REDACTED

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY, Respondent.	Docket No. UE-250224

PACIFICORP'S REDACTED OPENING BRIEF

October 29, 2025

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I. INTRODUCTION

1 In accordance with the July 30, 2025, Notice Modifying Procedural Schedule, PacifiCorp dba Pacific Power & Light Company (PacifiCorp or Company) submits this Opening Brief to the Washington Utilities and Transportation Commission (Commission). PacifiCorp requests that the Commission: (1) approve the Washington 2026 Protocol (2026 Protocol) for use in allocating inter-jurisdictional costs in this and future cases; and (2) approve PacifiCorp's requested $12.1 million rate increase, which reflects updated net power costs (NPC) and the non-NPC rate impacts of reallocation of resources under the 2026 Protocol.

2 PacifiCorp filed this Power Cost Only Rate Case (PCORC) as required by the Commission's order in PacifiCorp's last general rate case (GRC) to remove coal generation from rates, in compliance with Washington's Clean Energy Transformation Act (CETA).[1] This filing also includes a new inter-jurisdictional cost allocation methodology, consistent with the Commission's direction in the Company's 2022 Power Cost Adjustment Mechanism (PCAM) proceeding.[2] To match the costs and benefits of the resources allocated to Washington under the new 2026 Protocol, PacifiCorp has also updated the non-NPC revenue requirement. PacifiCorp's update to non-NPC is consistent with the Commission's request that parties in this PCORC "consider other revenue-requirement elements that may offset increases to NPC" due to the concern that "removing coal[-]fired resources from rates is likely to have a significant effect on

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[1] RCW 19.405.010, *et seq.*
[2] *In the Matter of the Petition of PacifiCorp d/b/a Pacific Power & Light Co. 2022 Power Cost Adjustment Mechanism Annual Report*, Docket UE-230482, Order 07 at ¶ 111 (Oct. 30, 2024).

NPC[.]”[3] Taken together, PacifiCorp’s filing removes coal generation from rates in compliance with CETA, provides a limited reallocation of resources to Washington that improves Washington’s resource adequacy position and produces an NPC *decrease* of $1.5 million, and results in a modest overall rate increase of only $12.1 million, or 2.8 percent. By comparison, had PacifiCorp used the currently approved Washington Inter-Jurisdictional Allocation Methodology (WIJAM) in this case, NPC would have increased by $80 million. This would be $68 million higher than PacifiCorp’s proposal and result in a rate increase of nearly 16 percent. PacifiCorp is mindful of affordability considerations, and this filing is directly responsive to this issue by proposing an allocation methodology that results in dramatically reduced rates relative to the alternative.

3 The 2026 Protocol allocates additional wind generation and 100 percent of the Chehalis natural gas generation facility (Chehalis) to Washington, while reducing Washington’s share of other gas resources, and eliminates coal generation entirely. By changing only allocation percentages, the 2026 Protocol satisfies the Commission’s used and useful requirement and ensures the allocated resources provide tangible and quantifiable benefits to Washington. The new allocations increase overall generation allocated to Washington, improving its resource adequacy and reducing ratemaking exposure to market prices. By assigning additional wind generation, the 2026 Protocol improves PacifiCorp’s position to comply with Washington energy policy. And by fixing a Washington-specific portfolio, the 2026 Protocol enables the Company to more efficiently plan for meeting Washington’s energy goals.

4 While Staff and the Alliance of Western Energy Consumers (AWEC)

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[3] *Wash. Utils. & Transp. Comm’n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Dockets UE-230172 and UE-210852 (Consolidated), Order 09/07 at ¶ 14 (May 16, 2024).

acknowledged the benefits of the 2026 Protocol,[4] the Public Counsel Unit of the Washington State Office of the Attorney General (Public Counsel) proposed an alternative cost allocation that would remove all natural gas generation from Washington rates and reallocate an additional share of Company-owned wind from customers in other states served by PacifiCorp.[5] However, Public Counsel admitted at hearing that its proposal was unworkable and would result in Washington customers benefiting from resources paid for by other states. In addition, Staff, Public Counsel, and AWEC have all proposed modifications to the 2026 Protocol that would reduce the costs assigned to Washington while accepting all the benefits proposed by PacifiCorp. The Commission should reject parties' *ad hoc* adjustments and instead approve the 2026 Protocol as proposed because it is the only fair and workable allocation methodology.

5 Utilizing the resources allocated to Washington by the 2026 Protocol, PacifiCorp proposes a $1.5 million decrease to NPC. The goal of a PCORC proceeding is "to set the Company's power cost baseline as close as possible to the forecasted power costs during the rate year, based on the most up-to-date information."[6] To that end, it is imperative that the NPC modeling reflect, as accurately as possible, how the Company operates its system in the real world. PacifiCorp's NPC forecast utilized the state-of-the-art Aurora model, which has been used in the last several rate cases. PacifiCorp also verified the accuracy of its Aurora modeling with an *undisputed* benchmark study demonstrating that when populated with actual, real-world inputs, Aurora as configured by the Company

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[4] Wilson, Exh. JDW-1Tr at 11:3-8; Mullins, Exh. BGM-1CT at 64:5-8.
[5] Earle, Exh. RLE-1CT at 14:17-15:12.
[6] *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Docket UE-200980, Order 05 at ¶ 13 (June 1, 2021); *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy, Inc.*, Dockets UG-040640 *et al.*, Order 06 at ¶ 108 (Feb. 18, 2005).

produces an accurate forecast.

6 AWEC and Public Counsel oppose PacifiCorp's NPC forecast based largely on either modeling that is unrealistic and contrary to PacifiCorp's obligation to provide safe and reliable service or a fundamental misunderstanding of how costs are allocated to Washington. AWEC recommends several downward NPC adjustments, which rely on AWEC's manipulation of Aurora's parameters that enable the model to behave in ways that cannot be replicated in actual operations. AWEC's modeling intentionally reduces required reliability reserve holdings, ignores real-world transmission constraints, and allows plants to operate at levels that are a physical impossibility. There is no doubt that NPC would be lower, for example, if PacifiCorp were not required to hold reserves. But setting NPC on the assumption that federally imposed reliability requirements do not apply produces inherently unjust and unreasonable rates. It also violates cost causation principles because Washington customers would not pay for the necessary costs incurred to provide reliable service. Because AWEC's modeling includes these unrealistic and impossible-to-implement assumptions that violate basic ratemaking principles, AWEC's NPC recommendations must be rejected. For its part, Public Counsel offers a single NPC recommendation, but it is based on a fundamental misunderstanding of how the costs of *actual* market transactions are allocated to Washington, as opposed to how the WIJAM uses market *pricing* to make up for the shortfall of physical resources allocated to Washington (although the 2026 Protocol largely resolves this issue).

II. 2026 PROTOCOL

A. PacifiCorp's proposed 2026 Protocol satisfies the standards the Commission has applied to prior cost allocation methodologies.

7 Consistent with the Commission's direction in the 2022 PCAM, PacifiCorp

proposed the 2026 Protocol to supersede the WIJAM.[7] The 2026 Protocol was developed based on the negotiations that led to the 2020 Protocol and WIJAM and provides an allocation of existing resources to not only address the removal of coal generation required by CETA but also to address the concerns raised by the Commission in the 2022 PCAM by reducing the market price exposure, increasing reliability, and immediately increasing non-emitting energy for Washington by over ten percent, while lowering NPC.[8] Parties have not questioned any of these benefits.

8 Allocation methodologies must meet the statutory requirement in RCW 80.04.250 that all utility property included in rates be used and useful.[9] This requires a demonstration of tangible and quantifiable direct or indirect benefits to Washington and can be supported by showing that resource additions would be offset by other cost categories.[10] PacifiCorp has demonstrated that the 2026 Protocol satisfies these standards relative to the WIJAM, and no party has presented a feasible alternative.

9 The 2026 Protocol allocates resources that are used and useful and will benefit Washington customers.[11] All existing resources in the Washington-specific portfolio under the 2026 Protocol are currently included in Washington rates, meaning they are currently used and useful.[12] PacifiCorp proposes only to adjust the allocated shares of

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[7] Docket UE-230482, Order 07 at ¶ 111 ("[I]n its next rate case filing in 2025, the Commission requires the Company to . . . provide an alternative for cost allocation more beneficial to Washington ratepayers."); Exh. RTL-2 at 1 ("The Washington 2026 Protocol includes modifications to the WIJAM subject to approval by the Commission[.]").

[8] Link, Exh. RTL-1T at 4:10-20; Wilding, Exh. MGW-1CT at 10:9-13; *id.* at 7:12-16; Ghosh, Exh. RG-1T at 5:21-6:3; Mitchell, Exh. RJM-1CT at 16, Table '2026 NPC Price'; PacifiCorp's Response to Bench Request 03 at 1 (Oct. 22, 2025).

[9] *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Dockets UE-050684 and UE-050412 (Consolidated), Order 04/03 at ¶ 67 (Apr. 17, 2006).

[10] *Id.* at ¶¶ 68-69.

[11] Steward, Exh. JRS-1T at 15:1-6.

[12] Steward, Exh. JRS-2T at 12:20-21.

four resources presently assigned to Washington customers.[13] Each of those changes provides benefits to Washington customers through the immediate increase in non-emitting resource energy and capacity from Rolling Hills,[14] increased energy and capacity to allow more operational flexibility at Chehalis,[15] system support to balance eastside wind imports (Jim Bridger Units 1 and 2),[16] and removal of other thermal generation (Hermiston).[17] The proposed reallocations will result in a Washington-specific resource portfolio that is more consistent with Washington's energy goals, while maintaining reliable service to customers and lowering NPC relative to the WIJAM.[18]

10 Additionally, the Commission has indicated that any party proposing to change an approved cost allocation methodology should demonstrate that the "change proposed more closely aligns the allocation of costs based on causation[.]"[19] The cost causation principle requires that, to the extent possible, customers' rates should include the costs that those customers cause a utility to incur.[20] As discussed in greater detail below in response to parties' challenges to PacifiCorp's proposed allocations, each element of the Company's proposal more closely aligns Washington rates with the costs incurred to serve Washington customers.

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[13] Exh. RTL-2 at 2. PacifiCorp also adopts a fixed allocation factor for all other existing non-emitting resources.
[14] Link, Exh. RTL-1T at 8:16-21.
[15] Wilding, TR. 258:9-259:6.
[16] Wilding, Exh. MGW-5CT at 7:7-10.
[17] Link, Exh. RTL-1T at 14:7-17.
[18] *See* Ghosh, Exh. RG-1T at 6: Table 1 (discussing increased CETA-compliant generation allocated in the 2026 Protocol); Wilding, Exh. MGW-1CT at 6: Confidential Figures 1 and 2 (providing results of a review of annual resource adequacy under the WIJAM and 2026 Protocol); Response to Bench Request 03 at 1.
[19] *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-130043, Order 05 at ¶ 94 (Dec. 4, 2013).
[20] *Wash. Utils. & Transp. Comm'n v. Puget Sound Pilots*, Docket TP-190976, Order 09 at ¶ 237 (Nov. 25, 2020) ("The principle of cost causation assigns costs to those ratepayers who cause the expenses to occur.") (citing *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-190529 and UG-190530 (Consolidated), Order 08/05/03 at ¶ 484 (July 8, 2020)).

B. The 2026 Protocol provides NPC benefits to Washington.

1. The 2026 Protocol will immediately reduce Washington's market price exposure with the allocation of additional generation.

11 In the Company's 2022 PCAM, the Commission raised concerns about reliance on market price exposure under the WIJAM, where the Commission discussed its "concerns about the lack of resources in Washington and the Western balancing area that result in significant exposure to market volatility and increased cost for Washington customers."[21] As a result of this exposure, the Commission was concerned that "Washington ratepayers are disproportionately bearing the costs of rising prices of gas and electricity on the wholesale market[.]"[22]

12 The 2026 Protocol responds to the Commission's concerns by increasing the generation allocated to Washington customers and specifically hedging for the Washington-specific resource portfolio. Under the 2026 Protocol, PacifiCorp proposes to situs assign Chehalis entirely to Washington and to increase the Washington allocation of Rolling Hills to 34.9 percent.[23] Additionally, PacifiCorp proposes a fixed system generation (SG-F) allocation factor for existing non-emitting resources, which increases Washington's share of those resources and ensures that the allocation will not decrease in the future.[24] The allocations of additional generation capacity to Washington customers will improve energy availability to serve Washington customers compared to the WIJAM.[25] PacifiCorp will also separately hedge for Washington to manage NPC risk on behalf of Washington customers, while ensuring compliance with all relevant state

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[21] Docket UE-230482, Order 07 at ¶ 128.
[22] *Id.* at ¶ 17.
[23] Exh. RTL-2 at 2.
[24] *Id.*; Steward, Exh. JRS-2T at 11:3-8.
[25] Wilding, Exh. MGW-1CT at 8:12-15.

laws.[26] No party challenged these conclusions.

2. The 2026 Protocol offsets the NPC increase requested in this case and will mitigate future rate increases.

13 Several parties raised concerns regarding the scale of recent rate increases.[27] PacifiCorp is keenly aware that its rates have increased in recent years as the Company has experienced unprecedented increases in the cost to serve customers.[28] While these recent rate increases have all been approved through the regulatory process and reflect prudently incurred costs, the Company continues to take available actions to reduce its costs, and the 2026 Protocol will mitigate rate increases in the future.

14 Beginning with this PCORC, the 2026 Protocol will reduce customers' rates relative to the WIJAM because the increased allocation of generation resources reduces Washington's market price exposure when calculating NPC. Under the WIJAM, PacifiCorp had insufficient resources to meet Washington's total energy requirements.[29] This shortage—referred to as the open or short position—was closed, for ratemaking purposes, with a balancing adjustment.[30] Under the 2026 Protocol, the allocation of additional resources will significantly reduce (or eliminate) this open position.[31] While the Company will continue to rely on market transactions in actual operations to prudently meet load requirements, the 2026 Protocol mitigates the impact of market volatility on Washington rates. In fact, PacifiCorp requests a *reduction to* base NPC in rates, notwithstanding the removal of coal generation; this reduction would not have been

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[26] *Id.* at 11:19-12:3.
[27] Moriyasu, Exh. CM-1T at 4:3-5:2; Lipinski, TR. 293:19-294:1 (question from AWEC's counsel); Stokes, Exh. SNS-1T at 6:4-15.
[28] Steward, Exh. JRS-2T at 28:6-7.
[29] Mitchell, TR. 207:14-22.
[30] *Id.* at 208:20-209:7.
[31] Mitchell, Exh. RJM-1CT at 14:18-21.

possible absent the proposed allocations in the 2026 Protocol.[32] Moving forward, the 2026 Protocol will likely mitigate rate increases because of the Washington-specific resource portfolio providing more energy to serve Washington customers.[33] The 2026 Protocol will also better enable the allocation of additional Washington situs resources, which will address Washington customers' needs going forward.[34]

C. The 2026 Protocol improves PacifiCorp's ability to comply with Washington energy policy.

15 The 2026 Protocol was designed to provide a Washington-specific resource portfolio that is consistent with and positions the Company to advance state energy policy, including both CETA and the Climate Commitment Act (CCA).[35] The 2026 Protocol increases forecasted CETA-compliant energy in 2026 by 11.52 percent compared to the WIJAM.[36] This enables PacifiCorp to increase its interim compliance targets and thereby improve its progress toward compliance with 2030 CETA standards.[37]

16 More importantly, the fixed resource portfolio removes one degree of uncertainty in resource planning.[38] A fixed Washington-specific resource portfolio removes the unknown future impacts due to dynamic SG factors, which could result in Washington customers receiving a smaller share of resources than previously forecasted.[39]

17 PacifiCorp's allocation of certain dispatchable resources to Washington also better enables Washington's allocated portfolio to integrate additional non-emitting

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[32] Exh. RJM-15X at 1; *see* Dockets UE-230172 and UE-210852 (Consolidated), Order 09/07 at ¶ 14.
[33] *See* Wilding, Exh. MGW-1CT at 8:10-10:13; Steward, Exh. JRS-2T at 29:1-12.
[34] Link, Exh. RTL-1T at 15:18-20; Exh. RTL-2 at 3.
[35] Link, Exh. RTL-1T at 10:21-11:8.
[36] Ghosh, Exh. RG-1T at 5:21-6:1.
[37] *Id.* at 6, Table 1.
[38] *Id.* at 7:12-18 (corrected in Ghosh, TR. 288:15-20).
[39] *Id.* at 7:19-8:1.

resources.[40] Situs assigning Chehalis to Washington provides both the foundation for clean energy planning—because of the ability to provide reliable service while adding non-emitting, non-dispatchable resources—and the ability to make future operational changes to optimize for Washington issues while protecting the system as a whole.[41] If Washington retained smaller allocated shares of several dispatchable facilities, then it would complicate operations because PacifiCorp would have to look at dispatch through a system lens, rather than a Washington lens, to avoid harming customers in other states.[42]

18 Finally, the 2026 Protocol decreases the share of Jim Bridger Units 1 and 2 allocated to Washington and removes Hermiston entirely.[43] The reduced allocation of those natural gas facilities facilitates PacifiCorp's compliance with the CCA and CETA.[44]

D. The 2026 Protocol enables more efficient procurement of new state-situs resources to further address Washington's short position going forward.

19 In addition to the immediate increased allocation of existing generation resources, the 2026 Protocol also includes a process for assigning additional generation to Washington in the future.[45] The Commission has directed that PacifiCorp "should in the future build Washington situs resources or resources in the western balancing area, allocated solely to serving Washington to address both the exposure to wholesale market volatility, and to meet its CETA obligations."[46] The 2026 Protocol provides multiple

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[40] Wilding, Exh. MGW-5CT at 5:3-6:1; *id.* at 7:7-13.
[41] Wilding, TR. 273:11-274:15.
[42] *Id*. at 258:14-259:6.
[43] Exh. RTL-2 at 2; Link, Exh. RTL-1T at 14:1-10.
[44] Link, Exh. RTL-1T at 14:8-10.
[45] Exh. RTL-2 at 3.
[46] Docket UE-230482, Order 07 at ¶ 135.

means by which PacifiCorp will comply with this direction.

20 First, under Section 7, new resources "acquired for Washington after April 1, 2025, will be assigned on a situs basis to Washington unless circumstances justify a cost-sharing proposal with other states."[47] Under this provision, resources acquired to serve Washington load or to comply with Washington energy policies will be situs assigned to Washington.[48] However, Section 7 retains the flexibility to allow the Company to acquire resources that benefit multiple states and, if appropriate, allocate the facility to multiple states.[49] This will ensure that the Company can acquire resources specifically for Washington or, in some cases, share costs among states with similar environmental policies to maintain reasonable rates for customers.

21 Second, the 2026 Protocol creates a fixed Washington-specific resource portfolio with fixed allocation factors for PacifiCorp's existing generation resources.[50] As a result, the portfolio allocated to Washington customers will not fluctuate in the future as demand patterns change.[51] This fixed resource portfolio reduces uncertainty and enables PacifiCorp to more adequately plan for future resources to serve Washington customers.[52] With this reduced uncertainty, PacifiCorp is already increasing its Washington-specific planning; the Commission approved a Washington situs request for proposals (RFP), which the Company issued on September 5, 2025.[53]

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[47] Exh. RTL-2 at 3. This section does not apply to qualifying facilities as defined under the Public Utility Regulatory Policies Act. *Id.*
[48] Link, Exh. RTL-1T at 15:18-20.
[49] Link, Exh. RTL-3T at 21:21-28:11.
[50] Exh. RTL-2 at 2.
[51] Steward, Exh. JRS-2T at 11:1-8.
[52] Ghosh, Exh. RG-1T at 7:12-8:4 (corrected in Ghosh, TR. 288:15-20).
[53] *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-250460, Order 02 at ¶ 29 (Sept. 2, 2025); Link, Exh. RTL-3T at 5:17-6:1.

E. PacifiCorp developed the 2026 Protocol based on principles underlying previous allocation protocols.

22 The 2026 Protocol extends the concepts agreed to in the previous 2020 Protocol with additional updates to respond to guidance from the Commission. Many of the concepts identified in the 2026 Protocol, including fixed allocation factors for generation assets, were identified in the 2020 Protocol as resolved issues for the Post-Interim Period.[54] As parties recognized when negotiating previous allocation methodologies, state energy policies make it increasingly difficult to maintain a system resource portfolio.[55] Despite these difficulties, PacifiCorp has an obligation to serve and must propose an allocation methodology that enables the Company to continue providing safe, reliable, and affordable service while creating a pathway to comply with Washington law.[56] To address these challenges, the 2026 Protocol is a first step in realigning PacifiCorp's existing resources to enable state-specific portfolios, with the expectation that PacifiCorp will propose similar treatment in other states when energy policies in those states prohibit certain types of generation resources.[57]

F. The Commission should approve the 2026 Protocol in this case.

23 Approval of the 2026 Protocol now creates certainty in the resource portfolio allocated to Washington, which will allow for efficient operation and planning to meet Washington's energy needs and state policy requirements.[58] Staff recommends that the Commission consider PacifiCorp's proposed allocations in this case and the cost allocations approved in other jurisdictions in the Company's next GRC.[59] Similarly,

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[54] Exh. JHJ-2X at 36:673-74.
[55] Steward, Exh. JRS-1T at 11:19-12:16.
[56] Steward, Exh. JRS-2T at 24:12-16.
[57] *See* Link, Exh. RTL-1T at 3:19-4:2.
[58] Steward, Exh. JRS-2T at 7:12-21.
[59] Wilson, Exh. JDW-1Tr at 21:9-11.

while AWEC agrees it is "appropriate to consider" the allocations proposed in the 2026 Protocol in this case, AWEC asserts that any conclusion on allocations should be "non-precedential and subject to reevaluation in PacifiCorp's next" GRC.[60] These recommendations to defer final approval of the 2026 Protocol would create uncertainty that will undermine PacifiCorp's Washington-specific resource planning, because PacifiCorp would not know the state's fixed portfolio until its next GRC.[61] For these reasons, the Commission should approve the 2026 Protocol here.

G. The 2026 Protocol is the only reasonable cost allocation recommendation in this docket.

24 In response to the 2026 Protocol, only Public Counsel proposed an alternative cost allocation methodology.[62] However, Public Counsel's proposal is unworkable from both a resource adequacy and an operations perspective. Public Counsel's attempt at hearing to address the deficiencies in its proposal was equally unrealistic.

1. Public Counsel's proposed allocations would not provide a workable portfolio to serve Washington customers.

25 Public Counsel proposes an alternative resource allocation that would remove all natural gas generation from Washington rates in 2026 and increase Washington's allocation of all PacifiCorp-owned wind generation by 32 percent.[63] There are several significant problems with Public Counsel's proposal.

26 First, Public Counsel proposes that PacifiCorp reallocate wind resources that are

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[60] Mullins, Exh. BGM-1CT at 12:7-14.
[61] Steward, Exh. JRS-2T at 21:8-13.
[62] Earle, Exh. RLE-1CT at 14:17-15:4.
[63] *Id*. Public Counsel also recommends removing coal generation from Washington rates. However, the 2026 Protocol already removes all coal generation the Washington portfolio.

currently included in rates in other states.[64] PacifiCorp cannot do so unilaterally and must seek approval from the commissions in those states.[65] Commissions in other states would not likely approve reallocating these zero-fuel cost resources, which provide valuable benefits to customers throughout PacifiCorp's service territory by reducing NPC.[66] This is particularly true of commissions in states that have policies requiring utilities to reduce emissions.[67]

27 Second, Public Counsel's overly simplistic proposal ignores key operational and compliance issues, such as reliability, resource adequacy, and ancillary service requirements.[68] Removing all natural gas resources would leave Washington with a high share of variable energy resources and very little dispatchable capacity to regulate system changes.[69] Public Counsel's overreliance on variable generation would leave Washington's allocated portfolio with limited ability to serve customers when those resources are not generating.[70] PacifiCorp's unrebutted analyses of Public Counsel's proposal showed a significant reduction to resource adequacy for PacifiCorp's Washington customers.[71] By failing to include resources needed to reliably maintain the electrical grid, Public Counsel's proposal would unfairly shift the costs associated with reliably operating a system to the other PacifiCorp states.[72]

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[64] *See* Exh. JRS-4 (Public Counsel's response to PacifiCorp Data Request No. 2) (clarifying that Public Counsel "is not proposing an over-allocation of wind" and instead recommends that "wind resources be reallocated to Washington from other jurisdictions").
[65] Steward, Exh. JRS-2T at 8:20-9:1.
[66] *Id.* at 9:4-6.
[67] *Id.* at 9:6-10.
[68] Wilding, Exh. MGW-5CT at 5:9-6:7.
[69] *Id.* at 2:10-12.
[70] *Id.* at 5:9-6:1.
[71] *Id.* at 4:10-5:6.
[72] *Id.* at 6:1-7.

2. Public Counsel's attempt to address the operational infirmities of its proposal during the hearing is equally unrealistic and likely impossible to effectuate.

28 Public Counsel acknowledged at hearing that its proposed allocation methodology alternative was flawed, in that it did not address the costs for resource adequacy and ancillary services and that these shortfalls should be addressed.[73] Public Counsel's witness explained that he had "not thought through" whether the costs for additional resource adequacy and ancillary services would be included in base NPC or recovered through the PCAM.[74] In an attempt to rehabilitate its proposal, Public Counsel proposed buying resource adequacy and ancillary services capacity from other states.[75] However, Public Counsel acknowledged that it does not know how CETA would impact its proposed resource adequacy payments, particularly considering the resource adequacy benefits PacifiCorp's customers in other states receive from coal generation.[76]

29 More importantly, Public Counsel's proposal relies on two assumptions that would not likely occur. First, state commissions in all six states would have to agree on pricing for resource adequacy and ancillary services.[77] Based on the inability to reach consensus in recent multi-state protocol discussions, it is unlikely that interested parties would agree on a pricing framework for resource adequacy and ancillary services to propose to the commissions.[78]

30 Second, Public Counsel assumes that surplus resources would be available in other states to address Washington's deficits.[79] As load continues to grow in other areas

[73] Earle, TR. 403:17-404:12.
[74] *Id.* at 419:17-420:12.
[75] *Id.* at 404:25-406:4.
[76] *Id.* at 409:24-410:12.
[77] Wilding, TR. 425:10-24.
[78] *Id.* at 425:21-426:19.
[79] *Id.* at 425:12-13.

PacifiCorp serves, it is not clear whether other states on the Company's system would have surplus capacity available for Washington.[80]

31 Public Counsel's last-minute attempt to support its allocation counter proposal directly undermines Public Counsel's request for application of a penalty for failure to analyze alternatives.[81] Public Counsel should not be encouraged to present admittedly unworkable proposals as alternatives, then claim the Commission should apply an arbitrary disallowance for failure to analyze those unworkable proposals.[82]

H. Parties' proposed penalties, disallowances, and modifications to the 2026 Protocol fail to follow long-standing regulatory principles and increase risk to customers and utility operations.

32 Parties' predominant arguments against the 2026 Protocol recommend *ad hoc* adjustments that fail to fully consider the interrelated nature of allocations, the financial health of the utility, operations as a whole, and the adverse impact on customers. Further, parties' proposals to disallow costs are inconsistent with cost causation and would result in Washington leaning on other states to fund services that benefit Washington.

1. The Commission should approve PacifiCorp's proposed allocation of additional generation from Rolling Hills.

i. The additional allocation of Rolling Hills is prudent.

33 Rolling Hills is an existing wind generation plant in Wyoming that is currently included in Washington rates.[83] PacifiCorp proposes increasing Washington's allocation of Rolling Hills to 34.873 percent by assigning to Washington a share of Rolling Hills

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[80] *Id.* at 425:10-20.
[81] Earle, Exh. RLE-1CT at 19:6-13.
[82] Link, Exh. RTL-3T at 21:6-12.
[83] Link, Exh. RTL-1T at 8:5-6; Link, Exh. RTL-3T at 7:6-9.

that is currently unallocated.[84] This represents a unique opportunity to allocate additional non-emitting generation to Washington, that would not otherwise be available.[85]

34 As Staff acknowledges in testimony, allocating this increased share of Rolling Hills is "advantageous" for "both CETA and CCA compliance purposes[.]"[86] Moreover, PacifiCorp's proposal will immediately assign to Washington additional CETA-compliant generation at a cost that is substantially lower than any available alternative.[87] Based on a RFP PacifiCorp conducted for near-term CETA-compliant energy, Rolling Hills is between [redacted] per megawatt-hour (MWh) than what PacifiCorp would expect to pay on the bilateral market to replace this CETA-compliant energy.[88] The Commission should approve the prudent proposal to allocate to Washington additional lower-cost CETA-compliant energy.

ii. Parties' recommended adjustments to recovery of Rolling Hills costs are based on flawed calculations.

35 No party to this case unconditionally opposes the increased allocation of Rolling Hills. Rather, Staff, Public Counsel, and AWEC all incorrectly assert that Rolling Hills is a high-cost generation resource.[89] Staff and Public Counsel both support allocating the benefits of Rolling Hills to Washington customers but do not support a commensurate increase in costs.[90] These proposals to include the benefits of an increased allocation of Rolling Hills but not the costs are plainly inconsistent with the matching principle.[91]

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[84] Link, Exh. RTL-1T at 8:10-13.
[85] *Id.* at 8:16-21; Link, Exh. RTL-3T at 11:3-10; Wilding, Exh. MGW-5CT at 8:18-21.
[86] Wilson, Exh. JDW-1Tr at 24:12-13.
[87] *Id.* at 9:15-20.
[88] *Id.* at 8:10-9:20.
[89] Wilson, Exh. JDW-1Tr at 24:5-6; Earle, Exh. RLE-1CT at 22:5; Mullins, Exh. BGM-1CT at 5:17-21.
[90] Wilson, Exh. JDW-1Tr at 25:16-20; Earle, Exh. RLE-1CT at 22:18-23:2.
[91] *See Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Co., a Division of PacifiCorp*, Docket UE-152253, Order 12 at ¶ 216 (Sept. 1, 2016) (applying "the Commission's long-standing principle of

36 Staff, Public Counsel, and AWEC assert that Rolling Hills is a high-cost resource, but those parties all rely on flawed calculations to support their assertions. Those parties calculated the costs of Rolling Hills by simply dividing the annual revenue requirement by its forecasted generation.[92] These analyses fail to consider additional benefits generated by Rolling Hills, such as generation of production tax credits (PTC) and the benefits of avoiding greenhouse gas emissions.[93] No party provided a multi-year analysis of the benefits from Rolling Hills over the remaining life of the facility.

37 More importantly, parties compare the costs of Rolling Hills to fictional alternatives that are not available to serve customers. For example, Public Counsel compares Rolling Hills to the costs of a hypothetical future wind facility,[94] which would not provide immediate benefits to Washington customers. AWEC supports including allocating Rolling Hills to Washington only if the Commission adopts AWEC's adjustment to PacifiCorp's wind forecasting, which is similarly based on unrealistic modeling that ignores constraints on PacifiCorp's system and is addressed below.[95] The only actual alternative to obtain near-term CETA-compliant generation is the bilateral market, which would result in substantially higher costs than PacifiCorp's proposal.[96]

38 The Commission should reject the parties' flawed assertions that the costs of Rolling Hills exceed the benefits. Consistent with the Commission's prior decision to include Rolling Hills in Washington rates, the Commission should approve PacifiCorp's

benefits following burden" to reject certain cost recovery, and explaining that the Commission would consider recovery of those costs when the utility includes the benefits in power cost baseline).

[92] Wilson, Exh. JDW-1Tr at 24:4-6; Exh. JDW-20; Earle, Exh. RLE-1CT at 22:10-12; Mullins, Exh. BGM-1CT at 70:13-18.

[93] Link, Exh. RTL-3T at 8:6-17.

[94] Earle, Exh. RLE-1CT at 22:13-15.

[95] Mullins, Exh. BGM-1CT at 71:10-18. As discussed in detail in Section III(B) below, AWEC's inaccurate wind forecast is not reflective of actual operations.

[96] Wilding, Exh. MGW-5CT 8:10-9:20.

proposal to increase Washington's allocation of this non-emitting generation.

2. The Commission should approve PacifiCorp's proposed allocation of Chehalis and Jim Bridger Units 1 and 2 in Washington rates.

i. Natural gas units provide dispatchable generation that is necessary to integrate renewable generation and maintain reliable service.

39 As discussed above, the 2026 Protocol situs assigns Chehalis to Washington and reduces the allocation of Jim Bridger Units 1 and 2 in Washington rates.[97] The dispatchable generation from these resources is necessary to integrate additional renewable generation and maintain system balance.[98] Public Counsel and AWEC both propose removing additional gas generation from the Washington portfolio.[99] However, these proposals would reduce resource adequacy for Washington customers and only further lean on resources paid for by customers in other states.[100]

40 If the Commission approves the 2026 Protocol, Public Counsel recommends removing all natural gas generation from Washington rates before 2030.[101] However, as discussed above in response to Public Counsel's allocation proposal, removing dispatchable generation would leave Washington's allocated portfolio with limited capacity to regulate system changes.[102] Additionally, Public Counsel's proposal would substantially reduce Washington's resource adequacy position.[103] Importantly, even with the increased allocation of Chehalis, Washington rates will still include less dispatchable generation than is required to integrate the level of renewable resources allocated to

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[97] Exh. RTL-2 at 2.
[98] Wilding, Exh. MGW-5CT at 7:7-13.
[99] Earle, Exh. RLE-1CT at 14:17-18, 16:21-24; Mullins, Exh. BGM-1CT at 66:17-67:2.
[100] Wilding, Exh. MGW-5CT at 5:1-6; Wilding TR. 257:11-258:3.
[101] Earle, Exh. RLE-1CT at 14:17-18, 16:21-24.
[102] Wilding, Exh. MGW-5CT at 2:10-12.
[103] *Id.* at 4, Confidential Figure 2.

Washington.[104] This means that even under the 2026 Protocol, Washington customers will rely on resources paid for by other states; removing additional resources only exacerbates this interstate imbalance. Removing additional dispatchable generation also harms Washington customers by increasing their ratemaking exposure to market prices and volatility through the balancing adjustment.[105]

41 Public Counsel asserts that Chehalis and Jim Bridger Units 1 and 2 will not provide benefits to Washington customers after 2030 because of CETA.[106] However, Public Counsel's description of CETA is incorrect. Chehalis can still serve Washington customers after 2030, and PacifiCorp's proposal to situs assign Chehalis will enable the Company to optimize its dispatch to serve Washington load consistent with CETA.[107]

42 AWEC supports PacifiCorp's proposal to situs assign Chehalis to Washington customers but recommends removing Jim Bridger Units 1 and 2 from Washington rates.[108] In addition to the resource adequacy concern discussed immediately above, Jim Bridger Units 1 and 2 are critical to PacifiCorp's ability to transfer renewable energy from the Company's wind facilities located in its eastern balancing authority area (PACE). Jim Bridger Units 1 and 2 are able to ramp up and down as generation from eastside renewable resources fluctuate, and support the transfer of energy from PACE to western states across the Jim Bridger transmission system.[109] Removing these units from

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[104] *Id.* at 9, Table 3.
[105] *Id.* at 6:19-22. Public Counsel also recommends a 15 percent disallowance of Chehalis costs based on Public Counsel's assertion that PacifiCorp did not adequately consider alternative allocations. Earle, Exh. RLE-1CT at 19:6-13. However, the only alternative allocation Public Counsel proposed is entirely unworkable and, for that reason, does not support Public Counsel's assertion that PacifiCorp should have considered alternative allocations. Link, Exh. RTL-3T at 21:6-17.
[106] Earle, Exh. RLE-1CT at 16:24-17:5.
[107] RCW 19.405.040(1)(b)(ii); Wilding, TR. 248:13-24; *id.* at 273:25-274:15.
[108] Mullins, Exh. BGM-1CT at 66:17-67:2.
[109] Wilding, Exh. MGW-5CT at 7:7-22.

Washington rates would exacerbate the interstate imbalance already occurring because resources critical to ensuring Washington-allocated wind resources can generate would be paid for by other states. Moreover, as AWEC states, after removing coal generation from Washington rates "the only viable options to fill this gap are gas generation or market purchases."[110] To avoid increasing Washington's ratemaking reliance on market pricing and to support renewable transfers from PACE, the Commission should approve PacifiCorp's proposal to retain Jim Bridger Units 1 and 2 in Washington rates.[111]

43 PacifiCorp's system is an intertwined and integrated system, with all resources contributing to its operation.[112] Even with situs assignment of Chehalis, that resource will contribute to system reliability to support service to customers in all states, just like PacifiCorp's other resources contribute to system reliability to support customers in Washington.[113] For example, PacifiCorp's Gadsby units are black-start units, meaning they are the first resources to restart the grid after a major outage.[114] The Commission should reject these parties' proposals and instead adopt PacifiCorp's proposed allocations, which ensures Washington-allocated benefits and costs are commensurate.[115]

ii. Situs assignment of Chehalis will not increase CCA costs in 2026 and will enable PacifiCorp to manage any potential future CCA costs.

44 Public Counsel asserts that PacifiCorp's proposal exposes Washington customers

[110] Mullins, Exh. BGM-8T at 6:5-9.
[111] AWEC also asserts that PacifiCorp has received an "overpayment" from Washington customers because Jim Bridger Units 1 and 2 have a negative plant balance. Mullins, Exh. BGM-1CT at 69:11-20. However, AWEC's assertion is incorrect. The depreciation expense collected from customers includes payments for estimated cost of removal; as a result, a negative net plant balance exists towards the end of an asset's depreciable life. Cheung, Exh. SLC-6T at 32:7-34:7.
[112] Wilding, TR. 273:4-10.
[113] *Id.* at 257:11-19.
[114] *Id.* at 257:20-24.
[115] Steward, TR. 83:1-10.

to considerable CCA allowance costs.[116] However, Washington-allocated CCA costs will not increase in 2026 because the Company has received no-cost allowances for the additional Chehalis generation allocated to serve Washington customers, and CCA costs may not increase in the future.[117] PacifiCorp's proposal to situs-assign Chehalis to Washington customers will enable the Company to operate Chehalis more flexibly in the future as no-cost allowances decrease.[118] Finally, to the extent that generation from Chehalis may incur future CCA costs, PacifiCorp's proposal is consistent with cost causation, because the Company proposes to situs-assign all benefits of Chehalis dispatch and all costs, including potential costs of CCA allowances.[119]

iii. Arguments of alleged over-recovery due to different allocation methods in different states are based on misunderstanding of ratemaking and risk retroactive application of any new allocation methodology.

45 Staff and Public Counsel raise multiple concerns that PacifiCorp has over-collected the costs of system-allocated resources.[120] However, the parties' assertions are not supported by evidence in the record, and their recommended remedies are inappropriate and unnecessary.

46 Public Counsel asserts that the Commission should investigate whether PacifiCorp has over-collected its costs of system resources.[121] Public Counsel believes an investigation is warranted due to "large deviations" from 100 percent allocation of resources across PacifiCorp's system.[122] Staff raises a similar concern that PacifiCorp has

[116] Earle, Exh. RLE-1CT at 13:10-12.
[117] Ghosh, Exh. RG-2T at 4:1-7; Ghosh, TR. 281:3-20; *id.* at 282:20-283:3.
[118] Steward, TR. 94:8-13.
[119] Link, Exh. RTL-1T at 13:12-16.
[120] Wilson, Exh. JDW-1Tr at 17:4-14; Earle, Exh. RLE-1CT at 23:18-24:3.
[121] Earle, Exh. RLE-1CT at 4:12-14.
[122] *Id.* at 23:6-10.

double-recovered the costs of resources where the system-wide allocation exceeds 100 percent.[123] However, as Staff acknowledges, over-allocation of certain resources does not prove that the Company over-recovers its costs.[124] Over-allocations largely occur because the Company currently allocates costs across its jurisdictions using two different cost allocation methodologies.[125] As a result of Washington's unique cost allocation methodology, some resources are over-allocated and others are under-allocated.[126] Disparate system-wide allocations are further exacerbated by the uneven timing of rate cases in various jurisdictions and different regulatory treatment of investments.[127] However, while the cumulative allocation percentages do not currently sum to 100 percent because of differences between the 2020 Protocol and the WIJAM, the 2026 Protocol is intended to rectify this issue by aligning allocations among states.[128]

47 Additionally, the allocations that Staff and Public Counsel challenge result from the Commission-approved cost allocation methodology.[129] To the extent parties propose setting rates in this docket or in the Company's next GRC based on their disagreement with historical approved rates, their proposals violate the Commission's prohibition on retroactive ratemaking.[130] For these reasons, Staff's and Public Counsel's arguments for investigations or submittal of historical information on plant by plant recovery are

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[123] Wilson, Exh. JDW-1Tr at 17:6-13.
[124] *Id.* at 17:15-16; Cheung, Exh. SLC-6T at 5:11-7:4; Cheung, TR. 299:19-300:3.
[125] Cheung, TR. 299:19-300:3.
[126] Steward, TR. 54:25-55:25.
[127] Cheung, Exh. SLC-6T at 5:11-7:14; *id.* 7:7-9:13.
[128] Cheung, TR. 309:8-13; Steward, Tr. 59:7-17.
[129] Cheung, Exh. SLC-6T at 4:11-15.
[130] Steward, Exh. JRS-2T at 19:21-20:14; *In the Matter of the Application of Puget Sound Energy For Authorization Regarding the Deferral of the Net Impact of the Conservation Incentive Credit Program, Schedule 125, and Subsequent Recovery Thereof through Schedule 120, Conservation Rider*, Docket UE-010410, Order Denying Petition to Amend Accounting Order at ¶ 7 (Nov. 9, 2001) ("The retroactive ratemaking doctrine prohibits the Commission from authorizing or requiring a utility to adjust current rates to make up for past errors in projections.") (quoting *Town of Norwood, Mass. v. FERC*, 53 F.3d 377, 381 (D.C. Cir. 1995)).

unhelpful, unnecessarily burdensome, and would only confuse the record in a future case.

48 At the hearing, Staff raised a similar concern that situs assigning Chehalis could assign excessive decommissioning costs to Washington customers.[131] However, PacifiCorp recovers an estimated level of decommissioning costs through depreciation expense, which PacifiCorp has historically recovered from all states that include Chehalis in rates.[132] If the Commission approves situs assigning Chehalis, depreciation expense for Chehalis would be included only in Washington rates moving forward.[133] Any decommissioning costs that have already been collected from other states would be tracked and applied towards actual decommissioning costs.[134] To the extent that actual decommissioning may exceed estimated costs, PacifiCorp will propose an allocation for actual decommissioning costs in Phase 2.[135]

3. The Commission should approve PacifiCorp's proposed fixed SG-F factor and not revise the factor in future rate cases.

49 PacifiCorp proposes moving from a dynamic SG allocation factor to a fixed SG-F allocation factor based on a four-year historical average of SG factors.[136] The fixed SG-F factor is critical to create a Washington-specific resource portfolio, which enables PacifiCorp to improve its progress towards CETA renewable targets.[137]

50 Staff agrees that PacifiCorp's proposal is "generally" reasonable but proposes multiple changes.[138] Staff recommends that the SG-F allocation factor be updated in

[131] Link, TR. 126:3-6 (question from Staff counsel).
[132] Cheung, TR. 335:15-336:12.
[133] *Id.* at 335:23-336:5.
[134] *Id.* at 336:6-12.
[135] *Id.* at 337:17-21.
[136] Exh. RTL-2 at 2; Cheung, Exh. SLC-6T at 18:21-19:2.
[137] Link, Exh. RTL-3T at 26:3-5.
[138] Wilson, Exh. JDW-1Tr at 30:16-31:12.

every GRC or PCORC and proposes an alternative weighting for the SG-F factor.[139] The Commission should reject both recommendations.

51 First, adjusting the SG-F factor periodically would undermine the benefits of a fixed allocation factor.[140] A fixed resource portfolio provides a known foundation for planning and operations.[141] Staff's recommendation to adjust the SG-F factor would likely reduce Washington's allocation of non-emitting resources as load in other parts of PacifiCorp's service territory increases more rapidly.[142]

52 Second, while Staff asserts that PacifiCorp's SG-F weighting is "arbitrary," PacifiCorp has applied the same weighting for the SG factor for more than 35 years.[143] PacifiCorp provided substantial evidence supporting this proposed weighting when formally proposing the SG factor for adoption in the Company's 2006 GRC.[144] Moreover, Staff's weighting would reduce Washington's SG-F factor in this case,[145] which would reduce Washington's allocation of existing non-emitting generation. This reduction could potentially increase costs by requiring the Company to procure more generation for Washington.[146] Staff has not made a sufficient showing that its proposed change to the weighting of the SG factor is more consistent with cost causation, and the proposed change would create a mismatch with historical treatment and allocations in

[139] PacifiCorp's proposal is to continue using a weighting that is 75 percent demand and 25 percent energy. Cheung, Exh. SLC-6T at 19:13-16. Staff recommends a weighting that is 67 percent energy and 33 percent demand. Wilson, Exh. JDW-1Tr at 8:6-10.
[140] Steward, Exh. JRS-2T at 11:3-8.
[141] Link, Exh. RTL-3T at 26:3-6.
[142] Steward, Exh. JRS-2T at 11:3-8; Link, Exh. RTL-3T at 26:6-9.
[143] Wilson, Exh. JDW-1Tr at 8:4-6; Cheung, Exh. SLC-6T at 20:17-21:18.
[144] *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Company*, Dockets UE-061546 and UE-060817 (Consolidated), Taylor, Exh. DLT-3 at 3 (Mar. 4, 2003) (a copy of this exhibit is provided in this docket as Exh. SLC-8).
[145] Cheung, Exh. SLC-6T at 23:20-22.
[146] Steward, TR. 63:3-5.

other states.[147] Accordingly, the Commission should reject this proposal.[148]

4. The Commission should approve PacifiCorp's recommended 2026 Protocol SO factor to more appropriately align overhead costs with cost causation.

53 PacifiCorp proposes simplifying the SO factor compared to the WIJAM and better aligning the calculation of the SO factor with the resource allocations under the 2026 Protocol.[149] Under the 2026 Protocol, the SO factor would simply reflect a three-way average of the System Capacity (SC) factor, the System Energy (SE) factor, and the System Gross Distribution Plant (SGPD) factor.[150] AWEC opposes modifying the SO factor in this case, asserting that the costs allocated using the SO factor are outside the scope of this docket and that relying predominantly on energy and capacity factors to weight the SO factor is inconsistent with cost causation because the allocated costs are not necessarily related to energy and capacity.[151] However, with the Company's proposed changes to generation resource allocation, the calculation of the SO factor as currently approved would become overly weighted to generation and result in a substantial shift in overhead costs being borne by a state paying for 100 percent of any generation resource.[152] PacifiCorp's proposal will realign the SO factor to more reasonably allocate system overhead costs that support multiple functions, rather than assigning costs largely based on generation.[153]

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[147] Link, Exh. RTL-3T at 27:12-16.
[148] *See* Docket UE-130043, Order 05 at ¶ 94 ("For the Commission to endorse any unilateral change, or any change that is disputed, the party advocating the change must make a detailed and persuasive showing demonstrating that the proposed change is appropriate.").
[149] Link, Exh. RTL-1T at 17:16-23; Cheung, Exh. SLC-1T at 8:9-9:2.
[150] Exh. RTL-2 at 3.
[151] Mullins, Exh. BGM-1CT at 72:6-8, 73:1-8. Staff asserts that the SO factor should be updated in each GRC. Wilson, Exh. JDW-1Tr at 29:3-4. PacifiCorp does not propose fixing the SO factor in this case, and the SO factor will continue to be updated in each GRC. Cheung, Exh. SLC-6T at 26:14-18.
[152] Cheung, Exh. SLC-6T at 27:5-16.
[153] *Id.* at 27:5-29:13.

I. Staff's recommended process for Phase 2 is premature and unduly burdensome.

54 PacifiCorp proposes a phased approach for implementing its modified cost allocation methodology.[154] The proposed 2026 Protocol is the first phase, which primarily fixes allocations for existing generation resources and creates a mechanism for assigning new resources to specific states.[155] In Phase 2, which will begin no earlier than 2028, PacifiCorp intends to continue the transition to a more durable solution for state-specific resource portfolios. PacifiCorp identified several issues in its initial filing that it may address in Phase 2, including fixed allocation factors for other states, system allocation of transmission assets, and coal generation decommissioning costs.[156] The Company also anticipates addressing in Phase 2 any issues that arise as the 2026 Protocol is implemented in other states.[157]

55 In cross-answering testimony, Staff proposed specific procedural requirements for the Company's Phase 2 filing in Washington.[158] Staff proposes specific timelines for the Phase 2 submittal, identifies extensive informational requirements to be included in PacifiCorp's Phase 2 filing, and provides specific scenarios that must be analyzed in the Company's supporting documentation.

56 Staff's recommendations for the Phase 2 proceedings are unduly restrictive and would require PacifiCorp to expand its application with information that exceeds the scope of the intended Phase 2 cost allocation.[159] Most notably, Staff recommends that the Commission require PacifiCorp to include with its proposal a calculation of the total

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[154] Link, Exh. RTL-1T at 3:7-4:2.
[155] *See generally* Exh. RTL-2 at 2-3.
[156] Link, Exh. RTL-1T at 3:19-20, 5:17-19, 7:1-7, and 18:15-23.
[157] *Id.* at 3:19-4:2.
[158] Hawkins-Jones, Exh. JHJ-1T at 6:17-8:11.
[159] Link, TR. 157:1-15.

recovery of all costs in each jurisdiction.[160] However, Staff explained that this information regarding historical recovery is not related to cost allocations moving forward.[161] Given the scope of issues that will be addressed in Phase 2, it would be premature to impose in this docket informational requirements for the Company's Phase 2 filing[162]—particularly when the information requested is not intended to affect the ultimate cost allocation methodology analyzed in Phase 2.

57 Additionally, while PacifiCorp does not oppose discussions with interested parties to attempt to reach agreement prior to a Phase 2 filing, recent experience has demonstrated that it is difficult to reach consensus among interested parties across PacifiCorp's diverse service area. Staff's prescriptive proposal requiring certain collaborations by specific dates is not likely to result in consensus, and it would be problematic to adopt Staff's recommended timeline for a Phase 2 filing at this time.[163]

J. PacifiCorp properly seeks to recover non-NPC costs that offset NPC.

58 Through the 2026 Protocol, PacifiCorp has proposed allocating a fixed generation portfolio to Washington to offset the increases to NPC that were expected when the Company removed coal generation from rates.[164] The matching principle requires that costs and revenues be accounted for at a similar point in time.[165] In the context of setting

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[160] Hawkins-Jones, Exh. JHJ-1T at 7:9-12.
[161] Exh. JHJ-5X at 9, 12; Hawkins-Jones, TR. 397:18-399:9.
[162] Link, TR. 156:4-19.
[163] *Id.* at 155:13-156:19.
[164] Dockets UE-230172 and UE-210852 (Consolidated), Order 09/07 at ¶ 5 ("PacifiCorp submits that coal-fired resources provide economic benefits to its customers, and when these resources are removed from Washington rates, PacifiCorp's NPC will increase."; *id.* at ¶ 14.
[165] *In the Matter of the Commission Inquiry into the Valuation of Public Service Company Property That Becomes Used and Useful after Rate Effective Date*, Docket U-190531, Policy Statement on Property That Becomes Used and Useful after Rate Effective Date at 7 n.24 (Jan. 31, 2020) ("The Commission recognizes that the matching principle is also a generally accepted accounting concept that requires companies to recognize (match) revenues earned to related expenses in the same period."); *see also* Dockets UE-050684 and UE-050412, Order 04/03 at ¶ 194 ("Under the matching principle, all cost of service components—

base NPC, the Commission has emphasized that rates should reflect both the NPC benefits from resources and the costs incurred to provide those NPC benefits.[166]

59 Staff opposes the non-NPC costs allocated to Washington through the 2026 Protocol, asserting that the Commission should not consider increases to non-NPC costs in this PCORC and should instead defer recovery of non-NPC costs until PacifiCorp's next GRC.[167] The Commission should deny Staff's recommendation for multiple reasons.

60 First, deferring recovery for the non-NPC costs allocated under the 2026 Protocol but accepting the benefits of the allocated resources is inconsistent with the matching principle.[168] The non-NPC cost increases are necessary to secure the *reduction* in NPC that PacifiCorp requests in this case,[169] and therefore, customer rates should reflect both the benefits of the NPC reduction and the costs incurred to produce those benefits.

61 Second, the Commission has previously considered non-NPC costs in PCORCs.[170] Consistent with that practice, when directing PacifiCorp to file this PCORC, the Commission acknowledged that "removing coal[-]fired resources from rates is likely to have a significant effect on NPC" and specified that "it would be appropriate to consider other revenue-requirement elements that may offset increases to NPC."[171] The

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revenue, investment, expenses, and cost of capital—must be considered and evaluated at a similar point in time.") (internal quotations omitted).

[166] *Wash. Utils. & Transp. Comm'n v. Avista Corp. d/b/a Avista Utils.*, Dockets UE-090134, UG-090135, and UG-060518 (Consolidated), Order 10 at ¶ 49 (Dec. 22, 2009) ("Power cost models yield expected net power costs by rigorously matching costs and revenues."); *see also Wash. Utils. & Transp. Comm'n v. Puget Sound Energy, Inc.*, Dockets UE-090704 and UG-090705 (Consolidated), Order 11 at ¶ 153 (Apr. 2, 2010) (rejecting a recommended adjustment to NPC and noting that the "Company is correct to argue the importance of matching all costs, benefits, and other factors when rates are adjusted").

[167] Wilson, Exh. JDW-1Tr at 6:19-7:2; *id.* at 20:15-18.

[168] Dockets UE-050684 and UE-050412, Order 04/03 at ¶ 194.

[169] If NPC were calculated using the WIJAM instead of the 2026 Protocol, NPC would have increased by $80 million. PacifiCorp Workpaper WA_PCORC_2026_WA Update CONF.xls.

[170] *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy, Inc.*, Dockets UE-072300 & UG-072301 (Consolidated), Order 13 at ¶ 53 (Jan. 15, 2009).

[171] Dockets UE-230172 and UE-210852 (Consolidated), Order 09/07 at ¶ 14.

2026 Protocol has offset the NPC impact of removing coal generation, and therefore, the increased non-NPC costs allocated to Washington exemplify "other revenue-requirement elements" that the Commission sought to consider in this PCORC.[172]

62 While Staff acknowledges that the Commission's order in the 2023 GRC anticipated considering non-NPC elements in this PCORC, Staff takes issue with PacifiCorp's proposal to increase non-NPC costs in this case, because the Commission's order in the 2023 GRC "plainly focuses on adjustments that 'offset increases to NPC.'"[173] But the non-NPC costs here are exactly those adjustments that offset the increases to NPC that would have occurred under the WIJAM.[174] Staff also asserts that adjusting non-NPC costs in this case "could be viewed as violating the single-issue ratemaking principle."[175] However, the PCORC process itself is an exception to the general rule against single-issue ratemaking.[176] Moreover, the Commission specifically indicated that parties should consider other revenue requirement elements in this proceeding.[177] For these reasons, Staff's recommendation to delay recovery of non-NPC costs until the Company's next GRC should be denied.[178]

III. NET POWER COSTS

63 With the updates in the Company's rebuttal filing, PacifiCorp's request in this

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[172] Exh. RJM-15X at 1.
[173] Wilson, Exh. JDW-1Tr at 14:18-22.
[174] *See* Mitchell, Exh. RJM-1CT at 16:3-4 (comparing NPC request in direct filing under the 2026 Protocol to NPC impact under the WIJAM); Exh. RJM-15X at 1.
[175] Wilson, Exh. JDW-1Tr at 16:3-4.
[176] Dockets UE-072300 and UG-072301 (Consolidated), Order 13 at ¶ 26 ("[T]he PCORC allows single-issue rate making . . . to recover all changes in power supply costs[.]").
[177] Dockets UE-230172 and UE-210852 (Consolidated), Order 09/07 at ¶ 14.
[178] Staff also expressed a concern about potential double-recovery of costs if the Commission approves situs assigning Chehalis to Washington customers. Wilson, Exh. JDW-1Tr at 16:13-17:2. However, PacifiCorp intends to file deferrals to remove the cost of Chehalis from rates in the other states until the next GRCs, which will address any risk of double-recovery. Steward, Exh. JRS-2T at 18:16-18.

case would result in a $1.5 million *decrease* to base NPC compared to current rates.[179] PacifiCorp calculates this estimate by applying the revised allocations proposed in the 2026 Protocol. For comparison, under the WIJAM, NPC would *increase* by approximately $80 million compared to PacifiCorp's NPC request in this case.[180]

A. An accurate system-wide forecast is necessary to ensure accurate Washington-allocated NPC.

64 The goal of a PCORC proceeding is "to set the Company's power cost baseline as close as possible to the forecasted power costs during the rate year, based on the most up-to-date information."[181] The Commission has emphasized the importance of determining "with the greatest degree of precision that forward looking models can produce, an accurate estimate of actual costs that [the utility] will experience in the near and intermediate terms."[182] Central to an accurate NPC forecast is including realistic inputs and assumptions in the modeling so the model reflects, as accurately as possible, actual operations. Here, PacifiCorp's NPC forecast is based on reasonable, real-world inputs, which creates an accurate overall NPC forecast and should be approved.

65 PacifiCorp allocates costs to Washington customers through a two-step process. First, the Company forecasts its system costs using the Aurora model, which is an industry-standard forecasting tool.[183] Second, the Company allocates a share of the total-system costs to Washington using the agreed-upon spreadsheet method included in the WIJAM, and this framework remains under the 2026 Protocol.[184] Importantly, the allocation step relies on the accuracy of the forecast from the first step; if the total-system

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179 Exh. RJM-15X at 1.
180 PacifiCorp Workpaper WA_PCORC_2026_WA Update CONF.xls.
181 Docket UE-200980, Order 05 at ¶ 13; Dockets UG-040640 *et al.*, Order 06 at ¶ 108.
182 Docket UG-040640 *et al.*, Order 06 at ¶ 107.
183 Mitchell, Exh. RJM-13CT at 4:21-5:5.
184 *Id.* at 5:6-11.

forecast is inaccurate, the share of those system costs allocated to Washington will also be inaccurate.[185]

66 Parties have conflated those two separate processes and asserted that the spreadsheet method forecasts NPC,[186] which has led to recommendations that will necessarily result in an inaccurate forecast. Most notably, AWEC asserts that the Commission need not consider whether the Company accurately forecasts its coal and gas plants, because those facilities are not included in Washington rates.[187] However, while certain resources are not included in Washington rates, those resources continue to operate in the Company's system and PacifiCorp includes those resources in its dispatch decisions.[188] An accurate forecast of the Company's total-system costs therefore must include an accurate forecast of these non-Washington-allocated resources. Additionally, to accurately forecast how PacifiCorp will dispatch its resources in the forecast year, the total-system forecast must consider physical and operational requirements necessary to ensure the entire system operates safely and reliably, such as transmission constraints and reserve requirements.[189]

67 Moreover, resources that are not included in Washington rates still provide benefits to Washington customers through PacifiCorp's integrated system.[190] Even under the proposed 2026 Protocol, Washington has insufficient dispatchable resources to fully integrate its level of renewable resources.[191] The dispatchable resources in PacifiCorp's eastern balancing authority area provide real, tangible benefits to Washington customers

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[185] *Id.* at 7:16-20.
[186] Mullins, Exh. BGM-1CT at 17:16.
[187] *Id.* at 17:20-21.
[188] *See* Mitchell, Exh. RJM-13CT at 52:16-21 (discussing the Company's "dispatch stack").
[189] *Id.* at 3:3-10, 11:2-11.
[190] *Id.* at 11:14-13:16.
[191] *Id.* at 11:14-19; Wilding, Exh. MGW-5CT at 6:15-22.

by integrating and providing essential ancillary services required for the renewable resources included in Washington rates.[192] Washington rates would undoubtedly increase if Washington were assigned sufficient dispatchable resources to fully integrate Washington-assigned renewable resources.[193]

68 Finally, system-wide forecast accuracy is necessary to avoid rate volatility by ensuring comparability between forecasted and actual NPC, which is trued-up in the PCAM.[194]

B. PacifiCorp's wind generation modeling reflects real world system constraints and produces a forecast that exceeds historical generation levels.

1. PacifiCorp's overall wind forecast is reasonable.

69 The best measure of reasonableness is whether the overall forecasted wind generation is consistent with historical production. PacifiCorp forecasts [redacted] MWh of wind generation in 2026, which is higher than any year in the historical record.[195] Indeed, actual generation data from 2025, extrapolated to reflect a full year, is [redacted] MWh.[196] The Company's forecast is therefore [redacted] percent *higher* than the year with the highest actual wind generation. This [redacted] MWh of incremental wind generation in the Company's forecast reasonably accounts for the *one* recently energized wind resource coming into service in 2025.[197]

70 AWEC argues its adjustment is designed to create consistency between historical

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[192] Mitchell, Exh. RJM-13CT at 11:14-12:4. The support and integration services provided by PacifiCorp's coal and natural gas plants is discussed in greater detail below in relation to AWEC's wind forecasting adjustment.
[193] *Id.* at 14:9-14.
[194] *Id.* at 8:20-9:10.
[195] *Id.* at 69:16-70:1.
[196] *Id.* at 69:13-16.
[197] *Id.* at 69:8-12.

and forecast generation.[198] But AWEC's modeling results are facially unreasonable and excessive when compared to historical generation. AWEC forecasts [redacted] MWh, which is [redacted] MWh—[redacted] percent—higher than 2025.[199] Even accounting for recently acquired Company-owned generation, AWEC's forecast is not supported by historical, actual generation data and produces patently unreasonable results.

2. AWEC's modeling is unrealistic and would jeopardize reliability if implemented in actual operations.

71 AWEC's excessive wind generation results from AWEC's entirely unrealistic modeling. Before addressing the substantive errors in AWEC's modeling, however, it is critical to emphasize that what AWEC has called "curtailment" in Aurora is not a measure of or comparable to curtailment that would occur in the real world. Instead, AWEC observes that wind generator availability—a model input—exceeds Aurora's modeled wind generation—a model output—and AWEC refers to this difference as "curtailment."[200] Thus, when AWEC claims that the Company's modeling "curtails" wind generation by 21 percent, that claim must be measured against the fact PacifiCorp's modeling produces a wind generation forecast that is [redacted] percent *higher than any historical year* and therefore produces a generation forecast that is generally consistent with (and in fact exceeds) historical levels,[201] inclusive of any curtailment that historically occurred in actual operations.

72 Moreover, despite AWEC's claims that the Company's model "penalizes" wind generation, there are relatively few substantive differences between the Company's and

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[198] Mullins, TR. 458:8-11.
[199] Mullins, Exh. BGM-1CT at 23, Confidential Table 2; Mitchell, Exh. RJM-13CT at 69:13-70:1.
[200] Mullins, TR. 462:2-6.
[201] Mitchell, Exh. RJM-13CT at 70, Confidential Figure 1.

AWEC's modeling. The Company and AWEC both model wind resources as "must run" generation in Aurora; the Company and AWEC both model wind generation using a dispatch price that ensures wind will always dispatch ahead of thermal generation; and the Company and AWEC agree that there are certain limited circumstances where Aurora cannot produce a feasible dispatch solution, due to binding constraints imposed on the model.[202] Those constraints mirror the real world and reflect, for example, transmission congestion, physical operating limits of thermal generators, and North American Electric Reliability Corporation (NERC) imposed reliability requirements.[203] The Company and AWEC agree that when Aurora cannot produce a dispatch solution, the model must relax one or more of the binding constraints.[204] And this is where the Company and AWEC disagree.

73 The Company's modeling prioritizes (1) serving load; (2) meeting its NERC-imposed reliability obligations (i.e., holding sufficient contingency and regulation reserves); (3) maintaining the minimum stable physical operating levels for thermal generation to ensure the plants do not trip offline and compromise system safety and reliability; and (4) generating wind energy.[205] In other words, if the model encounters binding constraints where it cannot find a dispatch solution, the Company's modeling will decrease wind generation before compromising system safety and reliability, consistent with actual operations. Aurora does not presume or build in any specific level of curtailment; it results from least-cost security-constrained dispatch within the model,

[202] *Id.* at 52:15-54:2; Mullins, TR. 468:25-469:3; Zacharia, Exh. IZ-2T at 7:2-17.
[203] Mitchell, TR. 227:15-228:5; Mitchell, Exh. RJM-13CT at 53:14-54:2.
[204] Mitchell, TR. 227:25-228:5; Mullins, TR. 468:14-20.
[205] Zacharia, Exh. IZ-2T at 9:3-25.

i.e., curtailment is not predetermined or input into the model by PacifiCorp.[206]

74 AWEC's modeling, on the other hand, reversed this order making wind generation the top priority after serving load, meaning that AWEC's adjustments to the model ensured that wind would generate even if doing so compromised system reliability, by either modeling insufficient reserve holdings or modeling thermal plants operating below their physical limitations.[207] And to be clear—these were the only changes AWEC made, meaning that its entire adjustment and "21 percent curtailment" go away if the model prioritizes reliability over wind generation.[208] In the real world, the Company cannot operate its system according to AWEC's re-ordered modeling priorities. Therefore, AWEC's modeling violates the most basic tenet of NPC forecasting, which is to ensure the model reflects actual operations. Because AWEC's modeling was divorced from reality, it is not surprising that the modeling produces results that are also divorced from reality, i.e., an overall wind forecast that is [redacted] percent higher than any historical year.

75 At hearing, AWEC conceded that its modeling produced insufficient reserves that would violate applicable NERC requirements if implemented in actual operations.[209] But AWEC defended this modeling by illogically arguing that as the model increases wind generation it is reasonable to also model fewer reserves, which is the exact opposite of reality.[210] Higher intermittent generation necessitates higher regulation reserve requirements, and the corresponding modeling of greater reserves.[211] AWEC's argument

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[206] Mitchell, TR. 228:6-25.
[207] Zacharia, Exh. IZ-2T at 9:28-11:2; Mitchell, Exh. RJM-13CT at 63:8-64:17.
[208] Zacharia, Exh. IZ-2T at 11:6-12; Mitchell, Exh. RJM-13CT at 63:8-65:9.
[209] Mullins, TR. 469:9-18.
[210] *Id.* at 500:7-501:11.
[211] *See* PacifiCorp's 2025 Integrated Resource Plan, Vol. II: Appendix F – Flexible Reserve Study at 111 (Mar. 31, 2025).

is particularly illogical in the context of Aurora, which has perfect foresight and will never have to call on its reserve holdings because the model knows the wind forecast for every hour of the year.[212]

76 AWEC also claims the Company's modeling here is new.[213] But as AWEC acknowledges, the Company has used the same modeling since the 2023 GRC.[214] And Aurora has consistently over-forecast wind generation when compared to actual operations, providing further evidence that AWEC's overall forecast is unreasonable.[215]

3. Aurora reasonably reduces wind generation to account for transmission constraints.

77 At limited times, actual wind generation on the Company's system is restricted by transmission system limitations, e.g., the well-understood constraints in eastern Wyoming.[216] Aurora appropriately reflects these constraints and when the model encounters a transmission constraint (i.e., the model cannot produce a feasible dispatch solution), the model will take appropriate action to prioritize system reliability and, if necessary to do so, reduce wind generation.[217] In this way, the model mirrors actual system operations, as evidenced by the fact PacifiCorp's model results are generally consistent with actual generation levels, while AWEC's are not.[218]

78 AWEC claims there is "ample transmission capability in" Aurora and that congestion should impact neither real world nor modeled wind generation.[219] But there is only "ample transmission capability" if the model holds less-than-required reserves and

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[212] *See* Mitchell, TR. 217:9-18 (discussing Aurora's perfect foresight in wind forecasting).
[213] Mullins, TR. 475:6-9.
[214] Mullins, Exh. BGM-1CT at 22:7-9.
[215] Mitchell, Exh. RJM-13CT at 70, Confidential Figure 1.
[216] Mitchell, Exh. RJM-13CT at 56:4-22.
[217] Zacharia, Exh. IZ-2T at 10:26-29; Mitchell, Exh. RJM-13CT at 63:2-65:9.
[218] Mitchell, Exh. RJM-13CT at 70, Confidential Figure 1.
[219] Mullins, Exh. BGM-1CT at 33:17-34:9.

operates thermal units below their physical limits.[220] In other words, AWEC finds "ample transmission" in a way that cannot be acted on in the real world. At hearing, AWEC pointed to the Pryor Mountain wind project as evidence that PacifiCorp's modeling, not transmission constraints, limit wind generation in Aurora.[221] But Pryor Mountain is in Montana, not behind the same transmission constraint that impacts eastern Wyoming wind resources. So, it is not surprising that Pryor Mountain is subject to fewer modeling constraints because it is subject to fewer real-world constraints.

79 AWEC also testifies extensively that wind curtailments in Aurora are caused by "oversupply" where the model has nowhere for the generation to go.[222] However, the model has nowhere for the generation to go because of transmission constraints, so AWEC's description of "oversupply" is more accurately AWEC describing the impact of transmission constraints, which are present in actual operations and reasonably reflected in the model.[223] Moreover, if too much generation is the problem that causes wind curtailments in the model, then one would logically assume that a model with no wind curtailments would have less generation (i.e., less "supply"). But AWEC's "wind must run" modeling has virtually the same level of "supply" as the Company's modeling.[224] Indeed, after accounting for all AWEC's various modeling changes (including its hedging, day-ahead/real-time (DA/RT), and market cap modeling), AWEC produces more "supply" than PacifiCorp, undermining AWEC's insistence that oversupply is the cause of wind curtailments in Aurora.[225]

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220 Zacharia, Exh. IZ-2T at 10:29-11:2; Mitchell, Exh. RJM-13CT at 63:2-65:9.
221 Mullins, TR. 472:11-18.
222 *See, e.g.,* Mullins, Exh. BGM-1CT at 35:12-13.
223 Mitchell, TR. 227:15-228:5.
224 *Compare* BGM-15CX (Cell D602, identifying total generation of [redacted] MWh) *with* BGM-13CX (Cell D602, identifying total generation of [redacted] MWh).
225 BGM-19CX (Cell D602, identifying total generation of [redacted] MWh).

80 Finally, AWEC claims that modeling curtailment in Aurora is unnecessary because the historical data used to develop the wind generation inputs already reflects curtailments that occurred in actual operations.[226] AWEC's argument, however, ignores two critical facts. First, only 35 percent of the wind generation inputs are derived from historical data.[227] Second, many repowered resources came back online at different times so not all projects were simultaneously online during the entirety of 48-month historical period used to determine wind generation inputs.[228] Therefore, early projects' generation data reflects conditions when fewer projects were online and therefore had less competition for transmission, so those input generation data are inflated relative to current and future conditions.

4. Coal generation is not limiting wind generation.

i. AWEC's increased wind generation far exceeds decreased coal generation.

81 AWEC claims a "major part of [modeled] wind curtailments" are caused by increased coal generation, presenting the issue as an either/or proposition—the model can have either wind generation or coal generation but not both.[229] But AWEC's own analysis does not support this conclusion. AWEC's "wind must run" modeling increased wind generation by [redacted] MWh but reduced coal generation by only [redacted] MWh.[230] And of the [redacted] MWh of reduced coal generation, [redacted] MWh was generation below the physical limits of the plants, which is impossible in the real

[226] Mullins, TR. 471:24-472:5.
[227] PacifiCorp's Response to Bench Request No. 2 at 2 (Oct. 22, 2025).
[228] *Id.*
[229] Mullins, Exh. BGM-1CT at 24:13-16; *see also id.* at 22:1-7.
[230] *Id.* at 23, Conf. Table 1; BGM-15CX (Cell D545, total coal generation of [redacted] MWh); BGM-13CX (Cell D545, total coal generation of [redacted] MWh).

world.[231] If AWEC's claim that coal generation is crowding out wind generation is correct, then AWEC's analysis should demonstrate this fact by showing reduced coal generation in proportion to increased wind generation. Instead, taking AWEC's modeling at face value (and ignoring the fundamental flaws discussed above that invalidate it entirely), AWEC's modeling shows that *at best* reduced coal generation represented only [redacted] percent of the increased wind generation modeled by AWEC, meaning coal generation is not a "major part" of modeled wind curtailments.

ii. PacifiCorp economically dispatches coal units, both in actual operations and in Aurora.

82 AWEC also claims that PacifiCorp uneconomically dispatches coal units at the expense of wind generation.[232] To support this claim, AWEC performed a stand-alone Aurora study where AWEC removed all contractual minimum purchase obligations and priced all coal at the highest price included in each contract, instead of the marginal price.[233] These assumptions do not mirror reality, however, because the Company must contract for coal in order to have a reliable supply and doing so requires an annual commitment to purchase a specified volume.[234] Removing that minimum purchase obligation, as AWEC has done, would undoubtedly increase the price.[235] AWEC's modeling, however, assumes the Company can obtain the same reliable coal supplies with no adjustment in price and without any supply commitment, which are real world impossibilities. Moreover, despite AWEC's claim that its stand-alone study demonstrates

[231] Mitchell, Exh. RJM-13CT at 63:1220.
[232] Mullins, Exh. BGM-1CT at 36:8-21.
[233] Zacharia, Exh. IZ-2T at 13:7-14:2.
[234] Mitchell, Exh. RJM-13CT at 66:6-67:3.
[235] *Id.* at 66:10-15.

uneconomic coal dispatch, overall NPC *increases* under AWEC's modeling.[236]

83 At hearing, AWEC specifically pointed to coal supply agreements for the Hunter and Huntington coal plants as a source of uneconomic dispatch and increased wind curtailments.[237] But in AWEC's "wind must run" modeling, there was [redacted].[238] If those plants were causing curtailments, then presumably their generation should [redacted] in a model run that eliminates curtailments. In reality, [redacted] percent of the reduced coal generation in AWEC's "wind must run" modeling is from three coal plants located in eastern Wyoming, behind the same transmission constraint that impacts wind generation (and most of that reduced generation is below the plants' physical minimums, in violation of safe and reliable operations).[239]

84 AWEC also claims that ignoring coal supply agreements reduced curtailments by [redacted] percent.[240] In actuality, what this means is that wind generation increased by [redacted] percent less than AWEC's "wind must run" modeling. But in both scenarios, AWEC was able to achieve increased wind generation only by ignoring real world constraints and modeling physical or contractual impossibilities.

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[236] *Compare* Exh. BGM-21CX (Cell D296, identifying NPC of $[redacted] *with* Exh. BGM-13CX (Cell D296, identifying NPC of $[redacted]).
[237] Mullins, TR. 483:16-22.
[238] *Compare* Exh. BGM-13CX *with* Exh. BGM-15CX (compare cells D539 (Hunter) and D540 (Huntington)).
[239] *Compare* Exh. BGM-13CX *with* Exh. BGM-15CX (compare cells D537 (Dave Johnston), D541 (Bridger), and D543 (Wyodak)).
[240] Mullins, Exh. BGM-1CT at 37:3-9; Mullins, TR. 489:22-25.

iii. Total-system operations must be realistically modeled to produce a reasonable Washington-allocated NPC forecast.

85 Even though the coal units are not included in Washington rates they undoubtedly benefit Washington customers. First, PacifiCorp's NPC forecast begins with a total-company simulation and then allocates specific resources from that forecast to Washington.[241] This two-step process—forecast then allocate—has been used since the WIJAM was adopted and ensures an accurate NPC forecast that can then be fairly reconciled in the PCAM. Neither the Company nor any party has proposed a different two-step process for allocating NPC to Washington. Accurately modeling the entire system—including resources that are not allocated to Washington—is therefore critical to setting Washington NPC.

86 Second, Washington does not have sufficient dispatchable resources to fully integrate its level of intermittent resources.[242] This means that resources that are not included in Washington rates, like Wyoming coal plants, are providing real, tangible benefits to Washington customers. The Wyoming coal plants are particularly critical because they both integrate wind generation by dispatching around changes in the wind and provide critical inertia that enables the transmission system to reliably operate.[243] Even Public Counsel agrees coal units provide ancillary service benefits to Washington.[244] The value of these thermal resources is also understated in Aurora because the model can use perfect foresight to make market purchases of any amount over any time period without regard for the 25-megawatt (MW) block products available

[241] Mitchell, Exh. RJM-13CT at 4:23-5:11.
[242] *Id.* at 11:14-12:4, 67:18-68:8.
[243] Mitchell, TR. 262:25-263:16.
[244] Earle, TR. 409:24-410:7.

in the actual market.[245] Aurora therefore balances the system around wind using market purchases that cannot be made in actual operations.

87 Third, creating an unrealistic total-Company model, as AWEC has done, can create unintended consequences when allocating resources to Washington. Indeed, in this case, AWEC's "wind must run" model reduces Washington's open position by [redacted] percent, reducing the $[redacted] balancing adjustment credit to only $[redacted].[246]

5. The PCAM mitigates but does not eliminate the adverse consequences of an inaccurate NPC forecast.

88 The NPC forecast should be set as accurate as possible, despite the fact that the PCAM offers an opportunity for an after-the-fact true-up. An accurate forecast supports rate stability by minimizing the degree and frequency of PCAM rates adjustments.[247] The delay in cost recovery through the PCAM, together with the dead and sharing bands, also prevents full and timely recovery of prudently incurred NPC.[248] Therefore, while the PCAM will mitigate the impact of an NPC forecast with excessive wind generation (as AWEC proposes), the PCAM does not eliminate the impact of, and should not be viewed as a substitute for, setting an accurate NPC forecast based on the real world and reflecting physical and reliability constraints that impact system dispatch.

C. Hedging transactions should be modeled in Aurora to match actual operations.

1. The Company hedges in actual operations.

89 The Company's NPC forecast has always included executed hedging transactions, whether executed prior to the initial filing, during a case if NPC is updated, or prior to the

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[245] Zacharia, Exh. IZ-2T at 15:5-21.
[246] *Compare* Exh. BGM-12CX *with* Exh. BGM-14CX (compare sum of cells D23 and D27).
[247] Mitchell, Exh. RJM-13CT at 14:15-19.
[248] *See* Mitchell, TR. 222:14-23 (discussing delayed recovery of hedging costs through the PCAM).

compliance filing.[249] In this case, the Company has not proposed a new or different treatment for hedges. Rather, the Company has continued to include already executed hedging transactions in the forecast and PacifiCorp also included forecasted hedging volumes in Aurora to capture the hedging activity that is known to occur but not finalized; both actual and forecasted hedges are modeled in the exact same way.[250] Including forecasted hedges better reflects actual operations, where there is no doubt PacifiCorp will be hedging in the forward markets, and is directly responsive to prior concerns that the forecast contains insufficient hedging.[251]

90 To determine the forecasted volumes, PacifiCorp ran Aurora without any hedges to determine the degree to which the model relied on spot market purchases to meet system load. PacifiCorp then added hedges in Aurora up to the point where the Company was hedged in accordance with its risk management policy.[252] The Company then compared the modeled hedge volumes to historical actual hedge volumes and confirmed the forecast (3.6 million MWh) is consistent with actual, historical forward market transactions (3 million MWh in 2023 and 3.4 million MWh in 2024).[253]

91 Including forecast hedges in the modeling captures the transaction costs incurred by PacifiCorp to balance its system around the 25-MW, quarterly block products available in the forward markets.[254] These costs include selling back unneeded energy at lower prices and making smaller, more precise and higher cost purchases to fill gaps.[255] These are real costs that the Company will incur in operations regardless of the after-the-

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[249] Mitchell, TR. 220:9-222:9.
[250] *Id.* at 221:13-222:1.
[251] Mitchell, Exh. RJM-13CT at 23:11-17; Exh. BGM-9X at 14:8-15:11.
[252] Mitchell, Exh. RJM-13CT at 26:1-27:8.
[253] *Id.* at 23:11-17.
[254] *Id.* at 25:1-8, 46:3-47:9.
[255] *Id.* at 46:10-47:9.

fact value of an executed hedge.[256] Aurora's perfect foresight and ability to transact in precisely sized and timed increments to meet load does not reflect the transaction costs incurred when the Company's hedges in actual operations.[257]

2. Staff largely supports the Company's modeling.

92 At hearing, Staff explained it was "mostly convinced . . . that the Company's [hedging] proposal is reasonable."[258] Staff agrees that modeling hedges is a "legitimate issue," there "needs to be a solution," "there's not an ideal way to get at" it, and Staff has no "better approach to propose[.]"[259] Staff agrees the Company must execute hedges and therefore hedges are "known" and that each step in the Company's analysis is "reasonable."[260]

93 Staff, however, is concerned that the Company did not verify the overall reasonableness of the hedging modeling.[261] But the Company did verify its modeling in two ways. First, PacifiCorp verified that the volumes identified for inclusion in Aurora (based on the two modeling runs described above) were consistent with historical hedging volumes.[262] Second, PacifiCorp performed a benchmark study of 2020 NPC that verified that Aurora accurately models around hedges, i.e., when the actual known hedges for 2020 were fixed as inputs in the model (together with all other known market conditions), Aurora produced an accurate forecast.[263]

94 Staff is also concerned that applying the DA/RT pricing to the sale of unused

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[256] *Id.* at 47:21-48:13.
[257] Mitchell, TR. 223:8-15.
[258] Wilson, TR. 370:7-10.
[259] *Id.* at 373:22-375:9.
[260] *Id.* at 371:3-372:24.
[261] *Id.* at 370:11-371:11.
[262] Mitchell, Exh. RJM-13CT at 23:12-16.
[263] Mitchell, TR. 193:7-195:18.

portions of a hedge means that every transaction will result in a loss.[264] This outcome, however, reasonably reflects the fact that system balancing sales—on the whole—result in a net cost to PacifiCorp. The DA/RT takes the historical average sales price and compares it to the historical average monthly price to arrive at a downward price adjustment, reflective of the fact that in the aggregate system sales occur at a price that is lower than the monthly average price.[265] The calculation accounts for the fact that some historical transactions were at a price higher than the monthly average and some were lower, but in the aggregate, accounting for all sales, the historical sales price was lower than the monthly average. Put another way, the net impact of historical sales is a loss compared to the monthly average price even though some sales will be higher than the monthly average. The same is true for hedges; in the aggregate there is a loss even though not every transaction will result in a loss. Staff's concern is therefore misplaced because the potential sales that occur at a price higher than the monthly average will act to reduce the overall price adjustment from the DA/RT as those sales are included in the historical averages.

3. The hedging adjustment is not duplicative of the DA/RT adjustment.

95 AWEC acknowledges that balancing around hedges may impose additional costs but argues that those costs are already reflected in the DA/RT adjustment.[266] AWEC claims that including hedges in the forecast double-counts costs associated with balancing around 25-MW blocks of purchased power.[267] But AWEC's testimony

[264] Wilson, TR. 375:13-25.
[265] Mitchell, TR. 173:1-23; Mitchell, Exh. RJM-13CT at 74:3-8.
[266] Mullins, Exh. BGM-1CT at 57:14-58:2.
[267] *Id.* at 56:5-57:4.

misleadingly and incorrectly quotes Company testimony to make this point.[268] In fact, the DA/RT adjustment applies to day-ahead and real-time transactions, which occur on a different timeline than hedges procured in the forward market (i.e., months or years in advance).[269] The Company has been clear since the DA/RT was first instituted that it does not include hedges.[270] The products subject to the DA/RT and hedging are also different; although both markets utilize 25-MW blocks of power, hedges purchase those blocks exclusively on a quarterly basis, meaning the same energy is delivered in the same hours for an entire quarter.[271] This is fundamentally different from the eight-hour or sixteen-hour block products subject to the DA/RT.[272] Although the logic behind the transaction costs in the DA/RT and the hedging adjustment is fundamentally the same, there is no overlap because the markets and products are different.

4. PacifiCorp's modeling of a Washington hedge book is reasonable.

96 Consistent with prior direction, the Company's modeling also includes Washington-specific hedges designed to allow the Company to better manage NPC on behalf of Washington customers.[273] The Washington-specific hedges will be based on a state-specific assessment of resource adequacy position based on Washington load, resources allocated to Washington, and a planning reserve margin.[274] To account for the creation of a Washington-specific hedge book, the NPC forecast includes a specific line-

[268] Mitchell, Exh. RJM-13CT at 43:16-45:12.
[269] *Id.* at 40:2-41:10.
[270] *See In the Matter of PacifiCorp, dba Pacific Power, 2017 Transition Adjustment Mechanism*, Public Utility Commission of Oregon Docket No. UE 307, Order No. 16-482 at 12 (Dec. 20, 2016) (explaining the DA/RT adjustment "excludes hedging transactions").
[271] Mitchell, Exh. RJM-13CT at 25:1-6, 46:3-9.
[272] *Id.* at 40:1-41:10; Mitchell, TR. 177:18-21.
[273] Wilding, Exh. MGW-1CT at 11:21-22; Mitchell, Exh. RJM-13CT at 31:6-10.
[274] Wilding, Exh. MGW-1CT at 12:6-7.

item for Washington-specific hedges.[275] The volume of these transactions is calculated in the same manner as the hedges discussed above and modeled in an identical manner.

D. The Company's imposition of market caps at all trading hubs accurately reflects current market dynamics and lack of liquidity across the West.

97 Consistent with the modeling in prior cases, PacifiCorp recommends continuing to apply market capacity limitations to all market hubs.[276] Market caps are parameters included in Aurora to simulate real-world conditions by placing limitations on the Company's ability to make bilateral sales at illiquid market hubs.[277] The Company included market caps in its modeling for many years, and beginning with the 2021 PCORC, the Company imposed market caps on all market hubs.[278] In the Company's last GRC, AWEC proposed removing market caps from the Mid-Columbia (Mid-C), Palo Verde, and Four Corners market hubs, but withdrew that recommendation.[279] AWEC again recommends removing market caps from these hubs in this proceeding, which substantially increases the level of off-system sales far beyond what can be achieved in actual operations.[280]

98 Market caps are designed to model transactional constraints that exist at illiquid market hubs in actual operations.[281] Today, as a result of evolving market dynamics, there are no liquid market hubs.[282] The volume of Company sales have been in constant

[275] Mitchell, Exh. RJM-13CT at 31:11-18.
[276] Mitchell, Exh. RJM-1CT at 33:2-5.
[277] Mitchell, Exh. RJM-13CT at 78:13-19.
[278] Exh. RJM-4C at 4:3-6.
[279] *Id.* at 4:9-10; Dockets UE-230172 and UE-210852 (Consolidated), Order 08/06 at ¶¶ 258, 292 (Mar. 19, 2024).
[280] Mullins, Exh. BGM-1CT at 61:13-20.
[281] Mitchell, Exh. RJM-13CT at 78:11-19; Exh. RJM-4C at 6:17-21.
[282] Exh. RJM-4C at 7:3.

decline for over five years, and energy shortfalls have increased across the region.[283] The Company is not unique in this regard; the total volume of transactions in regional, bilateral wholesale markets has steadily declined in recent years.[284] The limited availability of sales opportunities is further evidenced by the increased magnitude and duration of energy emergency alerts in the West.[285]

99 The Company further supported the need to impose market caps at the Mid-C, Palo Verde, and Four Corners trading hubs through an undisputed benchmarking study comparing the modeled real-time sales volumes and historical real-time sales volumes in 2020. Without market caps, Aurora modeled sales volumes that significantly exceeded the historical sales volumes.[286] Accordingly, including market caps in the model is consistent with prior practice and aligns with the Commission's objective of determining "with the greatest degree of precision that forward looking models can produce, an accurate estimate of actual costs that [the utility] will experience in the near and intermediate terms."[287]

100 Conversely, AWEC's recommendation to remove market caps from the Mid-C, Palo Verde, and Four Corners trading hubs is not supported by evidence in the record. When AWEC removed market caps, AWEC's modeled sales volumes increased from [redacted] MWh to [redacted] MWh.[288] Not only is this a dramatic [redacted] percent increase, it

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[283] Mitchell, Exh. RJM-13CT at 78:6-9; Mitchell, Exh. RJM-1CT at 30, Confidential Figure Market Sales Down.
[284] Mitchell, Exh. RJM-13CT at 79:7-9.
[285] *Id.* at 79:10-13; s*ee also* Exh. RJM-4C at 7:10-17.
[286] Mitchell, Exh. RJM-1CT at 32:5-33:10.
[287] Dockets UG-040640 *et al.*, Order 06 at ¶ 107.
[288] *Compare* Exh. BGM-17CX at 5, Cell D352 *with* Exh. BGM-19CX at 5, Cell D352. At hearing, PacifiCorp compared AWEC's modeled sales volumes to the Company's forecast. Mullins, TR. 449:23-450:16. However, AWEC asserted that it conducted its modeling sequentially and included its market caps adjustment only in its final model; as a result, AWEC asserted that its case study that removed market caps

far exceeds any historical level of sales going back to [redacted] it is more than [redacted] percent higher than 2024 actual sales, and it is directly contrary to recent trends toward [redacted].[289] These entirely unrealistic sales volumes translate directly into unrealistic sales revenues—removing market caps increased sales revenue by nearly [redacted] percent relative to AWEC's own modeling, including its wind and hedging adjustments.[290] And the entirety of the increase is caused by increased sales at Mid-C ([redacted] percent increase) and Four Corners ([redacted] percent increase).[291] AWEC provided *no* evidence that the Company can achieve such increased sales at Mid-C and Four Corners.

E. The Company's correction to the DA/RT volume component is reasonable.

101 PacifiCorp recommends an adjustment to the DA/RT volume component to correct an erroneous calculation.[292] AWEC asserts that the Commission refused to adopt this same correction in the Company's 2023 GRC.[293] However, in the 2023 GRC, the Commission was primarily concerned with the fact that PacifiCorp proposed the correction in its rebuttal filing.[294] In response to the Commission's decision, PacifiCorp proposed the correction in its initial filing in this case.

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from certain trading hubs in Exh. BGM-19CX would also have been affected by AWEC's preceding case studies. *Id.* at 482:20-25; *see also id.* at 449:18-22 (discussing "moving parts" that would allegedly affect comparison of sales revenue). The Company's modeling also produced sales volumes of [redacted], which was roughly the same as AWEC's modeling including its adjustments to wind generation and hedging. *Id.* at 450:3-7. The increase in sales reflected here compares AWEC's case study removing market caps to the prior step in AWEC's sequential modeling, and therefore isolates the result of AWEC's final case study, which changed only market caps and the DA/RT adjustment.

[289] Mitchell, Exh. RJM-1CT at 30, Confidential Figure Market Sales Down; Mullins, TR. 450:19-451:23.

[290] *Compare* Exh. BGM-17CX at 1, Cell D46 *with* Exh. BGM-19CX at 1, Cell D46.

[291] *Compare* Exh. BGM-17CX at 1, Cells D38 and D40 *with* Exh. BGM-19CX at 1, Cells D38 and D40. Mid-C and Four Corners alone increased by [redacted], relative to an overall increase of only [redacted].

[292] Mitchell, Exh. RJM-13CT at 75:2-17.

[293] Mullins, Exh. BGM-1T at 59:6-9.

[294] Dockets UE-230172 and UE-210852 (Consolidated), Order 08/06 at ¶ 311.

102 As background, the Company uses the DA/RT adjustment to incorporate system balancing costs that are not reflected in the Company's Official Forward Price Curve or modeled in Aurora.[295] The Commission authorized the DA/RT adjustment in the Company's 2020 GRC, and the Company applied the DA/RT adjustment in the 2021 PCORC and the 2023 GRC.[296]

103 The volume component of the DA/RT adjustment reflects additional transaction volumes to account for the market's standard 25 MW block products, which are purchased or sold in the day-ahead and real-time markets.[297] In the Company's rebuttal filing in the 2023 GRC, PacifiCorp corrected an error in in the DA/RT adjustment.[298] The purpose of the volume component is to adjust system balancing transaction volumes to reflect the *inefficiencies* and associated *costs* incurred in actual operations.[299] In the 2023 GRC, due to unusual market conditions reflected in the historical data, the old, erroneous calculation produced a downward adjustment to the NPC forecast.[300] When a calculation that is designed to simulate *costs* associated with real-world trading *inefficiencies* produces substantial and unrealistic *revenue*, the result is necessarily erroneous.[301] PacifiCorp proposed a correction that resolved this error.[302]

104 While the Commission declined to adopt the Company's correction in the 2023 GRC, the Commission's decision was based primarily on the fact that the Company introduced the correction in rebuttal testimony.[303] Indeed, the Commission was clear that

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[295] *See* Exh. RJM-6C at 2.
[296] Dockets UE-230172 and UE-210852 (Consolidated), Order 08/06 at ¶ 310.
[297] Mitchell, Exh. RJM-13CT at 74:9-17; Exh. RJM-8 at 2:9-14.
[298] Exh. RJM-8 at 2:17-23.
[299] *Id.* at 2:18-20; Mitchell, Exh. RJM-13CT at 75:2-4.
[300] Mitchell, Exh. RJM-13CT at 75:4-8.
[301] *Id.* at 75:9-17.
[302] Exh. RJM-8 at 3:11-4:3.
[303] Dockets UE-230172 and UE-210852 (Consolidated), Order 08/06 at ¶ 311.

it "reserve[d] the right to revisit this issue in the near future once we have obtained the necessary evidence to analyze and give due consideration to the means and methodology used to calculate the update to the DA/RT adjustment."[304] The more developed record here fully supports correcting the adjustment to remove the clearly erroneous formula error.[305]

105 AWEC offers very little substantive objection to the correction, only arguing that there is no reason to fix the volume component because all it does is add equal and offsetting fictional transactions to the NPC forecast.[306] AWEC is correct that the DA/RT adjustment introduces equal and offsetting sales and purchase volumes, but the cost of those sales and purchases is *not* equal and offsetting because the DA/RT adjustment is designed to reflect the *costs* incurred when balancing the system.[307] Under the calculation AWEC supports, the DA/RT was pricing these offsetting volumes in a way that generated revenue, meaning the adjustment assumed the Company could simultaneously buy a block of power and sell that same block at a higher price.[308] Real markets do not allow risk-free arbitrage, which is precisely why the DA/RT adjustment must be corrected.[309]

F. The Nodal Pricing Model benefits customers and the Commission should allow recovery of the fees PacifiCorp will incur through April 2026.

106 Consistent with prior Commission decisions,[310] PacifiCorp includes in its forecast

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[304] *Id.*
[305] Exh. RJM-6C; Exh. RJM-8; Exh. RJM-11C; Mitchell, Exh. RJM-13CT at 73:14-77:7.
[306] Mullins, Exh. BGM-1CT at 61:2-9.
[307] Mitchell, Exh. RJM-13CT at 76:4-10.
[308] *Id.* at 76:6-9.
[309] *Id.* at 76:11-77:7.
[310] *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-210402, Order 06 at ¶ 159 (Mar. 29, 2022) (approving settlement that included NPM costs in rates); *see also id.* at ¶ 161 ("PacifiCorp's use of NPM allows the Company to more accurately track and allocate NPC between the six states in the Company's service area. It may also result in more accurate NPC forecasts that create cost-savings for customers. As a general matter, we encourage the Company's investment in this area.") (internal footnotes omitted).

the Nodal Pricing Model (NPM) fees the Company will incur through April 2026.[311] AWEC asserts that the Commission should disallow these fees because, according to AWEC, the NPM does not benefit customers.[312] However, the NPM is a day-ahead scheduling tool that helps create a more efficient day-ahead plan, which the Company uses in actual operations to improve its resource scheduling, use its generation assets more economically, and make more effective market transactions, all of which reduce NPC in actual operations.[313] The NPM also better positions PacifiCorp to achieve benefits in the Extended Day-Ahead Market (EDAM), once that market begins.[314]

107 Moreover, AWEC's opposition to including NPM fees in the PCORC is directly contrary to the position AWEC took in Oregon where AWEC witness Mullins testified that AWEC was "generally comfortable with PacifiCorp's approach" to recovery of NPM fees through April 2026.[315] AWEC's support of PacifiCorp's recovery of these costs in Oregon undermines its assertion in this case that these costs should be excluded because the NPM does not benefit customers.

G. PacifiCorp's interruptible curtailment contracts benefit Washington customers.

108 PacifiCorp's NPC forecast includes the Washington-allocated share of two interruptible curtailment contracts the Company has secured with industrial customers in its eastern service territory.[316] AWEC recommends removing these costs from Washington rates because the Commission did not approve the contracts.[317]

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311 Mitchell, Exh. RJM-13CT at 82:17-19. On May 1, 2026, the EDAM is expected to begin operations and the California Independent System Operator will no longer operate the NPM. *Id.* at 88:20-89:7.
312 Mullins, Exh. BGM-1CT at 48:7-13.
313 Mitchell, Exh. RJM-13CT at 86:15-19.
314 *Id.* at 87:17-88:13.
315 Exh. BGM-11X at 3.
316 Mitchell, Exh. RJM-13CT at 110:8-9.
317 Mullins, Exh. BGM-1CT at 73:10-18.

109 However, these interruptible curtailment contracts provide contingency reserves, which the Company is required to hold.[318] The need for these reserves will increase as PacifiCorp adds additional renewable resources.[319] Without the contingency reserves these curtailable contracts provide, PacifiCorp could not integrate Washington-allocated renewable and non-emitting generation while maintaining compliance with reliability standards.[320] Because Washington customers receive the benefit of increased renewable generation, the costs of integrating this generation, including the required contingency reserves, must be included in Washington rates.[321]

H. PacifiCorp properly included Federal Energy Regulatory Commission Account 509 in NPC.

110 In its direct filing, PacifiCorp provided an updated forecast of the Federal Energy Regulatory Commission (FERC) accounts included in NPC, which included FERC Account 509.[322] While PacifiCorp has not included FERC Account 509 in prior NPC forecasts, the costs that the Company will include in FERC Account 509—namely, the costs of greenhouse gas allowances associated with the California Cap-and-Trade program—have always been a component of Washington-allocated NPC.[323] PacifiCorp is simply including these costs in Account 509 consistent with recent direction from FERC.[324] The Commission should approve PacifiCorp's inclusion of FERC Account 509.

I. The Commission should approve PacifiCorp's forecast PTC rate.

111 PacifiCorp initially forecasted a PTC rate of 3.0 cents per kilowatt-hour

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[318] NERC Reliability Standard BAL-002-WECC-3, B.R1; Mitchell, Exh. RJM-13CT at 114:3-8.
[319] Mitchell, Exh. RJM-13CT at 115:3-116:8.
[320] *Id.* at 116:12-23.
[321] *Id.* at 118:4-21.
[322] *Id.* at 2:20.
[323] *Id.* at 92:15-93:6.
[324] *Accounting and Reporting Treatment of Certain Renewable Energy Assets*, Order No. 898, 183 FERC ¶ 61,205, 88 Fed. Reg. 69,294 (Oct. 5, 2023).

(cents/kWh) for all qualified wind facilities.[325] In its rebuttal filing, PacifiCorp continued to forecast a PTC rate of 3.0 cents/kWh for qualified wind facilities placed in service after December 31, 2021, and before January 1, 2025, but forecasted a PTC rate of 3.1 cents/kWh for all other qualified wind facilities.[326] AWEC argues that the Commission should adopt a PTC rate of 3.1 cents/kWh for all qualified wind facilities.[327] However, AWEC acknowledges that the PTC rate for facilities built between 2022 and 2024 is calculated using a different formula.[328] AWEC has not provided any reasonable basis to apply an increased PTC rate to these facilities, and therefore, the Company's rate should be approved.

J. The Commission should not update the Bonneville Power Administration transmission rates in NPC.

112 After PacifiCorp submitted its direct filing in this docket, the Bonneville Power Administration (BPA) concluded its BP-26 rate case, which resulted in an increase to point-to-point transmission rates of approximately 24 percent.[329] AWEC recommends updating the PCORC revenue requirement to reflect the increased costs resulting from BPA's rate case.[330] However, at the time PacifiCorp submitted its direct filing the BPA rate increase was not known and measurable. The Company believes that AWEC's recommendation to update a single component of PacifiCorp's wheeling expense exceeds the narrow scope of a compliance filing and should therefore be rejected.[331]

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[325] Exh. BGM-3 at 8; Mitchell, Exh. RJM-13CT at 120:3-8.
[326] Mitchell, Exh. RJM-13CT at 120:8-11.
[327] Mullins, Exh. BGM-1CT at 80:6-7.
[328] *Id.* at 80:3-4.
[329] *Id.* at 45:11-12.
[330] *Id.* at 46:4-8.
[331] Mitchell, Exh. RJM-13CT at 122:14-123:9.

K. The Commission should allow PacifiCorp to forecast NPC using Aurora version 15 for all phases of this case.

113 PacifiCorp used Aurora version 15 for its forecasts in both its initial and rebuttal filing in this case.[332] AWEC, however, used Aurora version 16 for its forecasting, which increased AWEC's forecast NPC compared to the Company's forecast.[333] An update to the major model version, such as an upgrade from version 15 to version 16, is a substantive and material change to the analytical engine within Aurora and may contain significant changes to the model.[334] For consistency between model runs used throughout the pendency of this case, PacifiCorp recommends that Aurora version 15 be used for the final 2026 NPC forecast.[335]

L. PacifiCorp has not over-collected the costs of its short term firm purchases from customers.

1. Public Counsel's alleged over-collection is premised on an incorrect description of the balancing adjustment.

114 Public Counsel asserts that PacifiCorp has substantially over-collected its short term firm (STF) purchases, because the Company has allocated to Washington customers both the Washington-allocated share of PacifiCorp's STF purchases and additional STF purchases as a component of the balancing adjustment.[336] Contrary to Public Counsel's assertion, PacifiCorp has not over-collected STF purchases from its customers because the balancing adjustment does not allocate additional STF purchases to Washington.[337]

115 The alleged over-collection is based on Public Counsel's misrepresentation of the

[332] Mitchell, Exh. RJM-1CT at 5:15; Mitchell, Exh. RJM-13CT at 18:8.
[333] Mullins, Exh. BGM-1CT at 21:8-16.
[334] Mitchell, Exh. RJM-13CT at 18:8-19:8.
[335] *Id.* at 19:9-14. PacifiCorp does not oppose updating to version 16 in the Company's next filing. *Id.* at 19:12-13.
[336] Earle, Exh. RLE-1CT at 23:13-14; *id.* at 25:18-21.
[337] Mitchell, TR. 207:12-209:21.

balancing adjustment. The Commission approved the balancing adjustment as a component of the WIJAM in the Company's 2020 GRC.[338] From 2021 through 2024, the total amount of energy consumed by Washington customers has exceeded the energy produced by the generation resources specifically allocated to Washington, resulting in Washington's short position, and the Commission approved PacifiCorp's use of the balancing adjustment to value that short position.[339] Contrary to Public Counsel's assertions in this case, PacifiCorp does not use *actual* STF purchases to address Washington's short position.[340] Rather, PacifiCorp serves Washington customers using its system resources and prices the energy on a monthly basis using the weighted-average price of all the actual STF power purchases and sales.[341] As a result, the balancing adjustment does not result in any over-recovery of STF transactions; the balancing adjustment merely accounts for and values differences between Washington customers' energy demand and Washington's resource allocations.

116 Public Counsel's misrepresentation of the balancing adjustment is surprising, given Public Counsel's historical participation in dockets adopting and applying the balancing adjustment. Public Counsel was a signatory to the WIJAM and supported joint testimony in the Company's 2020 GRC recommending adoption of the WIJAM, including the balancing adjustment that PacifiCorp had described in testimony.[342]

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[338] While the balancing adjustment is not specifically detailed in the WIJAM, the balancing adjustment was described as a component of the WIJAM in supporting testimony. *Id.* at 211:7-12; *see also* Mitchell, Exh. RJM-13CT at 105:21-106:7 (quoting *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-191024, Wilding, Exh. MGW-1CT at 10:8-12 (Dec. 13, 2019)) (describing the balancing adjustment).

[339] Mitchell, Exh. RJM-13CT at 102:16-19. *See, e.g.*, Docket UE-230482, Order 07 at ¶ 111 ("Therefore, we conclude that both the WIJAM and its balancing adjustment, the WIJAM BA, were prudently applied in this case.").

[340] Mitchel, TR. 208:20-209:7; Mitchell, Exh. RJM-13CT at 100:10-101:4.

[341] Mitchell, Exh. RJM-13CT at 103:13-16.

[342] Exh. JHJ-2X at 132; Mitchell, Exh. RJM-13CT at 105:21-106:12.

Additionally, in the Company's 2022 PCAM, Public Counsel acknowledged that the balancing adjustment does not consist of actual purchases, and in fact argued that the balancing adjustment did not identify the "actual costs for providing Washington power" because "PacifiCorp does not actually purchase the power provided through the" balancing adjustment.[343] As Public Counsel acknowledged in the 2022 PCAM, the balancing adjustment is not comprised of actual STF purchases, and for that reason Public Counsel's assertion that the balancing adjustment results in an over-collection of STF purchase costs is incorrect.[344]

117 Public Counsel recommends several Commission actions to investigate and, if necessary, refund the alleged over-collections to Washington customers.[345] However, because there has been no over-collection, the actions Public Counsel recommends to address the alleged over-collection are not necessary.

2. The balancing adjustment is consistent with cost-causation.

118 Public Counsel also asserts that the transactions included in the balancing adjustment are not consistent with cost causation.[346] However, PacifiCorp incurred the costs recovered through the balancing adjustment because Washington customers' load exceeded the generation from Washington-allocated resources.[347] The Washington short position consists of costs incurred serving Washington customers, and the balancing

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343 Docket UE-230482, Order 07 at ¶ 92.

344 Public Counsel further asserts that PacifiCorp cannot prove the Company did not also recover the cost of the balancing adjustment from the other jurisdictions where PacifiCorp serves customers. Earle, Exh. RLE-1CT at 25:3-14. However, because the balancing adjustment is not comprised of a real cost incurred to serve customers but is the accounting mechanism for pricing Washington's short position, the balancing adjustment is not a cost that the Company could have charged to customers in other states. Mitchell, Exh. RJM-13CT at 104:8-105:10.

345 Earle, Exh. RLE-1CT at 27:3-28:2.

346 *Id.* at 24:14-17.

347 Mitchell, Exh. RJM-13CT at 103:5-10.

adjustment is the agreed-upon mechanism to enable PacifiCorp to recover those costs. For that reason, PacifiCorp's inclusion of the balancing adjustment in Washington rates was consistent with cost causation.

M. AWEC has identified no basis to remove solar contracts included in total-Company NPC.

119 AWEC asserts that solar power purchase agreements (PPA) included in PacifiCorp's total-company NPC should be situs assigned to Utah because AWEC asserts that these PPAs were procured "under certain Utah green tariff programs[.]"[348] However, none of the resources that AWEC removed were procured under the Utah green tariff program.[349] AWEC has not identified any accurate basis to remove these resources and an accurate total-company NPC forecast must include these solar resources.

N. Public Counsel's disallowance of EDAM costs should be rejected.

120 Public Counsel recommends a disallowance of fifty percent of certain EDAM costs.[350] Public Counsel made clear that it does not necessarily oppose the decision to join the EDAM, but recommends disallowing forecast EDAM costs because PacifiCorp "should have considered the alternative of Markets+ and presented the analysis showing that EDAM was a better choice."[351] However, contrary to Public Counsel's assertion, PacifiCorp participated in both the Markets+ and the EDAM stakeholder events, and also contracted for a comparative analysis of both markets.[352] The Company has provided in this docket additional comparative analysis supporting the decision to join the EDAM.[353]

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[348] Mullins, Exh. BGM-1CT at 38:3-9.
[349] Zacharia, Exh. IZ-2T at 18:21-19:4.
[350] Earle, Exh. RLE-1CT at 31:11-12.
[351] *Id.* at 29:1-4.
[352] Wilding, Exh. MGW-5CT at 10:15-11:2.
[353] *Id.* at 10:15-16:12.

IV. CONCLUSION

121 For the foregoing reasons PacifiCorp requests that the Commission approve the 2026 Protocol and the proposed $12.1 million rate increase, subject to a compliance filing NPC update.

Respectfully submitted this 29th day of October 2025.

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