REDACTED
Exh. JT-1CT
Docket UE-210402
Joint Testimony

BEFORE THE WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP dba PACIFIC POWER & LIGHT COMPANY Respondent.	Docket UE-210402

PACIFICORP

PREFILED JOINT TESTIMONY

November 2021

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I. INTRODUCTION

Q. What is the purpose of this Prefiled Joint Testimony?

A. This prefiled joint testimony (Joint Testimony) recommends that the Washington Utilities and Transportation Commission (Commission) approve the Settlement Stipulation (Stipulation) in this case among PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or the Company), the Staff of the Washington Utilities and Transportation Commission (Staff), The Energy Project (TEP), and Walmart Inc. (Walmart) (individually, Party, and collectively, Parties). The Stipulation resolves all of the issues in the proceeding and is supported by Staff, PacifiCorp, TEP, and Walmart. Accordingly, the Stipulation is a full multi-party settlement under WAC 480-07-730(3)(a).

Q. Please state your names, titles, and the party you represent in this matter.

A. Our names, titles, and representation are as follows:

- Douglas R. Staples, Net Power Cost Advisor, PacifiCorp.
- David C. Gomez, Assistant Power Supply Manager, Energy Regulation Section, Staff.
- Shawn M. Collins, Director, TEP.
- Alex Kronauer, Senior Manager, Energy Services, Walmart.

Q. Mr. Staples, please provide information pertaining to your educational background and professional experience.

A. My name is Douglas R. Staples. My business address is 825 NE Multnomah Street, Suite 600, Portland, Oregon 97232. I am employed by PacifiCorp as a Net Power Cost Advisor. Please see Exhibit DRS-1CT filed on June 1, 2021, for testimony describing my qualifications.

Q. Mr. Gomez, please provide information pertaining to your educational background and professional experience.

A. My name is David C. Gomez. I am the Assistant Power Supply Manager in the Energy Regulation Section of the Regulatory Services Division at the Commission, and I served as the case lead for Staff in this proceeding. My business address is 621 Woodland Square Loop SE, Lacey, Washington, 98503. My email address is david.gomez@utc.wa.gov.

I hold a Bachelor of Arts degree in Business from Hamline University and a Masters of Business Administration from the University of Saint Thomas; both universities are located in Saint Paul, Minnesota. Before joining the Commission, my relevant professional experience consisted of 25 years in a variety of fields, including management, contracting, supply chain, procurement, operations, and engineering.

I have presented testimony on behalf of Commission Staff in Docket UE-121373, regarding the Coal Transition Power Purchase Agreement between Puget Sound Energy (PSE) and TransAlta Centralia Generation LLC; Dockets UE-130043, UE-140762 and UE-191024, PacifiCorp's 2013, 2014 and 2019 general rate cases (GRC); PSE's 2013, 2014, 2016 and 2020 Power Cost Only Rate Cases (PCORC) as well as their 2017 and 2019 GRCs; and Dockets UE-140188, UE-150204, UE-160228, UE-170485, UE-190334 and UE-200900, Avista Corporation's (Avista) last six GRCs. Most recently, I provided testimony on power supply issues in Staff's investigation regarding the prudency of Colstrip Unit 3 & 4's 2018 outage and replacement power costs in Docket UE-190882; and PSE's application for an Order authorizing the sale of its interests in Colstrip Unit 4 in Docket UE-200115. I have provided Staff's recommendations to the Commission at numerous open meetings and worked on various Commission rulemakings.

Q. Mr. Collins, please provide information pertaining to your educational background and professional experience.

A. My name is Shawn Collins, and I am the Director of The Energy Project. I have served as Director since 2015. Prior to joining the Energy Project, I held several positions with the Opportunity Council including Associate Director of the Home Improvement Department, Community Energy Challenge Manager, and Community Services Outreach and Development Coordinator. I am a member of the Bonneville Power Administration Low-income Energy Efficiency Workgroup Steering Committee, the Washington State Low Income Home Energy Assistance Program Advisory Committee, and the Washington State Low-income Weatherization Advisory Committee. I earned a Bachelor of Arts degree from Eastern Illinois University in 2002 with a major in English and a minor in Philosophy. I have provided testimony on behalf of The Energy Project in numerous Commission proceedings, including recent dockets UE-190529/UG-190530 (PSE 2019 GRC) and UE-190334/UG-190335 (Avista 2019 GRC).

Q. Mr. Kronauer, please provide information pertaining to your educational background and professional experience.

A. My name is Alex Kronauer, and I am a Senior Manager on the Energy Team for Walmart. In 2011, I earned a Master of Business Administration at the McCombs School of Business at The University of Texas at Austin with a concentration in Finance and Investment Management. From 2011 to 2012, I was a Senior Financial

Analyst at TXU Energy, a Texas-based power supplier. My duties included load forecasting and analysis. From 2012 to 2019, I was a Financial Analyst and later a Senior Financial Analyst at CyrusOne, a data center provider in Dallas. I was involved in several power-related areas, including demand response, power procurement, and power expense forecasting. I joined the Walmart Energy Department in July 2019 as a Senior Manager. I have submitted testimonies for state regulatory commissions in Arkansas, Maryland, New Mexico, New York, Oregon, Pennsylvania, Texas, and Washington on topics including return on equity and cost of capital, fuel recovery, revenue allocation, and rate design.

Q. Would you briefly summarize the Stipulation?

A. Yes. The Stipulation is a comprehensive settlement of all the issues in this docket among the listed Parties. The Stipulation resets baseline net power costs (NPC), consistent with the methodology identified in PacifiCorp's previously filed direct and supplemental testimony in this proceeding. Additionally, the Stipulation provides for a production factor to be applied to baseline NPC and updates the Production Tax Credit Rate that is used in base rates. PacifiCorp will update the NPC baseline using an updated official forward price curve (OFPC) in the compliance filing and reflect the Company's electric and gas hedging positions. The Stipulation also addresses PacifiCorp's California Independent System Operator's (CAISO) Nodal Price Model (NPM) annual fee and the deferral of Colstrip Unit 4's major maintenance expenses incurred in 2020 and 2021. Finally, the Stipulation provides for an updated rate effective date of May 1, 2022.

Q. Do you recommend approval of the Stipulation?

A. Yes.

II. BACKGROUND

Q. Please describe the Company's initial filing in this proceeding.

A. On June 1, 2021, PacifiCorp filed this PCORC with the Commission as required by the settlement from the Company's last general rate case in docket UE-191024 (2021 Rate Case),[1] requesting a new, adjusted baseline for NPC of approximately $114.8 million. This was a decrease of approximately $4.7 million compared to the $119.5 million NPC baseline established by the Commission in the 2021 Rate Case.[2] The NPC baseline in this filing reflected the normalized pro forma costs for the 12-month period ending December 31, 2022, the rate effective period in this case. Due to the Deferred NPC Balancing Adjustment (DNBA),[3] this filing decreased the NPC baseline, but would result in an increase of $13.1 million or 3.73 percent for customer rates.

Q. Please describe the Company's supplemental filing in this proceeding.

A. After discussion with the Parties, additional information was requested on the NPM and PacifiCorp's transition from its Generation and Regulation Initiative Decision Tool (GRID) model to Aurora. PacifiCorp filed this information as supplemental testimony on September 3, 2021.

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[1] *WUTC v. Pac. Power & Light Co*., Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981, and UE-180778 (consolidated), Final Order 09 / 07 / 12 at ¶ 165 (Dec. 14, 2020). The revised and amended settlement stipulation stated that "PacifiCorp will file a Power Cost Only Rate (PCORC) in 2021 to update its net power cost (NPC) baseline to reflect day-ahead dispatch expected to occur beginning January 2021." *WUTC v. Pac. Power & Light Co.*, Docket Nos. UE-191024 UE-190750, UE-190929, UE-190981, and UE- 180778 (consolidated), Revised and Amended Settlement Stipulation at ¶ 11 (Nov. 6, 2021).

[2] Staples, Exh. DRS-1CT at 2.

[3] *See* Staples, Exh. DRS-1CT at 25-26.

Q. Did PacifiCorp conduct workshops and the Parties conduct discovery on the Company's filing?

A. Yes. PacifiCorp held a pre-filing workshop and conducted two technical workshops after filing this case. Additionally, the Parties served over 90 discovery requests on the Company in this proceeding.

Q. How did this Stipulation develop?

A. The Parties held an initial settlement conference on September 1, and a subsequent meeting on September 21, 2021. While an agreement was not reached at that point, Parties continued to communicate, and eventually a full multi-party settlement in-principal was reached. On October 8, 2021, Staff notified the Commission that a settlement in-principle had been reached and requested to suspend the procedural schedule.

III. THE TERMS OF THE STIPULATION

Q. Please explain the NPC baseline.

Table 1. Adjustments in Stipulation

2022 NPC Baseline (As Updated in the Compliance Filing)	To be determined in compliance filing
Production Factor Adjustment	Baseline multiplied by 99.437%
Nodal Pricing Model Fee Correction	$0
Production Tax Credit Adjustment[4]	($764,930)

[4] Production Tax Credits (PTCs) are not part of the variable power cost baseline calculation, however, they will be tracked and credited to customers consistent with the stipulation and order from the 2021 rate case. *See WUTC v. Pac. Power & Light Co*., Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981, and UE-180778 (consolidated), Final Order 09 / 07 / 12 at ¶ 70 (Dec. 14, 2020). This PTC adjustment will reduce base rates in this proceeding.

Q. What is the DNBA and why was it created?

A. The parties to the 2021 Rate Case originally settled the proceeding in July of 2020 and agreed to an update to the NPC baseline calculation that would occur in October of 2020 (October Update). The October Update reflected a $17.5 million increase to baseline NPC over the approximately $102 million that was estimated in the original settlement. The settlement originally specified that an increase in baseline NPC as a result of the October Update would be offset by the balance in the deferral account for the 2020 Power Cost Adjustment Mechanism (PCAM). However, the PCAM deferred balancing account only had a balance of $9.5 million at the time. Since the October Update NPC increase was greater than the balance of the PCAM deferred balancing account at that time, to make up for the shortfall between the NPC baseline from the October Update and the estimated baseline established in the Stipulation, parties to that docket proposed, and the Commission approved, the reflection of the $17.5 million difference in the PCAM deferred balancing account through the DNBA.[5]

Q. Will resetting the NPC baseline eliminate the need for the DNBA?

A. Yes, the DNBA will be eliminated from the 2022 PCAM for the months after the rate effective date of this PCORC. For example, if the Commission adopts a rate effective date of May 1, 2022, then the DNBA will exist from January 1, 2022, to Apri 30, 2022, and be eliminated beginning May 1, 2022. The 2022 PCAM will be filed in June of 2023.[6]

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[5] *WUTC v. Pac. Power & Light Co.*, Docket UE-191024, UE-190750, UE-190929, UE-190981, & UE-180778 (consolidated), Final Order 09 / 07 / 12 at ¶ 89 (Dec. 14, 2020).

[6] *WUTC v. Pac. Power & Light Co.*, Docket UE-191024, UE-190750, UE-190929, UE-190981, & UE-180778 (consolidated), Exhibit MGW-1CT at 67(Dec. 13, 2019)

Q. Please explain the Production Factor adjustment.

A. The production factor is a means of adjusting pro forma rate year power cost to the test period level. The production factor was calculated by dividing Washington's normalized historical retail load in the 2021 Rate Case by Washington's pro forma load for the 12 months ending December 31, 2022. This factor is then applied to the rate year NPC from the Aurora model.

Q. How will the production factor be applied?

A. PacifiCorp will apply a production factor to the proposed rate year NPC to bring the revenue requirement down to the test year level before calculating the NPC baseline rate and the PCORC revenue deficiency. Based on the Company's rate year load and the Company's normalized test year load used for rate spread in the 2021 Rate Case, a production factor of 99.437 percent will be used to match the load and cost.

Q. Please explain the PTC Update.

A. As part of the settlement approved by the Commission in the 2021 Rate Case, PTCs receive separate accounting treatment and are trued up annually to return them to customers in a manner that matches the actual PTCs received by the Company.[7] Currently, a PTC rate of 2.5 cents/kilowatt-hour (kWh) is included in base rates. Based on inflation, the PTC rate for the Company is expected to increase to 2.6 cents/kWh starting January 1, 2022. This adjustment is intended to reflect the increase PTC rate in base rates in a timely manner to minimize future true-up. This adjustment represents a decrease in the revenue requirement of approximately

[7] *WUTC v. Pac. Power & Light Co*., Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981, and UE-180778 (consolidated), Final Order 09 / 07 / 12 at ¶ 70 (Dec. 14, 2020). PacifiCorp plans to report and track PTCs it receives and PTCs it passes to customers in the annual PCAM report.

$0.8 million. The PTC calculation is included as Exhibit JT-2.

Q. Will PacifiCorp be making the correction for the NPM Fee that was described in the Company's supplemental testimony?[8]

A. No; as part of the settlement, PacifiCorp has agreed to not make this correction in this proceeding. If the error were to be corrected, the revenue requirement would have increased by $0.3 million from the Company's initial filing. However, as part of the settlement, PacifiCorp has agreed to not make this correction in this proceeding. PacifiCorp reserves the right to make a correction to the NPM Fee in the next general rate case proceeding. This term is not intended to create any new deferral of any type. The correct NPM Fee will be reflected in actual power costs in the PCAM imbalance calculation.

Q. Please explain the Colstrip Unit 4 deferral.

A. In the 2021 Rate Case, the Parties agreed that PacifiCorp would be able to defer certain costs related to major maintenance expenses at Colstrip Unit 4. The prudence of these costs would be examined in this PCORC and recovered in a future general rate case. This represents approximately $259,000 on a Washington-allocated basis.[9] The Parties agree not to contest the prudence of these costs as a term of the Stipulation.

Q. Please explain the process for completing the update.

A. Consistent with WAC 480-07-880, once the Commission issues an order, the Company is required to make a compliance filing. The Company requests at least

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[8] PacifiCorp's supplemental testimony identified a $0.3 million correction to the NPM Fee. Staples, Exh. DRS-3T at 7-8.

[9] Tack, Exh. CLT-1T at 3.

two weeks to make that compliance filing, which will include an update based on the latest information as described below.

Q. Based on the current procedural schedule, how will the timing work out?

A. Under the current procedural schedule, briefing will be completed on February 25, 2022. The parties are requesting that the Commission issue an order by the end of March. This will then allow the Company two weeks to complete an update based on the March OFPC (which will be available at the end of March) and complete the compliance filing, and then two weeks for review of the compliance filing, leading to a May 1, 2022 rate effective date. Therefore, the Parties are recommending a May 1, 2022 rate effective date.

Q. Is there a reason the Parties are recommending the rate effective date fall on the first of the month?

A. Yes; for the sake of administrative efficiency, it is helpful to have the baseline NPC reset on the first of the month. This way, PCAM balances do not need to be pro-rated in the middle of the month.

Q. Please explain what will be updated in the NPC baseline for the Compliance Filing.

A. If the Commission approves the settlement and issues an order, then PacifiCorp will update the NPC baseline with the latest information. This update will be calculated in the same manner as the baseline that was used to derive the revenue requirement in this settlement. This update will be based on the most recent OFPC available[10] and will also reflect the Company's electric and gas hedging and contract positions

[10] As described above, this will likely be the March 2022 OFPC.

through December 31, 2021. This specifically includes:

- Wholesale electric sale and purchase contracts that are for long-term firm sales and purchases,
- Short-term firm sales and purchases,
- Natural gas sales and purchase contracts.

Q. How is PacifiCorp able to complete an update during the rate year in which rates are being forecast?

A. The Company proposes to use the average of settled daily prices in place of broker quotes for the first three months of the test period, with other inputs to the model formulated in a manner consistent with the study supporting the direct filing in this case. This will allow the update to still reflect a normalized forecast, but also solves the problem of not having broker support for prices covering historical months.

Q. Does PacifiCorp have an estimate of the possible magnitude of this increase?

A. PacifiCorp was able to quantify what an update would look like if it was based on the September OFPC. While this is only a preliminary update, this does currently represent the Company's best estimate of what Washington-allocated NPC would look like for 2022. The Company is forecasting a new NPC baseline of approximately $157 million in Washington (an increase of $43 million). The high-level impact of an update based on the September OFPC would be an average base price increase to all classes of 15.42 percent.

Q. What is driving this significant increase?

A. This increase is being driven by electricity prices increasing by approximately 80 percent and natural gas prices increasing by almost 70 percent since the Company's original filing. Additionally, the Washington allocation of PacifiCorp's resource mix includes less dispatchable resources compared to other states, so it leaves Washington NPC uniquely vulnerable to increases in market prices. In addition, a significant portion of the dispatchable generation that composes the resource base in Washington is gas-fired, which also increased in cost due to the increases in gas prices over the last six months. While Washington receives an increased share of the renewable (zero fuel cost) generation available to the Company under the Washington Interjurisdictional Allocation Methodology (WIJAM), Washington's allocation of generation resources remains short against Washington loads after the allocation of hedges and resources. As a consequence, more than 20 percent of Washington load has to be satisfied using modeled market interactions. Given the current price conditions, that leads to a large increase in power costs.

Q. Is PacifiCorp proposing to use this September OFPC for the update in the Compliance Filing?

A. No. Based on the current procedural schedule, PacifiCorp will use the latest OFPC for the compliance filing (which will likely be the March 2022 OFPC).

Q. What factors could influence changes to the OFPC, and thus the power cost baseline, from now until the rate effective date?

A. Weather is the primary driver with the potential to change the OFPC between now and the rate effective date. For example, if the Pacific Northwest experiences a mild winter with above average precipitation, that may cause prices to decrease by indicating normal or above average hydroelectric generation in 2022. In addition, mild weather may reduce winter demand for natural gas and potentially decrease natural gas and electric power prices in 2022. It should be noted that a harsh winter with low precipitation could have the opposite effect. However, using a later OFPC will be inherently more accurate simply because there will be less uncertainty around the drivers of the price increases that have had a dramatic effect on prices over the course of 2021.

IV. THE STIPULATION SATISFIES THE PARTIES' INTERESTS AND IS CONSISTENT WITH THE PUBLIC INTEREST

A. Statement of PacifiCorp (Douglas R. Staples)

Q. Please explain why PacifiCorp supports this Stipulation and believes it is in the Public Interest.

A. This settlement supports a more accurate and updated NPC baseline with reasonable and appropriate adjustments. An accurate and updated NPC baseline supports a properly functioning PCAM and ensures rates are set appropriately to reflect the variable NPC necessary to serve customers. As described in much greater depth in the direct and supplemental testimony of Mr. Douglas R. Staples in this proceeding, the Company has switched from modeling its system with the GRID model to the Aurora model. This stipulation reflects a number of reasonable adjustments to NPC and includes the provision for an update in the Company's compliance filing after an order is issued by the Commission. This allows for the use of the most accurate information available to set NPC. An accurate NPC baseline ensures that the PCAM can function in the way it was designed and allows customer rates to be more predictable in the long run. Therefore, PacifiCorp recommends that the Commission approve this settlement.

Q. Does this methodology include the Day-Ahead/Real-Time (DA/RT) Adjustment?

A. Yes.

Q. Was the DA/RT included in PacifiCorp's 2021 Rate Case?

A. Yes.

Q. Has the DA/RT been adopted in nearly every other PacifiCorp jurisdiction?

A. Yes, the DA/RT adjustment was adopted by Oregon and Wyoming in 2015, and included as an uncontested adjustment in California in 2015, Utah in 2020, and has been included in PacifiCorp's latest Idaho general rate case, in which a settlement was recently filed.

Q. Does this complete your testimony on behalf of PacifiCorp?

A. Yes.

B. <u>Statement of Commission Staff (David C. Gomez)</u>

Q. Please briefly explain why Staff supports the Stipulation.

A. Staff believes that the Stipulation arrives at a more accurate NPC baseline with several reasonable adjustments that are consistent with the public interest.[11] Staff supports the production factor adjustment because it adjusts power costs at the rate-year level to the test-year level to properly match the test-year billing determinants used for rate calculation. Staff also supports the update of PTCs because it minimizes any future true-up between the PTCs received by PacifiCorp and the PTCs passed to the ratepayers. Staff further supports the resolution of the NPM Fee as part of the give-and-take of settlement negotiations. Most importantly, Staff supports the Stipulation because it allows for an orderly update of key NPC cost inputs just prior to the rate effective date with the goal of setting the baseline as accurately as possible

[11] WAC 480-07-740 ("The commission will review all settlement agreements to determine whether they comply with applicable legal requirements and whether approval of the agreement is consistent with the public interest.").

based on the most up-to-date information.

Q. Why does Staff support a power cost update that may increase the NPC baseline?

A. In several orders, the Commission has stated its goal and expectations of the parties to set the power cost mechanism baseline on the best available information. For instance, the Commission has stated:

> The Commission's goal has been to set the baseline as close as practicable to what is likely to be experienced during the rate year. We expect that practice to continue, and we also expect the parties to continue to refine the method and improve the data upon which we act.[12]

> Indeed, the Commission should not ignore evidence that a significant increase in the Company's power costs during the rate year will result from increased fuel supply costs, if these costs are shown to have become reliably known and measurable during the pendency of the Company's current general rate case. The Commission has routinely during the past decade allowed, and even required, power cost updates related to changes in fuel supply costs late in general rate proceedings, even at the compliance stage.[13]

Staff believes that it is important to set the baseline accurately, using the most up-to-date information, to ensure the proper function of the PCAM. In other words, setting the baseline too low or too high can result in persistent unplanned refunds and/or surcharges promoting rate instability.

Q. **Would Staff support the power cost update if it would conversely likely *lower* the NPC baseline in this case?**

A. Yes, for the same reasons just mentioned.

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[12] *WUTC v. Puget Sound Energy, Inc*. Docket Nos. UE-060266 and UG-060267 (consolidated), Order 08 ¶ 22 (Jan. 5, 2007).

[13] *WUTC v. Pac. Power & Light Co.*, Docket Nos. UE-140762, UE-140617, UE-131384, and UE-140094 (consolidated), Order 07 ¶ 4 (Dec. 5, 2014).

Q. Would you like to provide additional testimony on the NPC baseline methodology contained within PacifiCorp's initial and supplemental filings?

A. Yes. I would like to provide additional testimony on the: (1) Transition from the GRID Model to AURORA; (2) Forecasting of Energy Imbalance Market (EIM) benefit base values for the rate year; and (3) Day Ahead/Real Time (DA/RT) adjustment that is intended to reflect system balancing transaction base values more accurately.

Q. Can you please explain PacifiCorp's transition from GRID to AURORA?

A. Yes. A principal change in this case was the Company's replacement of the GRID Model with AURORA.[14] PacifiCorp has used the GRID Model since it was developed by the Company in 2008.[15] The Company's transition to AURORA was required to address GRID's limitation in emulating PacifiCorp's nodal dispatch of its system during actual operations.[16]

Q. Did Staff evaluate PacifiCorp's transition to the AURORA Model?

A. Yes. A primary focus of Staff in this case was evaluating the reasonableness of PacifiCorp's modelling methodology and its ability to allocate net power costs consistent with the WIJAM. The method for arriving at base PCAM values is vital to a properly operating power cost mechanism going forward. Staff examined

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[14] As part of the resolution to PacifiCorp's 2021 Rate Case, the Company committed to filing this PCORC using the AURORA Model. *See WUTC v. Pac. Power & Light Co*., Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981, and UE-180778, Response to Bench Request No. 7 (Nov. 10, 2020) ("[T]he Company is working to develop the AURORA optimization model to forecast the Company's NPC in a manner that closely reflects the nodal dispatch being implemented in operations.").

[15] Staples, Exh. DRS-1CT at 14:8-13. The GRID Model was also used to determine PacifiCorp's NPC baseline in the 2021 Rate Case.

[16] The Company's AURORA Model study employed an expanded zonal topology to emulate the nodal dispatch of its system during actual operations. Hourly prices and load for each zone in the study corresponds to a node on PacifiCorp's system. *See* Staples, Exh. DRS-3T at 9:10-10:17.

PacifiCorp's AURORA inputs and assumptions in detail via the Company-provided Intervenor License with the software's owner—Energy Exemplar. Staff also issued numerous discovery requests and fully participated in multiple workshops on this issue.

Q. Is Staff satisfied that AURORA's calculation of PacifiCorp's total Washington allocated NPC for the rate year is consistent with one calculated using GRID?

A. Yes. According to the Company, there was less than 0.8 percent variation between the total NPC calculated with GRID as compared to AURORA.[17] Staff also reviewed coal and gas fuel cost and consumption parameters in AURORA for PacifiCorp's various thermal plants.[18] Staff found the thermal plant parameters reasonable and consistent with the past performance of PacifiCorp's thermal fleet.

Q. Was Staff satisfied with PacifiCorp's proposed level of EIM benefits in the rate year?

A. Yes. The Company has included approximately $[redacted] million in system-wide EIM benefits as part of the NPC baseline calculation for its Washington jurisdiction.[19] PacifiCorp employed the same method in this case as it used to arrive at its proposed EIM benefits in the 2021 Rate Case as well as its 2022 Transition Adjustment Mechanism in Oregon.[20]

Q. Does Staff support the DA/RT Adjustment?

A. Yes. The primary purpose of the DA/RT "out-of-model" adjustment is to correct

[17] Staples, Exh. DRS-3T at 13:20-22 and 14:1-2.

[18] Fuel and system balancing costs represented almost two-thirds of the proposed NPC allocated to PacifiCorp's Washington jurisdiction in this case.

[19] *See* Staples, Exh. DRS-1CT at 15:10-16.

[20] *See Id.*

both the AURORA and GRID model's inability to replicate PacifiCorp's actual market operations in the rate year.[21] Staff supports this adjustment because PacifiCorp has demonstrated to Staff's satisfaction that it results in a more accurate representation of system balancing costs than the previous "in-model" solution. With net balancing transactions comprising approximately 25 percent of the total Washington-allocated power costs, Staff believes this adjustment enhances the accuracy of the Company's estimated power costs.

Q. Does Staff believe that future modifications to either the DA/RT adjustment or the EIM benefit methodology may be necessary?

A. Perhaps. Staff and the other parties have not had an opportunity to observe actuals for these adjustments and an accompanying Company explanation as to the source and cause of observed variances from forecasted values. Staff is expecting PacifiCorp to address the performance of these two adjustments in the testimony it files for its 2021 PCAM Annual Review (June of 2022).[22]

Q. Does this complete your testimony on behalf of Staff?

A. Yes.

C. Statement of The Energy Project (Shawn M. Collins)

Q. Please provide a summary of the elements of the Stipulation that are particularly beneficial to low-income customers.

A. The Stipulation benefits low-income customers in several ways. Two adjustments,

[21] Staples, Exh. DRS-1CT at 16:17-22.

[22] The $119.5 million 2021 PCAM Baseline includes estimated EIM benefits and a DA/RT adjustment calculated using the same methodologies in this case. Therefore, PacifiCorp will have an opportunity to explain the performance of these two adjustments in the testimony it will file as part of its 2021 PCAM annual review in June of 2022.

the production factor and production tax credit update, lower the NPC baseline compared to the methodology included in the Company's original filing. Next, the Company agreed to forgo correcting an error in the NPM Fee in this proceeding, which avoids an increase of $312,000 (Washington-allocated) in rates. Collectively, these aspects of the Stipulation will likely limit the increase in customer rates, which is a tangible benefit of the Stipulation, particularly for low-income customers and customers suffering from the ongoing COVID-19 public health and economic crises.

The Stipulation does not modify PacifiCorp's low-income customer programs. However, separate recent filings with the Commission reflect changes to the Low-Income Weatherization Program and the Low-Income Bill Assistance Program that will increase the number of low-income customers being served on an annual basis, as well as improve the effectiveness of the programs at reducing energy burden for those served. These changes and those noted above will help to reduce negative impacts from any rate increases resulting from this proceeding.

Q. Does TEP support using the Company's most recent OFPC?

A. Yes. Using a more recent OFPC will more closely reflect actual prices during the rate year. In addition, the September 2021 OFPC reflects a significant increase in electric power and natural gas prices compared to the Company's initial filing. Electric power and natural gas prices often vary considerably over time. Therefore, there is a possibility that electric power costs will stabilize and perhaps decrease in the March 2022 OFPC compared with the September 2021 OFPC. While I don't know what future natural gas or electric power prices will be, the potential for such a change is one factor in TEP's support of using the March 2022 OFPC and requesting a rate effective date of May 1, 2022.

Q. Does this complete your testimony on behalf of TEP?

A. Yes.

D. Statement of Walmart (Alex Kronauer)

Q. What is Walmart's Recommendation to the Commission?

A. Walmart recommends that the Commission accept the Settlement Stipulation. The Settlement Stipulation is a fair outcome of arm's length negotiations between the Parties, and is in the public interest.

Q. Does this complete your testimony on behalf of Walmart?

A. Yes.

V. CONCLUSION

Q. Do you recommend that the Commission approve this Stipulation?

A. The resolution of issues complies with Commission rules and, as explained above, satisfies the Parties' interests and is consistent with the public interest. The Parties request that the Commission approve the Stipulation in its entirety.

Q. Does this conclude the Parties' Joint Testimony in support of the Stipulation?

A. Yes.