approved cost allocation methodologies across six
263 states. Considering the risk PacifiCorp has borne serving the Washington service area,
264 PacifiCorp's proposed sharing of the goodwill value is reasonable.

265 **Q. How does the proposed assignment of goodwill value benefit customers by**
266 **strengthening PacifiCorp's financial health?**

267 A. The ability to retain 32 percent of the goodwill value, along with the net proceeds
268 received for the NBV of the assets sold, supports the financial health of PacifiCorp
269 largely through a reduction of future debt. Absent these dollars, PacifiCorp will
270 experience further pressure on its credit metrics and increased borrowing costs.

271 **Q. What is the estimated impact of increased borrowings if this transaction is not**
272 **approved?**

273 A. This transaction is estimated to net cash of approximately \$1.4 billion, before retention
274 of any of the goodwill value. Without this cash, PacifiCorp would need to borrow the
275 same amount to meet liquidity targets. Issuing \$1.4 billion in 10-year First Mortgage
276 Bonds could raise annual interest expense by about \$95 million based on current credit
277 ratings. A downgrade or placement on CreditWatch Negative status may increase debt
278 costs beyond these estimated amounts or limit access to much needed capital.

279 **Q. Will retention of 32 percent of the goodwill value provide additional support to**
280 **PacifiCorp's financial profile?**

281 A. Yes. Allowing PacifiCorp to retain 32 percent of the goodwill value better positions
282 PacifiCorp to meet the financial challenges associated with the rapidly changing utility
283 landscape. A financially healthy utility benefits PacifiCorp's remaining customers,
284 including those in Utah.

285 **Q. Will PacifiCorp retain these earnings to support its capital structure?**

286 A. Yes, PacifiCorp will retain any earnings.

287 **Q. Please summarize PacifiCorp's need for new capital and liquidity.**

288 A. PacifiCorp requires capital to meet its customers' needs for the required maintenance
289 of its generation, transmission, and distribution assets, for the safe and reliable
290 operation of the electric grid, and to support its wildfire mitigation program. PacifiCorp
291 also needs new capital to fund its operations, such as the purchase of energy for its
292 customers and to fund long-term debt maturities. Additionally, PacifiCorp is currently
293 facing significant wildfire liabilities, which have strained PacifiCorp's credit ratings
294 and overall financial stability.

295 **Q. Please explain PacifiCorp's operational needs for new capital.**

296 A. PacifiCorp requires capital to support its liquidity needs to fund its ongoing operations
297 and to meet its customers' needs, as well as liquidity to support its credit rating.
298 Maintaining utility operations is a capital-intensive process, especially when facing the
299 combined operational demands of addressing emerging wildfire risks and associated
300 insurance premium increases, expanding the distribution and transmission systems to
301 serve load, and additional integration of renewable resources to meet both customer
302 need and state energy policies.

303 **Q. How does the 68 percent sharing level compare to the depreciation level of the
304 generation assets?**

305 A. The three generation assets PacifiCorp is selling (Chehalis, Goodnoe Hills and
306 Marengo) are only 37 percent depreciated, as discussed in more detail below. Although
307 the excess consideration here is tied to the goodwill value of operating the business, an

308 intangible value attributable to PacifiCorp’s long-time service in Washington and not
 309 the specific assets, PacifiCorp is proposing to assign nearly double that amount of
 310 goodwill value to customers.

311 **Q. You stated the generation assets are only 37 percent depreciated. Please describe**
 312 **the analysis underlying that calculation.**

313 A. Through depreciation expense, customers pay for the cost of assets over their operating
 314 lives, consistent with the period in which those assets provide service. PacifiCorp
 315 records and maintains accumulated depreciation by depreciation group, as established
 316 in its Commission-approved depreciation studies. For example, accumulated
 317 depreciation associated with distribution assets is maintained on a state-by-state basis.
 318 This allows PacifiCorp to determine the extent to which customers have contributed to
 319 the recovery of the costs of the assets included within each depreciation group. By the
 320 end of 2026, PacifiCorp estimates that customers will have paid the percentages
 321 outlined in the table below.

Table 3

Asset	Depreciation Ratio
Chehalis	49%
Marengo	31%
Goodnoe Hills	30%
Distribution, WA only	45%
Transmission, Chehails adjacent	24%
Transmission, all other	23%
General, Intangible, & Other - Chehalis adjacent	58%
General, Intangible, & Other	32%
General, Intangible, & Other - distribution related	55%
Weighted average - All assets	38%
Weighted average - Generation assets only	37%

322 Focusing solely on the generation assets, customers have paid for
323 approximately 37 percent of the assets being sold.

324 **Q. How does the portion of the assets that customers have paid for support**
325 **PacifiCorp's proposed assignment of 68 percent of the goodwill value to**
326 **customers?**

327 A. Based on PacifiCorp's accumulated depreciation, customers have paid between 23
328 percent and 58 percent for the assets sold. Using the upper end of that range indicates
329 that the value generated by goodwill could be assigned 58 percent to customers and 42
330 percent to shareholders. PacifiCorp is proposing to assign 68 percent to customers
331 despite the analysis showing closer to 38 percent of the value of the assets has been
332 paid for by customers on a weighted average basis, and 37 percent for the generation
333 assets sold, with the highest for any asset being 58 percent. This additional customer
334 assignment recognizes that customers do share in some of the risk associated with
335 operating company assets that is difficult to measure through a mathematical analysis.

336 **Q. Are there any other cost impacts PacifiCorp will incur that should be considered**
337 **when assessing the reasonableness of PacifiCorp's proposed assignment of the**
338 **goodwill value?**

339 A. Yes, there are four additional items that will be absorbed by PacifiCorp, largely
340 offsetting its 32 percent of the goodwill value that will be retained by PacifiCorp. First,
341 some of the goodwill value is being double-allocated as a result of the over-allocation
342 of Chehalis between the WIJAM and 2020 Protocol. PacifiCorp is allocating 22 percent
343 of the goodwill value based on the Chehalis-related assets to Washington and 92

344 percent of the same goodwill value to other jurisdictions. This, of course, is greater than
345 100 percent, leaving a 14 percent over-allocation for PacifiCorp to absorb.

346 Second, certain amounts associated with pension and other post-retirement
347 medical benefits are not being transferred as part of this transaction. Accounting
348 standards for pension and other post-retirement medical benefits permit deferred
349 recognition of certain actuarial gains and losses incurred by plan sponsors, resulting in
350 regulatory assets and regulatory liabilities that are amortized to expense over time. In
351 addition, PacifiCorp was authorized by the Washington Utilities and Transportation
352 Commission⁸ to defer and amortize into rates the 2018, 2021, and 2022 pension
353 settlement losses. As of December 31, 2025, Washington's portion of these items
354 amounted to a regulatory asset balance of approximately \$17.0 million.

355 Third, for financial and regulatory reporting purposes, the calculation of income
356 realized by PacifiCorp related to this transaction consists of amounts that are both
357 deductible and non-deductible for income tax purposes. The non-deductible amounts
358 are primarily attributable to the equity allowance for funds used during construction
359 and result in income tax expense that is not being recovered from customers by virtue
360 of PacifiCorp's proposed assignment of goodwill value which has been calculated on
361 a pre-tax basis.

362 Fourth, when BHE acquired PacifiCorp in 2006, an acquisition premium, also
363 known as goodwill, was recorded. This transaction confirms some of that amount of
364 goodwill is attributable to the Washington service area as demonstrated through the

⁸ In Docket No. UE-181042, the Washington Utilities and Transportation Commission approved PacifiCorp's request to defer and amortize pension settlement losses over the same period used to amortize the underlying regulatory asset and liability balances.

365 premium paid in this transaction. As part of the merger commitments, PacifiCorp
366 agreed the acquisition premium would not be part of customer rates. The sale of these
367 assets and realization of an acquisition premium should therefore also not be included
368 in rates. PacifiCorp estimates the amount of the original acquisition premium recorded
369 at PacifiCorp's parent company PPW Holdings attributable to Washington is \$90.1
370 million, or approximately eight percent of the total recorded goodwill.

371 **Q. Is PacifiCorp's proposed assignment of goodwill value consistent with ensuring**
372 **that there is no harm to customers from this transaction?**

373 A. Yes, this assignment of the goodwill value is identified as part of the customer impacts
374 in Ms. Steward's direct testimony.

375 **VI. CONCLUSION**

376 **Q. Please summarize your recommendation.**

377 A. The Commission should approve the asset sale included in the Service Area Transfer
378 and assign the goodwill value in accordance with PacifiCorp's proposal.

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

380 A. Yes.

Rocky Mountain Power
Exhibit RMP__ (NLK-1)
Docket No. 26-035-20
Witness: Nikki L. Koblaha

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Nikki L. Koblaha
Calculation, Allocation, and Assignment of Goodwill Value

April 2026

Asset	Book		
	Cost	Accum. Depr.	Net Book Value
Chehalis	375,993,003	(184,109,368)	191,883,635
Marengo	326,337,354	1,927,022	328,264,376
Goodnoe Hills	157,468,913	13,931,199	171,400,112
Distribution, WA only	770,736,290	(349,132,453)	421,603,837
Transmission, Chehails adjacent	12,522,798	(3,061,881)	9,460,917
Transmission, all other	322,976,970	(74,718,217)	248,258,753
General, Intangible, & Other - Chehalis adjacent	16,208,930	(9,415,636)	6,793,294
General, Intangible, & Other	5,463,700	(1,735,568)	3,728,132
General, Intangible, & Other - Distribution related	44,884,284	(24,606,551)	20,277,733
Total: Fixed Assets	2,032,592,241	(630,921,454)	1,401,670,788

Giveback Percentage - Gain	68.00%
Giveback Percentage - WA REET	100.00%
Giveback Percentage - ADIT Remeasurement	100.00%

Asset	Net Book Value		Goodwill Assignment	Customer Giveback @ 68%	Allocation Method	State Allocation						Company Allocation			Check Total	
	Amount	%				Washington	Oregon	California	Utah	Idaho	Wyoming	Total	Overallocation	Retained		Total
Chehalis	191,883,635	13.69%	69,099,752	46,987,831	B	10,337,323	12,216,836	469,878	21,144,524	2,819,270	6,576,296	53,566,127	(6,578,296)	22,111,921	15,533,625	0
Marengo	328,264,376	23.42%	118,211,555	80,383,857	A	6,430,709	20,899,803	803,839	38,172,736	4,823,031	11,253,740	80,383,858	0	37,827,698	37,827,698	(1)
Goodnoe Hills	171,400,112	12.23%	61,730,458	41,976,711	A	3,358,137	10,913,945	419,767	18,889,520	2,518,603	5,876,740	41,976,712	0	19,753,747	19,753,747	(1)
Distribution, WA only	421,603,837	30.08%	151,827,651	103,242,803	WA	103,242,803	0	0	0	0	0	103,242,803	0	48,584,848	48,584,848	0
Transmission, Chehalis adjacent	9,460,917	0.67%	3,381,799	2,299,623	B	505,917	597,902	22,996	1,034,830	137,977	321,947	2,621,569	(321,947)	1,082,176	760,229	1
Transmission, all other	248,258,753	17.71%	89,390,549	60,785,573	A	4,862,846	15,804,249	607,856	27,353,508	3,647,134	8,509,980	60,785,573	0	28,604,976	28,604,976	0
General, Intangible, & Other - Chehalis adjacent	6,793,294	0.48%	2,422,782	1,647,492	B	362,448	428,348	16,475	741,371	98,850	230,649	1,878,141	(230,649)	775,290	544,641	0
General, Intangible, & Other	3,728,132	0.27%	1,362,815	926,714	A	74,137	240,946	9,267	417,021	55,603	129,740	926,714	0	436,101	436,101	0
General, Intangible, & Other - Distribution related	20,277,733	1.45%	7,318,819	4,976,797	WA	4,976,797	0	0	0	0	0	4,976,797	0	2,342,022	2,342,022	0
Subtotal: Fixed Assets	1,401,670,788	100.00%	504,746,180	343,227,401		134,151,117	61,102,029	2,350,078	105,753,510	14,100,468	32,901,092	350,358,294	(7,130,892)	161,516,779	154,387,887	(1)
Washington Real Estate Excise Tax	(49,058,478)		(49,058,478)	(49,058,478)	WA	(49,058,478)	0	0	0	0	0	(49,058,478)	0	0	0	0
Other selling costs	(14,100,000)		(9,588,000)	(9,588,000)	A	(767,040)	(2,492,880)	(95,880)	(4,314,600)	(575,280)	(1,342,320)	(9,588,000)	0	(4,512,000)	(4,512,000)	0
Subtotal	441,587,702		441,587,702	284,580,923		84,325,599	58,609,149	2,254,198	101,438,910	13,525,188	31,558,772	291,711,816	(7,130,892)	157,006,779	149,875,887	(1)
ADIT Remeasurement + Gross-Up	(66,301,200)		(66,301,200)	(66,301,200)	C	0	(18,564,336)	(663,012)	(32,487,588)	(4,641,084)	(9,945,180)	(66,301,200)	0	0	0	0
Total Pre-tax			375,286,502	218,279,723		84,325,599	40,044,813	1,591,186	68,951,322	8,884,104	21,613,592	225,410,616	(7,130,892)	157,006,779	149,875,887	(1)

