

CONFIDENTIAL SUBJECT TO PROTECTIVE ORDER

Exhibit No. DRS-4CT

Docket UE-230482

Witness: Douglas R. Staples

**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

SUPPLEMENTAL REBUTTAL TESTIMONY OF DOUGLAS R. STAPLES

May 2024

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I. INTRODUCTION

Q. Are you the same Douglas R. Staples who previously submitted rebuttal testimony in this proceeding on behalf of PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company)?

A. Yes.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your supplemental rebuttal testimony?

A. I rebut the new analysis presented in the cross-answering testimony of Robert L. Earle, filed on behalf of the Public Counsel Unit of the Washington State Office of the Attorney General (Public Counsel).

III. PUBLIC COUNSEL’S CROSS ANSWERING TESTIMONY

Q. What new analysis does Public Counsel advance in its cross-answering testimony?

A. Public Counsel presents analysis, for the first time, recommending a different disallowance than proposed in their response testimony, which goes beyond merely responding to the testimony filed by other parties. This new analysis presented by Public Counsel is inappropriate because it relies on a hindsight analysis using actual transaction data that was not available at the time the Company engaged in these hedging activities. It also erroneously indicates that the Company [REDACTED]
[REDACTED]
[REDACTED] after Public Counsel suggests that the Company should have started hedging to comply with the policy. Public Counsel is proposing

1 that the Company should be held responsible not just for complying with a policy that
2 did not exist, but for exceeding the policy's guidelines based on information that was
3 not available to the Company at the time.

4 **Q. What is the focus of this supplemental rebuttal?**

5 A. I respond to this newly presented analysis from Public Counsel, and the
6 accompanying recommendation of a disallowance of [REDACTED] for power hedging.
7 Please note that, while I do not discuss Public Counsel's endorsement of a
8 disallowance for gas hedging as put forth by the Alliance of Western Energy
9 Consumers (AWEC), that is in no way an indication of agreement, only that Public
10 Counsel presents no new evidence or analysis regarding the gas hedging proposal
11 from AWEC. My rebuttal testimony already addressed that issue; this supplemental
12 testimony is solely focused on the new analysis and accompanying recommendation
13 introduced by Public Counsel for the first time in cross-answering testimony.

14 **IV. PUBLIC COUNSEL'S NEW ANALYSIS**

15 **Q. Are there concrete and identifiable flaws in Public Counsel's new analysis?**

16 A. Yes, several. First, Public Counsel initially goes off course by basing their new
17 disallowance recommendation on an evaluation of the [REDACTED] of the Washington
18 Inter-Jurisdictional Allocation Methodology (WIJAM) position. This is inappropriate
19 because, to the extent that the [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 In addition, Public Counsel's analysis assumes [REDACTED]

23 [REDACTED]

1 [REDACTED]

2 [REDACTED] These appear to be

3 fundamental misunderstandings of the Company’s risk policy.

4 **Q. What are the other issues with Public Counsel’s analysis?**

5 A. Further, Public Counsel measures the [REDACTED] against *actual* transactions, which is
6 not a standard that any company can meet. The fact that Public Counsel’s testimony

7 [REDACTED]¹ displays a concerning lack
8 of understanding related to utility risks and operations. To be hedged on a [REDACTED]

9 [REDACTED] when looking at actual transactions, the Company must have perfect
10 foresight of future system conditions. However, there are numerous reasons that the

11 Company would not have perfect foresight, and which could not be reflected in the
12 [REDACTED]. These include:

- 13 • Unit trips or other unplanned outages or unanticipated derates;
- 14 • Unanticipated fuel constraints;²
- 15 • Load above forecast (this is expected to happen approximately 50% of the
16 time since the Company forecasts load using a 50th percentile forecast);
- 17 • Higher than expected temperatures, which lower air density, thereby reducing
18 wind generator output while simultaneously creating high demand;
- 19 • Poor hydro conditions relative to expectations (the Company uses a 50th
20 percentile forecast);
- 21 • Purchasing energy to lower a unit’s output and create headroom (capacity), for
22 reliability purposes not considered in the forecast;
- 23 • Economic back down due to changing market prices;
- 24 • Unanticipated and/or extreme seasonal weather conditions (hot or cold);

¹ Exh. RLE-7CT, 7; 19-20.

² For example, the Company did not know that it would experience coal supply interruptions during the fourth quarter of 2022.

- 1 • Actual prices that differ in shape from the scaled prices used in the forecast; or
- 2 • Unanticipated transmission outages.

3 The Company maintains and operates a [REDACTED], not a crystal
4 ball. The above-referenced drivers are only a sample list of the many potential
5 reasons why the Company discusses its hedging program in the context of ensuring a
6 [REDACTED]. There can be no reasonable
7 expectation that the actual [REDACTED] will match or exceed the target [REDACTED]
8 measured on a forecast basis, because actual operations are far too chaotic to assume
9 that. In fact, if future operations were as easily determinable as Public Counsel seems
10 to believe they are, *there would be no need for hedging at all since nothing would*
11 *change, including prices.* Public Counsel's new analysis implies a belief that the
12 Company should be judged as if it had perfect foresight of the future, not based on
13 whether the Company took reasonable and prudent actions based on the information
14 available when it made those decisions.

15 **Q. Please summarize your thoughts on Public Counsel's new analysis.**

16 A. Public Counsel's analysis lacks any consideration of what the Company can
17 reasonably be expected to know at the time of execution, disregards the Company's
18 actual policy (or policies, in this case), and simply calculates the impact of what
19 would have happened if the Company had perfect foreknowledge of its own future
20 load and transactions, and perfect foreknowledge of where prices would go.

21 **Q. What is your recommendation to the Commission?**

22 A. I recommend that the Commission reject Public Counsel's proposed disallowance,
23 newly introduced in cross-answering testimony.

1 Q. Does that conclude your testimony?

2 A. Yes.