

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP D/B/A PACIFIC POWER & LIGHT COMPANY,

Respondent.

DOCKETS UE-230172

**ROBERT L. EARLE
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT RLE-3C

PacifiCorp Confidential Response to Public Counsel Data Request 88, with Attachments

September 14, 2023

Shaded Information is Designated Confidential per Protective Order in Docket UE-230172

REDACTED VERSION

PC Data Request 88

RE: EDAM. Direct Testimony of Jack Painter, Exh. JP-1T at 5:20–6:5.

(a) PacifiCorp states that due to Extended Day Ahead Market (EDAM) “Once the EDAM is operational in 2025, the Company will no longer control the economic dispatch of its resources, which means a majority of NPC will no longer be under the Company’s direct control”.

1. Please explain what is meant by “majority of NPC” and provide any quantification of what is meant by “majority of NPC” along with supporting data and calculations in Excel format.
2. Please detail the resources that will still be under the Company’s direct control.
3. Will the Company determine the bids submitted to EDAM? If so, please explain how the Company will determine for each of its resources how it will determine the bid submitted to EDAM. If not, please provide the methodology that will determine the Company’s bids into EDAM.

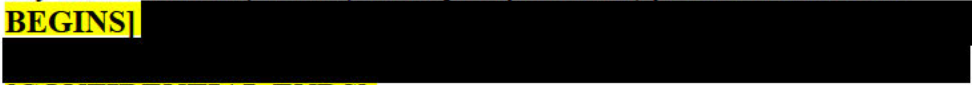
(b) PacifiCorp states “Given that the Company will no longer have economic dispatch of its resources, the deadband and asymmetrical sharing bands are no longer effective or necessary to incentivize the Company to effectively manage or reduce power costs”.

1. Without the deadband and asymmetrical sharing bands, what incentives does the Company have to effectively manage or reduce power costs?
2. Please answer yes or no. Are there other ways to effectively manage or reduce power costs other than through control of economic dispatch? If the answer is yes, please detail what those ways are, what PacifiCorp has done in the past and will do in the future to implement them. If the answer is no, please explain why PacifiCorp should receive any rate-of-return for the management of its generation assets.

Confidential Response to PC Data Request 88

(a) Please refer to the direct testimony of Company witness, Jack Painter Exhibit JP-1T page 27, line 19 through page 28 line 4 which states “The EDAM will economically control and optimize most of the day-ahead, hour-ahead and intra-hour Company generation and market transactions. This is a majority of NPC (without consideration of hedging transactions or long-term power/fuel contracts) because transactions before the day-ahead timeframe are mostly

hedging transactions along with resource sufficiency transactions and reliability related activities”.

The Company will determine the bids for its resources. While the extended day-ahead market (EDAM) is not yet operational, **[CONFIDENTIAL BEGINS]** 
[CONFIDENTIAL ENDS].

Please refer to Confidential Attachment PC 88, which provides supporting data and calculations.

- (b) By joining the new California Independent System Operator (CAISO) EDAM, the Company is providing independent least-cost net power costs (NPC) to its customers through state of the art unit commitment and economic dispatch models just as it did when it joined the CAISO energy imbalance market (EIM), which has provided \$620.3 million in total-Company benefits since its inception in 2014. The benefits of joining the EDAM are lower actual NPC with preliminary analysis suggesting a decrease in annual NPC of \$543 million or 32 percent of the Company’s 2021 actual NPC. Deadbands and sharing bands do not provide incentives to the Company to lower NPC as the Company does not rely on regulatory forecast to inform any operational decisions and has always operated its system with a least cost economic dispatch model. The Company’s participation in the EDAM will optimize power costs beyond what is possible today through economic transfers among EDAM participants and the security constrained economic dispatch model resulting in the lowest possible NPC for customers. Participation in a well-designed day-ahead market with a significant footprint to unlock load and resource diversity should provide commissioners and stakeholders with assurances that the market is producing the lowest NPC possible and deadbands and asymmetrical sharing bands will not influence operations. Additionally, all decisions by the Company leading up to dispatch, which are independent from actual dispatch, either have been reviewed for prudence and approved by the Washington Utilities and Transportation Commission (Commission) or will be reviewed by the Commission. For example, these decisions encompass the approval of resources, long-term fuel contracts and power purchase agreements (PPA), and the Company’s hedging policy. Regardless of the deadband or asymmetrical sharing bands, any costs that are determined to be imprudent can be disallowed. The determination of prudence is not constrained by this aspect of the PCAM. With the Company’s commitment to the EDAM to provide customers with the lowest possible NPC under current industry standard optimization techniques, where it does not have control over a large portion of NPC as a result, deadbands and sharing bands have no effect on managing or reducing power costs, and using them to incentivize all the decisions leading up to dispatch is inappropriate with the

processes already in place to review the prudence of those decisions. Currently, joining the EDAM is a most effective way to manage or reduce power costs. While the Company may not have control over its *economic* dispatch of its generating assets, the Company is still responsible for the costs involved with the prudent operation, management, and maintenance of its generating assets. PacifiCorp receives a regulated return on generation assets because they are capital investments. Consistent with the principles of ratemaking, all capital investments receive a return on the investment at the utility's cost of capital to compensate the utility for the investment of that capital. Additionally, it is worth noting that the Company does not receive a return on, but only receives a return of NPC.

Designated information in Confidential Attachment PC 88 is confidential per Protective Order in UTC Docket UE-230172.

PREPARER: Jack Painter

SPONSOR: Jack Painter

