

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of)	DOCKET UE-230482
)	
PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY,)	REPLY TO PACIFICORP’S RESPONSE TO ALLIANCE OF WESTERN ENERGY
2022 Power Cost Adjustment Mechanism.)	CONSUMERS’ PETITION FOR ADJUDICATION
_____)	
)	

1 Pursuant to WAC 480-07-370(5) and the Alliance of Western Energy Consumers’ (“AWEC”) concurrently filed Motion to File Reply, AWEC respectfully files this Reply to PacifiCorp’s Response to AWEC’s Petition (“Response”).

2 As an alternative to an adjudicatory proceeding, PacifiCorp proposes that its hedging practices and the associated impacts on its Washington-allocated net power costs (“NPC”) be addressed through “an informal collaborative process.”¹ AWEC is always willing to participate in workshops and technical conferences and agrees that they can be useful to facilitate understanding and resolution of disputed issues. But such a process on its own is no substitute for an adjudicatory proceeding in this case.

3 In PacifiCorp’s 2021 Power Cost Only Rate Case, the Commission expressed its:

[C]oncern[] that PacifiCorp has not prudently managed its power costs and that this has exposed Washington customers to significant price increases. PacifiCorp has repeatedly sought waivers from Commission rules that would require the Company to issue an RFP for long-term resources. The Commission has warned the Company over a 10-year period of the need to fully evaluate the risks of its reliance on the market, the need for an active risk management program, and the need to demonstrate the prudence of relying on market transactions to recover power costs. Despite these clear indications from the Commission, the Company continues to rely heavily on market purchases to meet Washington customers’ load. The Company also hedges for its system as a whole and does not separately

¹ PacifiCorp Response ¶ 10.
PAGE 1 – AWEC REPLY

hedge for its Washington-allocated resources and Washington load. The cumulative effect of all of these choices ... raise significant concerns regarding the prudence of its power costs for Washington customers.²

As a consequence, the Commission “agree[d] with AWEC’s broader concerns” regarding PacifiCorp’s hedging practices,³ and found that “additional evidence would be helpful to determine the prudence of the Company’s power costs and the extent to which the Company prudently hedged against price increases.”⁴ The Commission specifically identified this PCAM proceeding as the appropriate proceeding in which this prudence determination should be made.⁵

4 Accordingly, a collaborative process, while potentially helpful within the context of a broader adjudicatory proceeding, is not assured to provide the evidence the Commission has requested on PacifiCorp’s hedging practices and does not provide the procedural protections and guarantees that an adjudicatory proceeding does. As PacifiCorp notes, AWEC has issued informal discovery requests to the Company, which it has responded to, and AWEC appreciates this accommodation. However, nothing ensures that PacifiCorp will continue to respond to future discovery requests, and even if it does, if AWEC or another party does not believe that PacifiCorp has fully responded or disagrees with an objection PacifiCorp raises, then it has no recourse under an informal process. Moreover, while an informal collaborative could result in an agreement among all parties regarding the Company’s hedging practices, it also might not. If it does not, then there will be no established process to resolve disagreements. If this occurs, then the collaborative will likely delay resolution of this case, whereas if the Commission opens an adjudicatory proceeding now, it can establish a schedule that both allows for settlements and

² Docket No. UE-210402, Order 06 ¶ 147 (Mar. 29, 2022).

³ *Id.* ¶ 155.

⁴ *Id.* ¶ 153.

⁵ *Id.* ¶ 154.

workshops among the parties and a process for the Commission to resolve disputed issues in a timely manner.

5 PacifiCorp’s Response also appears to argue that its testimony filed with its application provides the evidence the Commission has requested on the Company’s hedging practices. But a review of that testimony demonstrates that, if anything, this testimony reinforces the need for an adjudicatory proceeding. While the Commission raised concern that PacifiCorp “does not separately hedge for its Washington-allocated resources and Washington load,” the Company’s testimony admits this: “From the perspective of real market transactions through physical power hedges, the Company does not separately hedge for Washington. There is no separate hedge book for transactions allocated to Washington, or any other state, specifically. Rather, the Company hedges its entire system holistically.”⁶ PacifiCorp argues that this practice is lower cost for Washington, but no party has been given the opportunity to test this assertion through the submission of evidence and testimony. PacifiCorp’s testimony, which is supported only by a single exhibit,⁷ is not sufficient to conclusively determine the reasonableness of its practice.

6 Finally, PacifiCorp points to a prior power cost collaborative for Avista as evidence that the Commission favors such collaboratives for resolution of power cost issues.⁸ AWEC was an active participant in this collaborative and is not aware of a process similar to that one. In fact, that collaborative was unique and was borne out of substantial criticisms by multiple parties over the complexity and opacity of Avista’s power cost forecasts. The collaborative was specifically intended to resolve these concerns so that they did not continue to get raised before the Commission. As the Commission stated in that case:

⁶ Exh. No. RJM-1T at 5:9-13.

⁷ Exh. No. RJM-2.

⁸ PacifiCorp Response ¶ 10.

[T]he contention over power costs in this case has risen to a level that we have not seen in some time. That said, the issues raised by intervening parties suggest that this debate was long overdue [I]t is clear that [modeling] changes have collectively pushed the modeling to a tipping point and injected controversy into a topic that has historically been marked by general agreement among the parties.”

The issues with Avista’s power costs are not the issues before the Commission here. The inquiry in this case is not around the complexity of PacifiCorp’s power costs, but whether the evidence supports the prudence of PacifiCorp’s hedging practices in light of the specific concerns the Commission has raised about these practices. An adjudicatory proceeding is precisely the type of process best suited to supporting this inquiry.

Dated this 6th day of November, 2023.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Sommer J. Moser

Sommer J. Moser, OR State Bar #105260

107 SE Washington St., Suite 430

Portland, OR 97214

Telephone: (503) 241-7242

Facsimile: (503) 241-8160

sjm@dvclaw.com

Of Attorneys for the

Alliance of Western Energy Consumers