Exh. RTL-1T
Docket UE-25_____
Witness: Rick T. Link

**BEFORE THE WASHINGTON**

**UTILITIES AND TRANSPORTATION COMMISSION**

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| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,<br><br>Complainant,<br><br>v.<br><br>PACIFICORP dba PACIFIC POWER & LIGHT COMPANY<br><br>Respondent. | Docket UE-25_____ |

**PACIFICORP**

**DIRECT TESTIMONY OF RICK T. LINK**

**April 2025**

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## ATTACHED EXHIBIT

Exhibit RTL-2—Washington 2026 Protocol

## I. INTRODUCTION

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

A. My name is Rick T. Link, my business address is 825 NE Multnomah Street, Suite LCT 600, Portland, Oregon 97232. I am currently employed as Senior Vice President, Resource Planning and Procurement.

## II. QUALIFICATIONS

**Q. Please summarize your education and business experience.**

A. I joined PacifiCorp in December 2003 and assumed the responsibilities of my current position in May 2024. I have held several analytical and leadership positions responsible for developing long-term commodity price forecasts, pricing structured commercial contract opportunities and developing financial models to evaluate resource investment opportunities, negotiating commercial contract terms, and overseeing development of PacifiCorp's resource plans. I have been heavily involved in developing PacifiCorp's integrated resource plans since 2013; have been directly involved in several resource request for proposals processes; and performed economic analysis supporting a range of resource and transmission investment opportunities. Before joining PacifiCorp, I was an energy and environmental economics consultant with ICF Consulting (now ICF International) from 1999 to 2003, where I performed electric-sector financial modeling of environmental policies and resource investment opportunities for utility clients. I received a Bachelor of Science degree in Environmental Science from the Ohio State University in 1996 and a Master of Environmental Management from Duke University in 1999.

## III. PURPOSE OF TESTIMONY

**Q. What is the purpose of your testimony?**

A. I introduce PacifiCorp's new inter-jurisdictional cost allocation methodology for Washington, the Washington 2026 Protocol. I outline the specific provisions of the Washington 2026 Protocol and explain how the recommended modifications to the current allocation methodology, the Washington Inter-Jurisdictional Allocation Methodology (WIJAM), are more consistent with cost-causation and provide benefits to Washington customers.

**Q. Are you also sponsoring any exhibits to your testimony?**

A. Yes. Exhibit RTL-2 presents the Washington 2026 Protocol.

## IV. THE WASHINGTON 2026 PROTOCOL

**Q. Is PacifiCorp seeking to modify the current cost allocation methodology approved by the Washington Utilities and Transportation Commission (Commission)?**

A. Yes, the company requests that the Commission approve the Washington 2026 Protocol to supersede the currently effective WIJAM.

**Q. What standards does the Commission apply when considering a new proposed cost allocation methodology?**

A. As explained in the testimony of company witness Joelle R. Steward, PacifiCorp must demonstrate that the proposed changes more closely align the allocation of costs based on causation and provide benefits to customers.[1]

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[1] *WUTC v. PacifiCorp d/b/a Pac. Power & Light Company*, Docket No. UE-130043, Order 05 at ¶ 94 (Dec. 4, 2013).

**Q. Do PacifiCorp's proposed changes in the Washington 2026 Protocol meet this standard?**

A. Yes. As my section-by-section explanation of the Washington 2026 Protocol demonstrates, PacifiCorp's proposal more closely aligns the costs included in Washington customers' rates with cost causation and provides customer benefits.

***Section 1—Implementation***

**Q. Does Section 1 of the Washington 2026 Protocol provide an introduction and broader context for this filing?**

A. Yes. As summarized in Section 1, the Washington 2026 Protocol incorporates the WIJAM as the starting place for Washington allocations,[2] subject to several major changes, including realignment of certain existing generation resources, the use of fixed rather than dynamic allocation factors for non-emitting and natural gas resources, and the situs assignment of new resources identified for Washington after April 1, 2025.

**Q. Does PacifiCorp propose implementing a new cost allocation methodology in a single set of filings this year?**

A. No. PacifiCorp proposes a phased approach for implementing its modified cost allocation methodology. Phase 1 includes the recommended adoption of the Washington 2026 Protocol and the 2026 Protocol in other states. Phase 2 will begin no earlier than 2028 and will include adoption of fixed allocation factors for the other

[2] This is also set forth in Section 12, which states that PacifiCorp will allocate costs to Washington customers consistent with the WIJAM, as modified by the changes proposed in the Washington 2026 Protocol, unless the Commission approves a different cost allocation method.

states where PacifiCorp provides service and will also include proposals to address any issues that may arise as the 2026 Protocol is implemented in other states.

**Q. Please explain the transition to fixed allocation factors in the Washington 2026 Protocol.**

A. Allocation factors under the WIJAM are dynamically calculated based on monthly or annual loads. PacifiCorp has historically relied on cost-allocation methods that dynamically allocate total-system costs to states, which resulted in a just, fair, and reasonable allocation because customers in all states relied on the PacifiCorp system as a single system.

However, beginning with the 2020 Protocol, which included the WIJAM, PacifiCorp began to address a fundamental shift in cost allocation. The ultimate goal of the 2020 Protocol was to move away from dynamic allocation factors following the Interim Period[3] and move to a cost-allocation protocol with fixed allocation factors for generation resources and state-specific resource portfolios. To that end, during the Interim Period, the 2020 Protocol continued the application of dynamic allocation factors. However, the parties to the 2020 Protocol identified Framework Issues[4] that parties intended to address in the allocation methodology that would apply after the Interim Period. This transition to fixed factors was also identified in section 5.1.2. of the WIJAM. One of these Framework Issues was the determination of states' fixed share of new resource acquisitions for future allocations.

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[3] The Interim Period in the 2020 Protocol was originally defined as January 1, 2020, to December 31, 2023, and was extended to December 31, 2025.

[4] Issues that are to be addressed in a future cost allocation protocol that succeeds the 2020 Protocol.

**Q. Is PacifiCorp proposing certain fixed allocation factors for Washington in this filing?**

A. Yes. Attachment 1 to the Washington 2026 Protocol identifies the fixed allocation factors PacifiCorp proposes for allocating costs from generation resources to Washington customers. Company witness Sherona L. Cheung discusses these allocation factors in greater detail in her testimony.

These allocation factors are based on a four-year historical average (2020 through 2023, which was the latest year of data at the time the fixed allocation factors were calculated). As discussed in the testimony of Company witness Rohini Ghosh, the fixed allocation factors for Washington are slightly higher than the current dynamic WIJAM factors, which increases the amount of Clean Energy Transformation Act (CETA)-compliant generation Washington customers receive. The use of fixed allocation factors also supports resource planning to meet CETA's requirements.

**Q. Is PacifiCorp proposing the use of fixed allocation factors for other states?**

A. No, not yet. As discussed above, PacifiCorp is continuing to prepare its 2026 Protocol proposal for the other states, which will be phased in over two periods. The company intends to propose adopting fixed allocation factors for other states in Phase 2, which it anticipates will begin no sooner than 2028.

***Section 2—Prudence***

**Q. Does the Washington 2026 Protocol prejudge prudence or abrogate the Commission's responsibility to determine prudence and just and reasonable rates?**

A. No. Section 2 of the Washington 2026 Protocol makes clear that the proposed allocation of a particular expense or investment is not intended to and will not prejudge the prudence of those costs or the extent to which any particular cost may be reflected in rates.

***Section 3—System Transmission***

**Q. Does PacifiCorp propose changing the allocation of system transmission costs under the Washington 2026 Protocol?**

A. No. PacifiCorp proposes that all existing system transmission costs and benefits continue to be allocated using the system generation (SG) factor in this filing.

**Q. How are system transmission costs allocated under the WIJAM?**

A. In accordance with Section 4 of the WIJAM, all existing system transmission costs are allocated using the SG factor.[5]

**Q. What percentage of system transmission does PacifiCorp propose allocating to Washington customers?**

A. The SG factor would result in allocating approximately 7.979 percent of system transmission costs to Washington customers.

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[5] As identified in section 4.2.1 of the WIJAM, PacifiCorp has already excluded transmission that is used primarily for the transmission of power from generation assets that are not assigned to Washington under the West Control Area interjurisdictional cost allocation methodology.

**Q. With PacifiCorp moving to fixed factors and removing the allocation of coal, does a system allocation of transmission still benefit Washington?**

A. Yes, many of the renewable resources that are allocated to Washington, along with the necessary access to regional power markets, rely on PacifiCorp's system transmission, so it is still reasonable and appropriate to allocate transmission on a system basis. However, the company will continue to review this issue and may propose changes to the allocation of transmission in Phase 2.

***Section 4—Existing Resources***

**Q. How does the 2026 Washington Protocol categorize existing resources?**

A. The 2026 Washington Protocol identifies allocations for non-emitting resources that are not qualifying facilities (QFs) as defined under the Public Utility Regulatory Policies Act and natural gas resources.

<u>Non-Emitting Resources</u>

**Q. How are non-emitting resources allocated under the WIJAM?**

A. In accordance with Section 5 of the WIJAM, non-emitting resources are system-allocated using the SG factor.

**Q. How does PacifiCorp propose allocating non-emitting resources under the Washington 2026 Protocol?**

A. PacifiCorp proposes that all existing non-emitting resources that are not QFs, except for Rolling Hills, be allocated to Washington using a new fixed system generation (SG-F) factor.

**Q. What is the SG-F factor that PacifiCorp proposes to apply to existing non-emitting resources that are not QFs?**

A. The SG-F factor is 7.897 percent.

**Q. What is the Rolling Hills facility?**

A. Rolling Hills is a 100-megawatt project sited at the reclaimed Dave Johnston coal mine in Wyoming. The facility began operations in 2009 and PacifiCorp completed a repowering project at Rolling Hills in 2019.

**Q. What share of Rolling Hills does PacifiCorp propose allocating to Washington under the Washington 2026 Protocol?**

A. PacifiCorp proposes allocating 34.873 percent of Rolling Hills to Washington customers, compared to the 7.897 percent allocation for other non-emitting resources. This increased allocation represents the share of Rolling Hills that was previously allocated to Oregon under past cost allocation methodologies.

**Q. Why does PacifiCorp propose reallocating this increased share of Rolling Hills from Oregon to Washington?**

A. In 2008, the Public Utility Commission of Oregon disallowed recovery of Rolling Hills costs and excluded it from Oregon rates.[6] As a result, Oregon's share of Rolling Hills is not assigned to any state. PacifiCorp proposes allocating this share of Rolling Hills to Washington, which will assign to Washington customers additional non-emitting generation and will help satisfy the clean energy requirements set forth in CETA.

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[6] *In the Matter of PacifiCorp, dba Pacific Power 2009 Renewable Adjustment Clause Schedule 202*, Oregon Commission Docket No. UE 200, Order No. 08-548 at 20 (Nov. 14, 2008).

**Q. Is Rolling Hills used and useful to provide service in Washington?**

A. Yes. Washington customers' rates currently include a share of Rolling Hills allocated to Washington under the WIJAM. PacifiCorp proposes only to allocate additional Rolling Hills generation to Washington.

**Q. Is reassigning an increased share of Rolling Hills to Washington customers consistent with the allocation of costs based on causation?**

A. Yes. Washington has adopted stringent clean energy requirements, which will require that retail sales to Washington customers be carbon-neutral by 2030 and to be satisfied by renewable and non-carbon-emitting resources by 2045. Serving additional Washington load through a greater allocation of Rolling Hills will help PacifiCorp satisfy these clean energy requirements.

Moreover, to satisfy Washington law, PacifiCorp is removing all coal-fired resources from Washington rates.[7] Allocating additional non-emitting resources, including the increased share of Rolling Hills, will improve PacifiCorp's ability to serve Washington load notwithstanding the removal of other generation facilities.

**Q. Will reallocating an additional share of Rolling Hills to Washington benefit customers in this state?**

A. Yes. When reviewing PacifiCorp's 2022 power cost adjustment mechanism (PCAM) filing, the Commission stated that Washington customers were "disproportionately bearing the costs of rising prices of gas and electricity on the wholesale market[.]"[8] Reallocating additional shares of non-emitting resources like Rolling Hills will reduce

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[7] *See* RCW 19.405.030 (which requires the removal of coal-fired resources from the allocation of electricity, however, consistent with subsection (1)(b) of this statute and the WIJAM, decommissioning costs will continue to be allocated to Washington).

[8] Docket No. UE-230482, Order 07 at ¶ 111.

exposure to market purchases while enabling the company to serve Washington customers with resources that are consistent with Washington law.

**Q. Does this allocation improve Washington's CETA compliance?**

A. Yes, as further discussed in the testimony of company witness Ghosh, allocating an increased share of Rolling Hills to Washington improves PacifiCorp's CETA compliance position.

<u>Natural Gas Resources</u>

**Q. How does PacifiCorp propose allocating natural gas resources in the Washington 2026 Protocol?**

A. PacifiCorp's natural gas allocations vary by facility. First, PacifiCorp proposes situs-assigning the Chehalis natural gas facility, which is located in Washington. Second, PacifiCorp proposes allocating the converted Jim Bridger Units 1 and 2 using the SG-F factor, similar to non-emitting generation. Third, the company plans to remove the Hermiston natural gas facility from Washington rates.

**Q. Why does PacifiCorp propose assigning all of Chehalis to Washington customers?**

A. PacifiCorp proposes a situs assignment of Chehalis to Washington customers for two reasons—resource adequacy and compliance with Washington's energy policies.

**Q. How will the situs assignment of Chehalis to Washington help with resource adequacy?**

A. PacifiCorp's proposed Washington 2026 Protocol aims to transition the company's inter-jurisdictional cost allocations to more closely match how it is planning to meet load in each of the states in which it operates. PacifiCorp's intent is to allocate adequate resources to the customers in each state to serve those customers consistent with the diverse energy policies in effect in each state. Company witness Michael G. Wilding discusses in greater detail how PacifiCorp determined the resources necessary to provide resource adequacy for Washington customers.

**Q. What Washington laws affected PacifiCorp's proposal to situs assign Chehalis to Washington customers?**

A. Washington has two statutes that affected PacifiCorp's decision to situs assign Chehalis to Washington—CETA and the Climate Commitment Act (CCA).

**Q. What is CETA?**

A. CETA requires PacifiCorp to eliminate all coal-fired resources from Washington rates by 2025, ensure all retail electricity sales in Washington are greenhouse-gas neutral by 2030, and to source all retail electricity sales in Washington from 100 percent renewable and non-emitting energy sources by 2045.

**Q. How does the situs assignment of Chehalis to Washington customers improve PacifiCorp's compliance position with CETA?**

A. To comply with CETA, PacifiCorp is required to remove coal resources. This will require allocating additional resources to serve the company's growing load in Washington.

The situs assignment of Chehalis to Washington customers will allow greater flexibility while PacifiCorp adjusts its Washington-allocated portfolio to better comply with CETA. Allocating additional generation from a single thermal resource that is located in Washington and already included in Washington rates will facilitate the overall reduction of thermal resources allocated to Washington. Additionally, as

CETA deadlines approach, it will be easier for PacifiCorp to modify the operations of a single emitting facility that is entirely assigned and located in Washington as a means to satisfy Washington-specific energy policies instead of removing Washington's share of multiple facilities allocated to multiple states that have different energy policies.

**Q. What is the CCA?**

A. The CCA was signed into Washington law by Governor Inslee on May 17, 2021, and established a cap and invest program for the state that is overseen and implemented by the Washington Department of Ecology (Ecology). The CCA establishes regulatory requirements to reduce carbon emissions in the state.

**Q. How does the CCA work?**

A. The law attempts to reduce carbon emissions by establishing a market incentive for covered entities to reduce emissions. Generally speaking, the CCA directs Ecology to design and implement a cap and invest program to reduce statewide greenhouse gas (GHG) emissions. As part of this program, Ecology distributes no-cost allowances to qualifying electric utilities to mitigate the cost burden of the program to electric utility customers who are also subject to the CETA.[9]

As the emissions cap decreases, the available allowances will decrease, and covered entities must reduce emissions, secure extra allowances, or pursue alternative compliance options.

**Q. How does the CCA impact PacifiCorp's service to customers?**

A. The CCA requires that PacifiCorp demonstrate compliance by retiring GHG

[9] RCW 70A.65.120(1).

allowances for any GHG emissions output from a thermal generator within the state of Washington. Chehalis is the only source of GHG-emitting energy owned by PacifiCorp in Washington.

**Q. Does the CCA increase the rates Washington customers pay for generation from Chehalis?**

A. It should not. Ecology has previously granted PacifiCorp no-cost allowances consistent with Washington's allocated share of Chehalis based on a four-year forecast of PacifiCorp's supply and demand for its Washington retail service area. The Commission approved this forecast.[10]

**Q. Is assigning Chehalis to Washington customers on a situs basis consistent with the allocation of costs based on causation?**

A. Yes. PacifiCorp proposes to assign both the costs and benefits of Chehalis generation to Washington customers. Since the entirety of the benefits of Chehalis generation will be allocated to Washington customers, the costs incurred to provide those benefits, including the GHG allowances required under the CCA, are caused by service to Washington customers.

**Q. If Chehalis is situs assigned to Washington, will Washington customers' CCA compliance costs increase?**

A. No. PacifiCorp intends to apply to Ecology to secure additional no-cost allowances to reflect the fact that the entirety of Chehalis will only serve Washington retail load.

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[10] *In the Matter of the Petition of PacifiCorp dba Pacific Power & Light Co., Requesting Approval of Forecasts under RCW 70A.65.120*, Docket No. UE-220789, Order No. 01 at 5 (Jan. 24, 2023).

**Q. Why is PacifiCorp reducing Washington's share of Jim Bridger 1 and 2?**

A. PacifiCorp is reallocating its generation resources to provide greater flexibility as it plans for compliance with the clean energy requirements set forth in CETA. Reducing the share of Jim Bridger Units 1 and 2 allocated to Washington will reduce the reliance on thermal generation to serve Washington customers and facilitate the eventual removal of these plants from Washington rates.

**Q. Why is PacifiCorp proposing to remove Hermiston from Washington rates?**

A. Removing Hermiston from Washington rates at this time will facilitate PacifiCorp's compliance with CETA and ensure that there is not a significant overallocation of gas resource to Washington.

**Q. Will reducing Washington's share of Jim Bridger Units 1 and 2 and removing Hermiston from Washington rates adversely impact PacifiCorp's ability to meet its resource adequacy requirements for Washington?**

A. No. Due to the added flexibility from the situs assignment of Chehalis to Washington, PacifiCorp is able to reduce the allocations of other natural gas facilities included in Washington rates while improving the resource adequacy position of Washington customers.

***Section 5—Qualifying Facilities***

**Q. Finally, how does PacifiCorp propose allocating costs and benefits of QFs?**

A. Under the Washington 2026 Protocol, the costs and benefits of power purchase agreements for QFs located in Washington will continue to be situs assigned to Washington. QFs located in other states are not allocated to Washington.

***Section 6—Coal Resources***

**Q. How does PacifiCorp propose treating coal resources under the Washington 2026 Protocol?**

A. Consistent with RCW 19.405.030, PacifiCorp will remove from Washington rates all costs and benefits associated with coal generation by the end of the day on December 31, 2025. This applies to Jim Bridger Units 3-4 and Colstrip Unit 4.

**Q. Is this allocation different from the current allocation under the WIJAM?**

A. Yes. These coal-fired facilities are currently system-allocated based on dynamic factors, including a share that is allocated to Washington.

**Q. Is removing Jim Bridger Units 3-4 and Colstrip Unit 4 from Washington rates consistent with cost causation?**

A. Yes. Washington law requires that PacifiCorp remove all coal-fired units from Washington rates no later than December 31, 2025, and therefore Washington customers should not be responsible for the facilities' costs or benefits.

***Section 7—New Resources***

**Q. How does the Washington 2026 Protocol address the allocation of new resources identified for Washington customers?**

A. PacifiCorp proposes to situs assign all new resource commitments made for Washington after April 1, 2025, unless circumstances justify a cost-sharing proposal with other states. If a resource is procured under a cost-sharing proposal, the company would either seek approval of the cost allocation factor in advance of the Commission's prudence review (possibly during an RFP process) or as part of a rate proceeding where the Commission determines whether a specific resource decision was prudent. An example where a non-situs cost allocation proposal may be beneficial for Washington customers is a circumstance where one or more states have a need for the same type of resource sited in a location that can satisfy the needs of customers in those states without jeopardizing state-specific energy policy objectives.

***Section 8—Net Power Costs***

**Q. Is PacifiCorp proposing modifications to the allocation of net power costs (NPC)?**

A. Yes, forecast NPC for ratemaking purposes will use the Commission-approved allocation methodology, including the proposed changes discussed in my testimony. Company witness Ramon J. Mitchell explains the significant NPC benefits to Washington customers under the new allocation approach, including the fact that NPC under the Washington 2026 Protocol are approximately $42.5 million less than under the WIJAM. Additionally, PacifiCorp will be proposing certain operational and risk management changes that will impact NPC and will be reflected in the NPC forecast and actual NPC.

**Q. Are there other NPC-related provisions?**

A. Yes. Actual NPC, which PacifiCorp will continue to calculate using actual cost data booked to applicable Federal Energy Regulatory Commission (FERC) accounts, as agreed to in the settlement stipulation in PacifiCorp's 2014 general rate case,[11] will reflect only generation resources included in Washington rates. Finally, the costs and benefits of power purchase agreements for QFs located in Washington will be situs assigned to Washington.

[11] *Wash. Utils. & Transp. Comm'n v. Pac. Pwr & Light Co.,* Docket Nos. UE-140762, et. al (Consolidated), Settlement Stipulation, ¶ 11 (May 8, 2015).

**Q. Does PacifiCorp propose modifying its risk management policy to hedge for potential changes to NPC?**

A. Yes. PacifiCorp proposes modifying its risk management policy to create a separate book for Washington. The risk management policy will create limits to address resource adequacy and price volatility based on Washington load and resources. Company witness Wilding discusses PacifiCorp's proposed changes to its hedging policy in greater detail.

**Q. How will the costs of PacifiCorp's proposed new hedging policy be allocated?**

A. Purchases made in the Washington book in accordance with the risk management policy would be situs assigned to Washington. Company witness Mitchell discusses the anticipated NPC impacts of PacifiCorp's proposal to create a separate hedge book for Washington.

***Section 9—System Overhead (2026 Protocol SO Factor)***

**Q. Has PacifiCorp proposed changes to the calculation of the System Overhead or "SO" factor?**

A. Yes. As explained in greater detail in the testimony of Company witness Cheung, PacifiCorp proposes to replace the current SO factor with the 2026 Protocol SO factor. The current SO factor is dependent on SO-allocated gross plant balances, a calculation that complicates the generation realignment PacifiCorp is proposing in this case. In contrast, the 2026 Protocol SO factor is calculated as the average of three separate allocation factors: System Capacity (SC), System Energy (SE) and System Gross Plant Distribution (SGDP). This approach considers capacity, energy, and distribution plant allocation, which are not affected by realigning generation.

**Q. How does the current SO factor compare to the 2026 Protocol SO factor?**

A. The current SO factor for Washington is 7.085 percent. The 2026 Protocol SO factor allocates 7.669 percent to Washington.

**Q. Does PacifiCorp anticipate changes to the types of costs that are allocated using the 2026 Protocol SO factor?**

A. Yes. Currently, PacifiCorp's excess liability insurance premium expenses are allocated using the SO factor. However, the company states in the Washington 2026 Protocol that it will propose in a future filing a mechanism to manage PacifiCorp's excess liability insurance costs. PacifiCorp intends to separately address the inter-jurisdictional allocation of these costs in that filing.

***Section 10—Decommissioning Costs of Coal-Fired Resources Being Removed from Washington Rates***

**Q. How does PacifiCorp propose allocating decommissioning costs for coal resources that will be removed from Washington rates?**

A. Under PacifiCorp's proposal, Washington will continue to be allocated ongoing and expected decommissioning expenses for a share of Jim Bridger Units 3-4 and Colstrip Unit 4 consistent with the previous terms of the WIJAM. For other thermal resources, PacifiCorp will propose a cost-allocation methodology to implement in Phase 2 of the 2026 Protocol for these coal plants which are continuing to operate but are now allocated to other states. If PacifiCorp retires any facility other than Jim Bridger Units 3-4 and Colstrip Unit 4 before the implementation of Phase 2, the company will propose a methodology for allocating the decommissioning costs for that facility at the time of the decision to retire the facility.

***Section 11—Decommissioning Costs of Gas-Fired Resources for Washington***

**Q. How does PacifiCorp propose allocating decommissioning costs for gas-fired resources?**

A. PacifiCorp does not address the decommissioning costs of gas-fired resources in the Washington 2026 Protocol. Instead, the company intends to address the allocation of decommissioning costs for gas-fired resources that have been removed or reassigned from Washington either in a future rate proceeding or through Phase 2 of the cost allocation process.

***Section 12***

**Q. Does the Washington 2026 Protocol identify new allocation factors for all costs included in Washington rates?**

A. No. The Washington 2026 Protocol includes specific modifications to the WIJAM that PacifiCorp proposes in this case.

**Q. Will PacifiCorp revise the spreadsheet provided in Attachment 1 in a future general rate case?**

A. Yes, Attachment 1 to the Washington 2026 Protocol identifies FERC accounts and their associated allocation factors. PacifiCorp has updated this to reflect the revised allocation factors for the FERC accounts that are impacted by the PCORC filing. PacifiCorp may update this attachment again at a point when all the FERC accounts are under review in a general rate case.

## V. PACIFICORP'S COUNTERFACTUAL ANALYSIS

**Q. Company witnesses Isaiah M.R. Zacharia and Daniel J. MacNeil provide a counterfactual 10-year historical analysis and 10-year forecasted analysis of Washington's NPC presenting an alternative scenario where Washington's WIJAM energy deficit (short) position is closed using energy from hypothetical Washington-allocated generation resources instead of market transactions. Does that analysis relate to PacifiCorp's request to approve the Washington 2026 Protocol?**

A. No. The Commission requested that analysis in its order approving recovery of the 2022 PCAM deferral.[12] PacifiCorp's proposal to replace the WIJAM with the Washington 2026 Protocol limits the relevance of the analysis, since PacifiCorp is required to compare it to the West Control Area inter-jurisdictional allocation methodology (WCA)/WIJAM. With PacifiCorp now proposing a revised cost allocation protocol for Washington, it is more helpful to compare the Washington 2026 Protocol to the WIJAM as described in further detail in the testimonies of Company witnesses Wilding and Mitchell.

**Q. Does this counterfactual analysis require the use of information that was not available when PacifiCorp would have needed to procure the hypothetical resources?**

A. Yes, to complete this counterfactual analysis it is necessary to rely on information that was not available at the time that hypothetical resources were to be procured. It is my general understanding that a review of prudence is usually based on the information

[12] Docket No. UE-230482, Order 07 at ¶ 137.

that was known and available to the company at the time that a decision is made.[13] This entire counterfactual analysis is based on information that is *now* known, but was unavailable at the time the hypothetical procurement would have had to occur. Therefore, this counterfactual analysis should have limited value when attempting to determine the prudence of past actions of the company.

**Q. Depending on when this analysis is conducted, is it possible to get very different outcomes?**

A. Yes, just like the outcomes in utility integrated resource planning change based on information regarding market prices, resource costs, and future load projections, this counterfactual analysis would produce very different results depending on when it is conducted and what the best known assumptions are at the time.

**Q. Did this counterfactual analysis influence PacifiCorp's process in developing the Washington 2026 Protocol?**

A. No. PacifiCorp's proposed cost allocation methodology is based on a principled approach to address the specific issues that Washington is facing now. It is supported in this proceeding through the testimony of myself and the other witnesses based on the best available information that the company has on future conditions.

[13] *In the Matter of the Investigation of Avista Corporation, d/b/a Avista Utilities, Puget Sound Energy, and Pacific Power & Light Co. Regarding Prudency of Outage and Replacement Costs*, Docket No. UE-190882, Final Order 05 at ¶42 (Mar. 20, 2022)(identifying the prudence standard as "What would a reasonable board of directors and company management have decided given what they knew or reasonably should have known to be true *at the time they made a decision*?").

## VI. RECOMMENDATION

**Q. Please summarize your recommendation.**

A. PacifiCorp respectfully requests that the Commission approve the Washington 2026 Protocol as filed and begin applying the new allocation factors in this PCORC docket.

**Q. Does this conclude your direct testimony?**

A. Yes.