

CONFIDENTIAL SUBJECT TO PROTECTIVE ORDER  
Exhibit No. JMF-1CT  
Docket UE-230482  
Witness: John M. Fritz

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba  
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-230482

**PACIFICORP**

**REDACTED**

**REBUTTAL TESTIMONY OF JOHN M. FRITZ**

**May 2024**

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**ATTACHED EXHIBIT**

CONFIDENTIAL Exhibit No. JMF-2C—Staff Response to AWEC DR 9

1                                   **I. INTRODUCTION AND QUALIFICATIONS**

2   **Q. Please state your name, business address, and present position with PacifiCorp**  
3   **d/b/a Pacific Power & Light Company (PacifiCorp or Company).**

4   A. My name is John M. Fritz, and my business address is 825 NE Multnomah Street,  
5   Suite 600, Portland, Oregon 97232. I am currently employed as the Director of  
6   Credit, Contracts, and Risk Management.

7   **Q. Please describe your education and professional experience.**

8   A. I received a Bachelor of Science degree with a focus on finance from the University  
9   of Central Florida. I was first employed by PacifiCorp in 2002, as a senior analyst in  
10   Strategy and Planning. In 2004, I moved to Risk Management, as senior risk  
11   management analyst, joining management in 2006. In 2009, I assumed responsibility  
12   of the Middle Office, and became the Director of Risk Management. In 2013, I  
13   assumed responsibility for Credit, and in 2022, assumed responsibility for Contract  
14   Administration. I have been a lead member of the Risk Oversight Committee since  
15   2006, advising the committee and executive leadership about market and credit risk,  
16   hedging and risk management activities, policies, procedures, and controls. I  
17   participated in the Company’s hedging collaborative workshops that began in 2009  
18   which resulted in the adoption of new hedging metrics and programs. I led many  
19   technical conferences and workshops on hedging, risk management, and  
20   improvements to programs, policies, and reporting. In 2021, I led the most recent  
21   redesign of the Company’s power and natural gas hedging and risk management  
22   program.

1 **Q. Have you testified in any previous regulatory proceedings?**

2 A. Yes. I have testified in support of the Company's 2022 Utah Energy Balancing  
3 Account filing.

4 **II. PURPOSE OF TESTIMONY**

5 **Q. What is the purpose of your testimony in this case?**

6 A. My testimony responds to the testimony of Mr. Wesley Yeomans, an independent  
7 consultant under subcontract to Grid 4 Strategies LLC. Grid Strategies, who  
8 submitted testimony on behalf of Staff of Washington Utilities and Transportation  
9 Commission.

10 **Q. Please describe how your testimony is organized.**

11 A. My testimony begins with comments on Mr. Yeomans's testimony and responds to  
12 each of his four recommendations.

13 **Q. Overall, how do you respond to Mr. Yeomans's conclusions?**

14 A. Mr. Yeomans found PacifiCorp's "energy risk management program is prudent,  
15 reasonable, and effective."<sup>1</sup> PacifiCorp agrees with Mr. Yeomans's conclusions and  
16 found his review to generally be thorough and appropriate. With regards to Mr.  
17 Yeomans's recommendations, the Company supports the provision of the semi-  
18 annual hedging report to Washington parties, and already has a process to frequently  
19 discuss anticipated and unanticipated energy risks. My testimony further explains  
20 why the Company disagrees with his recommendations regarding monitoring of  
21 physical hedges and reviewing and mitigating the causes of production errors.

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<sup>1</sup> Testimony Staff Witness Yeomans, Exh. WY-1CT at 5 (Apr. Mar. 28, 2024).

1 **Q. Does the Company wish to make any other comments to Mr. Yeomans’s**  
 2 **testimony?**

3 A. The Company notes [REDACTED]  
 4 [REDACTED]  
 5 [REDACTED]

6 However, it is our understanding that Staff is aware of this change and still maintains  
 7 their conclusion.<sup>2</sup>

8 **Q. What recommendations does Mr. Yeomans make regarding the Company’s risk**  
 9 **management program?**

10 A. Mr. Yeomans identifies four recommendations: the Company should (1) “strengthen  
 11 its formal risk review process” by establishing “rigorous and frequent brainstorming”  
 12 sessions to consider “new, unanticipated energy risks”; (2) “review and mitigate the  
 13 causes of production errors reported in the quarterly physical position workbooks”,  
 14 (3) “review the performance of the physical hedges as the hedging strategy evolves to  
 15 utilize higher proportions of physical hedges over financial hedges”, and (4) provide  
 16 semi-annual hedging reports to Washington staff.<sup>3</sup>

17 **Q. Mr. Yeomans’s first recommendation is for the Company to meet frequently to**  
 18 **discuss ‘new, unanticipated risks’.<sup>4</sup> Do you agree with this recommendation?**

19 A. The power and natural gas traders and other energy supply management personnel  
 20 meet monthly to discuss a wide range of topics that could impact energy markets.

21 These discussions include [REDACTED]

<sup>2</sup> Conf. Exh. JMF-2C, Staff Response to AWEC DR 9.

<sup>3</sup> Exh. WY-1CT at 14-15.

<sup>4</sup> *Id.*

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]

5 [REDACTED] The Company commits to documenting minutes of these meetings.

6 **Q. Mr. Yeomans’s second recommendation is for the Company to “review and**  
7 **mitigate the causes of production errors reported in the quarterly physical**  
8 **position workbooks”.<sup>5</sup> Does the Company agree with this recommendation?**

9 A. The Company disagrees with this recommendation as a requirement to evaluate  
10 prudence of the Company’s hedging program given (1) the infeasibility of resolving  
11 each production error prior to the next business day and (2) long-term load and  
12 variable energy resource forecasts do not update daily in the long-term forecast and  
13 therefore these production errors do not materially impact the long-term hedging  
14 program. Notwithstanding the Company’s disagreement of this recommendation as a  
15 requirement, the Company has and will continue to work with the software vendor  
16 and the Company’s internal information technology departments to identify and  
17 implement improvements to reduce the occurrence of these production errors.

18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]

---

<sup>5</sup> *Id.*

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]

1 [REDACTED]

2 [REDACTED]

3 **Q. Mr. Yeomans next recommends the Company “review the performance of the**  
4 **physical hedges as the hedging strategy evolves to utilize higher proportions of**  
5 **physical hedges over financial hedges”.<sup>6</sup> Do you agree with this**  
6 **recommendation?**

7 **A. The Company disagrees with this recommendation as the Company’s hedging**  
8 **strategy is** [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 Mr. Yeomans notes that is his understanding that “PacifiCorp is transitioning  
12 to execute more physical hedges than financial hedges as described in New Power &  
13 Gas Limits Washington April 19, 11 2021 presentation.”<sup>7</sup> [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*



1

[REDACTED]

2

[REDACTED]

3

[REDACTED]

4 **Q.**

**Mr. Yeomans's fourth and final recommendation is for the Company to provide its comprehensive semi-annual hedging reports to Washington Staff.<sup>8</sup> Do you agree with this recommendation?**

7 **A.**

Yes. The Company agrees these reports can be provided to Washington Staff and other parties under appropriate confidentiality protections.

9

**III. SUMMARY AND RECOMMENDATION**

10 **Q.**

**Please summarize your argument and recommendation.**

11 **A.**

For the reasons discussed above, I recommend that the Commission find the Company's risk management and hedging program prudent at the time of execution and reject the proposed disallowances.

14 **Q.**

**Does this conclude your testimony?**

15 **A.**

Yes.

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<sup>8</sup> *Id.* at 17.