BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Application of PacifiCorp d/b/a Rocky Mountain Power for Approval and Report of the Sale of Washington Service Area and an Accounting Order	Docket No. 26-035-20

DIRECT TESTIMONY

AND EXHIBITS

OF

SCOTT S. MALLORY

SUBMITTED ON BEHALF OF THE

UTAH LARGE CUSTOMER GROUP

August 25, 2026

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS 1

II. PURPOSE AND SUMMARY OF TESTIMONY 2

III. IMPACTS OF TRANSMISSION SOLD OR TRANSFERRED 3

IV. IMPACTS ON RESOURCE ADEQUACY 6

V. SUMMARY AND CONCLUSION 13

LIST OF EXHIBITS

Exhibit SSM-1 Qualifications of Scott S. Mallory

Exhibit SSM-2 RMP Responses to Data Requests

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Scott S. Mallory. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017.

Q. WHAT IS YOUR OCCUPATION?

A. I am a consultant in the field of public utility regulation and an Associate with the firm of Brubaker & Associates, Inc., which specializes in energy, economic, and regulatory consulting.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. A thorough description of my educational background and experience is set forth in Exhibit SSM-1.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY TO THE UTAH PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. No.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY TO ANY OTHER STATE REGULATORY COMMISSIONS?

A. Yes. I have provided testimony to Commissions in Wyoming, Vermont, and Maryland.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the Utah Large Customer Group ("UTLCG"). The UTLCG members operate commercial and industrial facilities within PacifiCorp's (also referenced as the "Company" or "RMP") service territory and purchase electricity and energy services from RMP under Electric Service Schedule No. 9 ("General Service –

High Voltage").

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to analyze and provide recommendations regarding the financial impacts to Utah customers of: (1) the proposed sale of transmission assets, and associated changes to revenue; and (2) the Company's claimed resource adequacy benefits arising from the sale of those assets and the Washington service territory to Gem Sub, LLC ("Gem").

My silence with respect to any position taken by RMP in its Application or testimony in this proceeding should not be interpreted as an endorsement of that position.

Q. WHAT ARE YOUR RECOMMENDATIONS IN THIS CASE?

A. I recommend that the Commission do the following:

1. The Commission should require the Company to explain the discrepancy between the 393 miles of transmission lines identified in the Application and the 534 miles listed in the Asset Purchase and Service Area Transfer Agreement (the "Sale"), and to identify any necessary corrections to the Sale's valuation and other exhibits.
2. The Commission should not recognize the proposed $6.7 million per year of Utah incremental wheeling revenue as a benefit after the Bridge Power Purchase Agreement ("Bridge PPA") period because Gem has no obligation to renew the Mid-Columbia to Walla Walla transmission rights after 2031.
3. The Commission should not attribute any of the Company's purported resource adequacy benefits to Utah customers because surplus resources are likely to

primarily reduce Oregon situs resource purchases. Therefore, any resulting cost savings would only be realized by Oregon customers. Further, for customers in Utah, the Company's resource adequacy value estimate is based on a single point in time estimate instead of a net present value ("NPV") analysis appropriately addressing the attributes and costs of the excess capacity over time.

III. IMPACTS OF TRANSMISSION SOLD OR TRANSFERRED

Q. PLEASE EXPLAIN THE DIFFERENT TYPES OF TRANSMISSION ASSETS PROPOSED TO BE SOLD OR TRANSFERRED TO GEM.

A. PacifiCorp seeks Commission approval of three types of transmission-related transfers as part of the Sale: (1) the sale of a portion of its physical transmission lines and substations within Washington State; (2) the assignment of transfer rights PacifiCorp holds to transmit power across other companies' transmission lines; and (3) the sale of transmission rights over PacifiCorp's own transmission lines.[1]

Q. PLEASE EXPLAIN WHICH PHYSICAL TRANSMISSION ASSETS THE COMPANY PROPOSES TO SELL AND DESCRIBE THE COST IMPACT ON UTAH CUSTOMERS.

A. PacifiCorp proposes to sell 393 miles of transmission lines rated at 230 kV and below, along with ten substations (two of which will be jointly owned with Gem), all located within Washington State.[2] However, I identified a discrepancy between the 393 miles specified in the Company's Application[3] and the 534 miles that can be derived from

[1] Direct Testimony of Joelle R. Steward at lines 66–84.
[2] *Id.* at lines 53–55.
[3] Application at 3.

summing the values in the asset list in Schedule 2.1(a), Annex B of the Sale.[4] I recommend that the Commission require PacifiCorp to explain this discrepancy and identify any necessary corrections to the Sale's valuation and other exhibits.

PacifiCorp also plans to sell a 50% ownership interest in the Walla Walla to Wallula line upgrade (including connecting substations) and a 20.8% ownership interest in the McNary to Wallula #2 line.[5]

PacifiCorp estimates Utah customers will see annual cost increases of $12.4 million resulting from these physical transmission asset sales.[6] This is a component of a greater $31.9 million increase to Utah's annual "Non-Power Cost Revenue Requirement" presented by Company witness Joelle R. Steward.[7] This cost increase is caused because the revenue requirement associated with the assets being sold is less than Washington's historic contribution to transmission costs under the System Generation ("SG") allocator. As a result, the Sale creates a loss of revenues that the Company proposes to recover by reallocating these costs to the remaining states.

Q. PLEASE EXPLAIN WHICH TRANSMISSION RIGHTS ON OTHER COMPANIES' SYSTEMS THE COMPANY PROPOSES TO TRANSFER AND DESCRIBE THE COST IMPACT ON UTAH CUSTOMERS.

A. PacifiCorp plans to assign to Gem the transmission rights it holds over the Bonneville Power Administration's ("BPA") system for the Chehalis, Goodnoe Hills, and Lower Yakima locations.[8] These rights, which include rights of first refusal for continuation,

[4] Application Attachment 1, Schedule 2.1(a) ("Transferred Assets"), Annex B.
[5] Application Attachment 1, Exhibit G ("Electric Transmission Service Plan") at 3–6.
[6] Direct Testimony of Shelley E. McCoy at 3, Table 1.
[7] Direct Testimony of Joelle R. Steward at 13, Table 1.
[8] Application Attachment 1, Exhibit G ("Electric Transmission Service Plan") at 4–5.

would be transferred to Gem along with all associated costs.[9]

Because the ongoing costs to the Company associated with these transmission rights would be transferred to Gem, there should be no incremental cost or revenue impact to PacifiCorp's Utah customers.

Q. PLEASE EXPLAIN WHICH TRANSMISSION RIGHTS ON PACIFICORP'S OWN SYSTEM THE COMPANY PROPOSES TO SELL AND DESCRIBE THE COST IMPACT ON UTAH CUSTOMERS.

A. PacifiCorp plans to sell two transmission rights over its own system to Gem: (1) 240 to 265 megawatts ("MW") of capacity on the Mid-Columbia to Walla Walla ("MC-WW") path for a five-year term with rollover rights; and (2) 95 MW of capacity over the Walla Walla to Wallula ("WW-W") line during the transitional period, which will run from the Sale's closing until the line upgrade is completed.[10]

Gem will pay PacifiCorp for these transmission rights, creating incremental wheeling revenue benefits that the Company estimates for Utah customers at $6.7 million per year for the MC-WW right and $5 million per year for the WW-W right.[11] When combined, these two revenue streams would provide an estimated $11.7 million annual benefit to Utah customers during the Bridge PPA period, which would then decline to an estimated $6.7 million per year after the Bridge PPA period.

However, Company witnesses Shelley E. McCoy's and Joelle R. Steward's testimonies do not address the inherent uncertainty in these projected benefits. After

[9] *See* Company response to UTLCG Discovery Request 22.2 (provided in Exhibit SSM-2, RMP Responses to Data Requests).
[10] Application Attachment 1, Exhibit G ("Electric Transmission Service Plan") at 2–3.
[11] *See* Direct Testimony of Joelle R. Steward at 13, Table 1 and lines 252–256; *see also* Direct Testimony of Shelley E. McCoy at 3, Table 1.

the five-year term of the MC-WW transmission right expires, there is no guarantee that Gem will renew this right as it acquires its own resources to meet its load requirements.[12] The Bridge PPA[13] is designed to fill this gap temporarily while allowing Gem to secure its own supply resources independent of PacifiCorp.[14]

Thus, the $6.7 million per year of Utah incremental wheeling revenue after the Bridge PPA period, noted in Company witness Joelle R. Steward's Table 1, should be discounted after 2031 when evaluating whether Utah customers will benefit from the Sale.

IV. IMPACTS ON RESOURCE ADEQUACY

Q. PLEASE EXPLAIN THE BASIS FOR THE INCREASE IN RESOURCE ADEQUACY BENEFIT THAT COMPANY WITNESS MR. WILDING CLAIMS.

A. The proposed Sale would transfer approximately 800 MW of peak retail load and approximately 500 MW of generation capacity from PacifiCorp to Gem.[15] The difference between the transferred load and generation capacity would leave Gem with a roughly 300 MW shortfall that it must fill through the Bridge PPA during the Bridge PPA period and through its own resource acquisitions starting after the Bridge PPA period to maintain resource adequacy. Correspondingly, PacifiCorp would retain roughly 300 MW of excess unforced capacity starting after the Bridge PPA period, and a lesser amount[16] during the Bridge PPA period while PacifiCorp sells capacity to Gem

[12] As I explain in the next section, under the Sale, Gem would acquire about 800 MW of peak load but only about 500 MW of generation resource capacity, leaving a resource gap of around 300 MW.
[13] *See* Application Attachment 1, Exhibit F for the draft PPA term sheet.
[14] Direct Testimony of Michael G. Wilding at lines 53–66.
[15] *Id.* at lines 58–60.
[16] *Id.* at lines 303–13.

via the Bridge PPA.

Q. HOW DOES THE COMPANY VALUE THIS EXCESS CAPACITY?

A. PacifiCorp values this excess capacity as an annual benefit to the remaining five states of $30.7 million during the Bridge PPA period (starting in 2027) and $49.4 million after the Bridge PPA period.[17] The Company derives this value by calculating the change in resource adequacy for the remaining five-state system using the Western Resource Adequacy Program methodology, multiplying the excess capacity by the cost of a new utility-scale battery storage resource, and then subtracting an annual energy arbitrage value.[18] Importantly, the Company's calculations assume that this excess capacity would provide a systemwide benefit by reducing or deferring the need for additional firm capacity resources, specifically battery storage, and that the resulting benefit could be allocated among the remaining five states under the 2020 Protocol. Under this assumption, the Company estimates Utah annual customer benefits of $15.0 million during the Bridge PPA period and $24.1 million after the Bridge PPA period.[19]

Q. IS THIS ACCREDITED BENEFIT OF THIS EXCESS CAPACITY TO UTAH CUSTOMERS REASONABLE?

A. No. It is not reasonable to attribute the Company's valuation of excess capacity and resource adequacy benefits to Utah customers. This is because the Company's own Integrated Resource Plan ("IRP") does not support the assumption that new capacity resource purchases will be reduced on a systemwide basis such that the savings should be allocated among the remaining five states under the 2020 Protocol (*i.e.*, with Utah

[17] Direct Testimony of Joelle R. Steward at 13, Table 1.
[18] Direct Testimony of Michael G. Wilding at lines 274–325.
[19] Direct Testimony of Joelle R. Steward at 13, Table 1.

receiving approximately 48.79% under the five-state SG allocator). While valuing the excess capacity at the cost of a battery storage system aligns with the Company's near-term need for battery resources identified in its current IRP, those batteries are planned to be purchased to meet the Oregon jurisdiction's needs and policies. Thus, the benefit of reduced purchases and lower cost recovery would flow only to Oregon, not to other states such as Utah.

According to the Company's 2025 IRP Update, planned capacity procurements for Oregon include approximately 1,269 MW of battery, 1,320 MW of wind, and 1,217 MW of solar from 2028 to 2030, but there is no need and no planned capacity purchases for Utah, Idaho, Wyoming, or California in the near term (2027 to 2030).[20] Consistent with the 2025 IRP Update Action Plan, the Company has issued a Request for Proposals ("RFP") and shortlisted resources to serve Oregon by the end of 2029 via the 2025 Oregon Situs RFP, including 1,293 MW of battery storage capacity.[21]

Because the 2025 Oregon Situs RFP is the only significant long-term capacity resource procurement the Company is anticipated to conduct, those RFP resources are the ones that should be partially reduced by the roughly 300 MW of excess capacity that would result from the Sale after the Bridge PPA period.[22] To claim the value of

[20] *See* 2025 IRP Update, Tables 7.3 and 7.4 at 89–90, excluding Demand Side Management resources that are not typically considered proxy resources to meet large resource adequacy gaps. Accessible via the following link: https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2025-irp/2025_IRP_Update.pdf.

[21] *In the Matter of PacifiCorp, dba Pacific Power's Application for Partial Waiver of OAR Chapter 860-089, Request to Engage Independent Evaluator, and Approval of 2025 Draft RFP*, Oregon Public Utility Commission Docket No. UM 2383, Order No. 26-215 (June 23, 2026) (acknowledging PacifiCorp's 2025 RFP final shortlist).

[22] Although PacifiCorp has also issued a 2025 Washington Situs RFP for resource needs specific to Washington State, any resources to be acquired for Washington State would presumably be transferred to Gem under the Joint Procurement Protocol Memorandum and would not be retained for PacifiCorp to assign to the remaining states. This memorandum is available in Washington Utilities and Transportation Commission Docket No. UE-

this excess capacity, it would be prudent utility practice for PacifiCorp to reduce the amount, and therefore the costs, of resources acquired under long-term contracts as soon as possible to maximize customer savings. Given that no capacity purchases are planned for Utah, Idaho, Wyoming, or California in the near term, the Company should reduce its battery purchases under the 2025 Oregon Situs RFP by the full amount of excess capacity resulting from the Sale and assign Washington's abandoned share of generation assets, to the maximum extent possible, to Oregon to fill its capacity deficiency. By reducing the amount of capacity acquired on a long-term basis from the planned purchase of batteries for Oregon, PacifiCorp could reduce costs to the Company and to the consumers by not over procuring.

PacifiCorp has confirmed in its IRP and in the 2025 Oregon Situs RFP that these resources are needed specifically to comply with Oregon's energy policy under HB 2021,[23] and the Company plans to seek Oregon situs assignment of these state-specific resources and their costs.[24] Assuming that the Oregon Public Utility Commission ("OPUC") accepts these costs into Oregon rates, any reduction or avoided cost savings would flow only to Oregon consumers, as there is no mechanism for the Commission to force a sharing of the Oregon RFP costs or avoided cost benefits with other PacifiCorp jurisdictions. Because PacifiCorp should reduce its Oregon-situs

260208, Direct Testimony of Rick T. Link, Exhibit RTL-2 (March 2026), and accessible via the following link: https://apiproxy.utc.wa.gov/cases/GetDocument?docID=114&year=2026&docketNumber=260208.

[23] *PacifiCorp's 2025 Integrated Resource Plan*, Docket No. 25-035-22, 2025 IRP Plan Update at 72, 203–205, 211, and 213 (March 31, 2026).

[24] *In the Matter of PacifiCorp, dba Pacific Power's Application for Partial Waiver of OAR Chapter 860-089, Request to Engage Independent Evaluator, and Approval of 2025 Draft RFP*, Oregon Public Utility Commission Docket No. UM 2383, PacifiCorp's Reply Comments to Parties at Section III. (July 24, 2025), accessible via the following link: https://apps.puc.state.or.us/edockets/edocs.asp?FileType=HAC&FileName=um2383hac338513035.pdf&DocketID=24530&numSequence=35.

generation purchases by the roughly 300 MW of excess capacity resulting from the Sale, the costs and benefits of these resource acquisitions would not be shared with Utah. [25] Accordingly, I recommend that the Commission not attribute any of the Company's purported resource adequacy benefits to Utah customers, either during or after the Bridge PPA period.

Q. WHAT WOULD HAPPEN TO THIS EXCESS CAPACITY IF PACIFICORP DOES NOT REDUCE ITS CAPACITY PURCHASES IN THE NEAR TERM?

A. If the Company does not redeem this excess capacity by reducing its planned near-term purchases for Oregon, it will create risks of over purchasing for Oregon, charging those customers more than needed, and of losing this capacity's value over time as the present value of the excess capacity redeemed in the future would generally be worth less over time. Importantly, if this excess capacity is not used in the near term and is instead held in reserve for the next five or more years, that capacity will not have the value assumed by the Company, either during the proposed Sale transition period or thereafter. If the capacity is not used now, PacifiCorp's proposed valuation is overstated because there may be less resource need to be "avoided" and/or the future "avoided" resource need may be less costly than battery storage.[26] I would expect a correct valuation would be based on a NPV of avoiding future capacity expenditures and also based on the appropriate type of capacity that could realistically be avoided.

[25] *See* OPUC Docket No. UM 2383, Order No. 25-343 ("Adopting Staff's Recommendation with Modifications"), Appendix A ("Staff Report") at 7 (Aug. 29, 2025) ("The Company maintained that resources procured through this RFP are intended to satisfy Oregon policy mandates and therefore should be allocated exclusively to Oregon customers, who would both bear the costs and receive the benefits.") (approving PacifiCorp's 2025 Oregon-situs Request for Proposals), accessible via the following link: https://apps.puc.state.or.us/edockets/orders.asp?OrderNumber=25-343.

[26] For example, a 2031 need for 151 MW of capacity in Utah/Idaho/Wyoming/California is significantly less than the approximate 300 MW of excess capacity added by the proposed sale. *See* 2025 IRP Update at 89, Table 7.3.

Again, this supports my recommendation that the Commission fully discount any "capacity savings" in its review of the Sale.

Q. BEYOND THE INACCURATE ASSUMPTION THAT SURPLUS CAPACITY WOULD BE SHARED AMONG THE REMAINING STATES, DO YOU HAVE OTHER CONCERNS WITH THE COMPANY'S VALUATION OF THE SALE'S RESOURCE ADEQUACY BENEFITS?

A. Yes. As previously noted, the Company uses the capacity cost associated with a battery storage facility as the proxy cost for the roughly 300 MW of generation abandoned by Washington and values such capacity for only one year: 2027. As an initial matter, I do not agree that the capacity cost should be fixed based on a single year or based on a single expensive marginal cost resource such as a battery storage system, as that may not be the type of resource that is actually reduced or avoided by the excess capacity. The Company's 2025 IRP Update includes several future resource types in its preferred portfolio, including gas, nuclear, wind, and solar.

Further, the approximately 7.5 percent of generation assets being abandoned by Washington represent a mix of resources with varying costs and attributes. For example, 7.5 percent of Lakeside gas does not have the same capacity value as 7.5 percent of Rock Creek wind. And neither of these resources has the same capacity value as a battery storage resource.

Moreover, the approximately 7.5 percent of generation assets being abandoned by Washington represent a mix of resources with a large variety of remaining useful lives. To be sure, the capacity value of a facility with two, three, five, or ten years of remaining life has materially different capacity valuations than that of a brand new

marginal battery resource.

Therefore, even if Utah needed capacity and some of Washington's abandoned 300 MW could be used to fill that deficiency, the Company's capacity value is likely inflated as the value should be based on the attributes and types of excess capacity resources that can be realistically avoided or reduced.

Q. CAN YOU PROVIDE AN ALTERNATIVE RESOURCE ADEQUACY VALUE FOR THE 300 MW OF ABANDONED WASHINGTON GENERATION?

A. As noted above there are many proxy value, resource lifespan, and capacity accreditation assumptions that one could use to value capacity. The Company proposes to sell specific assets to Gem and reassign specific assets to the remaining five states. The Company can and must evaluate the specific capacity value and lifespan of each of these resources to demonstrate that the trade it asks the Commission to bless is in the public interest. The Company has the information to conduct this analysis but has not done so. This is why I support UTLCG witness Jeffrey Larsen's recommendation to conditionally accept the allocation of reassigned generation and transmission facilities[27], subject to a complete analysis of the economics of the requested reassignment in the Company's next rate case. This analysis should include resource-specific capacity and energy values to enable interested parties to fully evaluate the benefits and risks of the continued allocation of Washington's share of abandoned facilities to Utah customers.

[27] Except Dave Johnston Unit 4, as discussed by UTLCG witness Bradley Mullins.

V. SUMMARY AND CONCLUSION

Q. PLEASE SUMMARIZE THE RISKS YOU HAVE IDENTIFIED AND YOUR RECOMMENDATIONS.

A. As the Commission considers whether the proposed Sale is in the public interest, I raise the following risks and offer the following recommendations:

1. There is a material discrepancy between the number of miles of proposed transmission assets to be sold between what Company witness Joelle R. Steward states (393 miles) and what is listed within PacifiCorp Attachment 1, Schedule 2.1(a) Transferred Assets, Annex B (534 miles) that could impact the actual assets to be sold and the resultant cost analysis. I recommend that the Commission require the Company to explain that discrepancy and to identify any necessary corrections to the Sale's valuation and other exhibits.

2. There is no guarantee that Gem will continue to purchase Mid-Columbia to Walla Walla transmission rights after the initial five-year term that is contemplated in the term sheet, especially as Gem intends to secure its own supply resources to serve its load independent of PacifiCorp after the Bridge PPA term. Thus, I recommend that the Commission not rely on the proposed $6.7 million per year of Utah incremental wheeling revenue after the Bridge PPA period as a continuing benefit.

3. Given that (1) roughly 300 MW of excess capacity that is estimated to be created from the proposed Sale should be claimed by reducing Oregon situs-allocated resource purchases, (2) such reduced costs are expected to flow only to Oregon customers, and (3) the Company's resource adequacy value is based on a single point in time estimate instead of a NPV analysis appropriately

addressing the attributes and costs of the excess capacity over time, the Company's purported systemwide resource adequacy benefits and allocation of such to Utah customers is flawed and highly speculative at best. I recommend that the Commission not attribute any of the Company's claimed resource adequacy benefits to Utah customers when evaluating the proposed Sale.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

39184183_v9