

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PACIFICORP d/b/a PACIFIC POWER &
LIGHT COMPANY, Complainant,

Petitioner,

2022 Power Cost Adjustment Mechanism
Annual Report.

DOCKET UE-230482

CROSS-ANSWERING TESTIMONY OF BRADLEY G. MULLINS

ON BEHALF OF

ALLIANCE OF WESTERN ENERGY CONSUMERS

May 2, 2024

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1 **I. INTRODUCTION AND SUMMARY**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Bradley G. Mullins, and my business address is Tietotie 2, Oulunsalo,
4 Finland, FI-90460.

5 **Q. ARE YOU THE SAME BRADLEY MULLINS THAT FILED REPLY**
6 **TESTIMONY IN THIS DOCKET?**

7 A. Yes.

8 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR CROSS-ANSWERING**
9 **TESTIMONY.**

10 A. I respond to the testimony of Washington Utilities and Transportation Commission
11 (“Commission”) Staff witness Wesley Yeomans.

12 **Q. PLEASE SUMMARIZE YOUR CROSS-ANSWERING TESTIMONY.**

13 A. While I appreciate Witness Yeomans’ analysis of PacifiCorp’s hedging program, I do not
14 believe his testimony provides the information necessary for the Commission to make a
15 determination in this case, which is whether PacifiCorp’s 2022 Washington-allocated
16 power costs were prudently incurred. As I demonstrated in my Reply Testimony, by
17 executing its hedging policy only on a total-system basis, PacifiCorp did not prudently
18 hedge its natural gas exposure for the west side of its system.¹ This left Washington
19 customers imprudently exposed to market prices, well above the exposure levels
20 mandated by PacifiCorp’s hedging policy.² Alternatively, from an allocation perspective,
21 if it was prudent for PacifiCorp to apply its hedging policy to its total-system operations,

¹ Exh. BGM-1CTr at 39:1-42:16.

² *Id.* at 35 (Confidential Figure 4).

1 then the value of these gas hedges should also be allocated on a total-system basis, which
2 PacifiCorp did not do.³ Finally, I demonstrated that PacifiCorp imprudently hedged its
3 power position on the west-side of the system by failing to account for Washington’s net-
4 short position, again resulting in PacifiCorp violating its own hedging policy with respect
5 to its power position.⁴

6 By contrast, Staff Witness Yeomans did not address the prudence of PacifiCorp’s
7 hedging practices as they apply to Washington, which constitutes the scope of the
8 Commission’s jurisdiction and interest. Instead, Witness Yeomans performed a high-
9 level analysis of PacifiCorp’s hedging program generally, without considering the
10 impacts of the policy on the Washington Inter-Jurisdictional Allocation Methodology
11 (“WIJAM”). Such an analysis does not provide sufficient information for the
12 Commission to determine whether PacifiCorp acted prudently in protecting Washington
13 customers from market price risks in 2022. Accordingly, the Commission may find it
14 appropriate to assign little weight to Witness Yeomans’ recommendation when
15 evaluating whether PacifiCorp’s hedging policy was prudent, specifically from the
16 perspective of Washington customers.

³ *Id.* at 42:18-44:9.

⁴ *Id.* at 51 (Confidential Table 9).

1 **II. RESPONSE TO STAFF WITNESS YEOMANS**

2 **Q. PLEASE DESCRIBE WITNESS YEOMANS' TESTIMONY AND**
3 **CONCLUSIONS.**

4 A. Witness Yeomans describes the elements of an effective hedging program, specifically a
5 “risk-responsive” program that “adapts to changing market conditions, asset
6 performance, load demands, variable fuel prices, and transmission capacity”⁵ He also
7 notes that hedging requires a balanced approach to market exposure because over-
8 hedging can increase costs to customers while under-hedging can expose customers to
9 unacceptable risk.⁶ Witness Yeomans then discusses PacifiCorp’s specific hedging
10 policy and concludes that it is “risk-responsive” based on several factors and, therefore, is
11 prudent.⁷ Witness Yeomans also concludes that PacifiCorp followed its hedging policy
12 and, therefore, acted prudently.⁸

13 **Q. DO YOU AGREE WITH MR. YEOMANS' ANALYSIS AND CONCLUSIONS?**

14 A. In general, I appreciate Witness Yeomans’ thoughtful analysis and discussion. I agree
15 with Witness Yeomans that a balanced approach to hedging is in customers’ interest and
16 that a “risk-responsive” hedging program is preferable to a static one. These conclusions,
17 however, are not necessarily relevant when determining whether the power costs
18 PacifiCorp incurred in 2022 and that it is seeking to recover from customers were
19 prudently incurred. To make that determination, the Commission must evaluate how

5 Exh. WY-1CT at 7:1-10.

6 *Id.* at 6:6-10.

7 *Id.* at 7:18-9:15.

8 *Id.* at 11:4-14:5.

1 PacifiCorp’s hedging policy, and its allocation of hedges, were applied to Washington
2 customers specifically. Witness Yeomans’ testimony does not contain such an analysis
3 nor does it evaluate Washington-specific power costs and hedges. Therefore, the
4 relevance of Witness Yeomans’ analysis in evaluating the prudence of PacifiCorp's
5 hedging policy, and its subsequent impact on Washington customers through the
6 WIJAM, is limited.

7 **Q. DID WITNESS YEOMANS CONSIDER THE IMPACT OF THE WIJAM IN HIS**
8 **RECOMMENDATION?**

9 A. No. Again, Witness Yeomans’ analysis provides some good discussion, but it lacks a
10 focus on the actual way that PacifiCorp’s hedging practices impact Washington
11 ratepayers. In discovery, for example, Witness Yeomans confirmed that, while he has
12 experience in other jurisdictions, he “does not have any previous experience with
13 PacifiCorp.” Witness Yeomans also confirmed that he “[does] not have knowledge of the
14 methodologies PacifiCorp uses to allocate the costs and revenues of its system to the
15 states it serves,” and that he has only “a broad, high level overview understanding of the
16 WIJAM.”⁹

17 **Q. IS IT NECESSARY TO CONSIDER THE WIJAM WHEN EVALUATING THE**
18 **PRUDENCE OF PACIFICORP’S POWER COSTS IN THIS CASE?**

19 A. Yes. Absent consideration of the WIJAM, it is impossible to understand how
20 PacifiCorp’s power costs, and associated natural gas hedges, were allocated to
21 Washington and whether PacifiCorp’s actions specifically with respect to its Washington

⁹ Exh. BGM-12 (Staff Resp. to AWEC DR Nos. 1-2).

1 customers were prudent. The Commission’s task in this case is not to determine whether
2 PacifiCorp’s hedging policy in general is reasonable, but rather whether that hedging
3 policy was reasonably applied to Washington such that its Washington-allocated power
4 costs were prudently incurred.

5 **Q. IS IT RELEVANT THAT PACIFICORP FOLLOWED ITS HEDGING POLICY**
6 **WITH RESPECT TO ITS TOTAL-SYSTEM POSITIONS?**

7 A. Not with respect to the Commission’s decision in this case. Witness Yeomans and I both
8 agree that PacifiCorp met the hedging targets in its policy for both natural gas and power
9 with respect to its entire system. As I showed in Reply Testimony, though, PacifiCorp’s
10 total-system hedging still left its Washington customers unacceptably exposed to market
11 price risk – a level of exposure that far exceeded the requirements of its hedging policy.¹⁰
12 PacifiCorp could have hedged in a way that both satisfied its total system hedging
13 requirements, while also ensuring that the unique risks associated with Washington
14 customer rates were also simultaneously being hedged, but it did not. While the letter of
15 its hedging policy may not have specifically stated that Washington customers’ unique
16 risk ought simultaneously to be hedged, that does not relieve PacifiCorp of its obligations
17 to these customers. Thus, PacifiCorp did not act prudently with respect to its hedging
18 activities to protect Washington customers and the disallowances of 2022 power costs
19 that I recommend in my Reply Testimony are reasonable and appropriate.¹¹ These
20 disallowances reflect a level of 2022 power costs Washington customers could have

¹⁰ Exh. BGM-1CTr at 35 (Confidential Figure 4).

¹¹ Exh. BGM-1CTr at 44:11-46:8, 57:1-9.

1 reasonably expected to pay had PacifiCorp prudently hedged its natural gas and power
2 requirements for the west-side of its system.

3 **Q. DOES THIS CONCLUDE YOUR CROSS-ANSWERING TESTIMONY?**

4 A. Yes.