

Exhibit BGM-1T  
Docket UE-210402  
Witness: Bradley G. Mullins  
(REDACTED)

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND ) DOCKET UE-210402  
TRANSPORTATION COMMISSION )  
)  
)  
Complainant, )  
)  
)  
v. )  
)  
)  
PACIFICORP d/b/a PACIFIC POWER & )  
LIGHT COMPANY, )  
)  
)  
Respondent. )  
)  
\_\_\_\_\_ )

**OPPOSITION TESTIMONY OF  
BRADLEY G. MULLINS  
ON BEHALF OF THE  
ALLIANCE OF WESTERN ENERGY CONSUMERS  
REDACTED VERSION  
November 22, 2021**

**TABLE OF CONTENTS TO THE  
RESPONSE TESTIMONY OF BRADLEY G. MULLINS**

I.	Introduction and Summary .....	1
II.	Background .....	3
III.	Power Cost Update .....	5
IV.	Nodal Pricing Model .....	19
V.	Bridger Fly Ash Revenues .....	23
VI.	Wheeling Allocation.....	24

**EXHIBIT LIST**

Exhibit BGM-2: Regulatory Appearances of Bradley G. Mullins

Confidential Exhibit BGM-3C: PacifiCorp Washington Hedging Position

Exhibit BGM-4: Bridger Expected Fly Ash Sales Revenues

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 Vihiluoto 15, Kempele,  
4 Finland FI-90410.

5 **Q. PLEASE STATE YOUR OCCUPATION AND ON WHOSE BEHALF YOU ARE**  
6 **TESTIFYING.**

7 A. I am an independent energy and utilities consultant representing large energy consumers  
8 before state regulatory commissions, primarily in the Western United States. I am  
9 appearing in this matter on behalf of the Alliance of Western Energy Consumers  
10 (“AWEC”). AWEC is a non-profit trade association whose members are energy  
11 consumers located throughout the Pacific Northwest, including electric and natural gas  
12 customers of PacifiCorp in Washington State.

13 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND WORK EXPERIENCE.**

14 A. I have a Master of Accounting degree from the University of Utah. After obtaining my  
15 master’s degree, I worked at Deloitte in San Jose, California, where I specialized in  
16 performing research and developing tax credit studies. I later worked at PacifiCorp as an  
17 analyst involved in power cost forecasting. I currently provide services to utility  
18 customers on matters such as revenue requirement, power cost forecasting, and rate  
19 spread and design. I have sponsored testimony in several regulatory jurisdictions around  
20 the United States, including before the Washington Utilities and Transportation  
21 Commission (“Commission”). A list of cases where I have submitted testimony can be  
22 found in Mullins, Exh. BGM-2.

1 **Q. WHAT IS THE PURPOSE OF YOUR RESPONSE TESTIMONY?**

2 A. I discuss AWEC's opposition to the Multi-Party Stipulation filed in this docket on  
3 November 5, 2021.

4 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

5 A. AWEC does not support the Multi-Party Stipulation. Principally, the Multi-Party  
6 Stipulation results in unknown but potentially substantial rate increases to customers and  
7 fails to provide customers with any rate certainty. PacifiCorp has estimated that the April  
8 2022 update proposed after the Commission adjudication of this matter may produce  
9 upwards of an additional \$43 million rate increase to Washington customers.<sup>1/</sup> While  
10 AWEC appreciates the parties' efforts towards reaching a settlement, the dramatic  
11 uncertainty with respect to the settled outcome is *not* a reasonable compromise,  
12 particularly considering the magnitude of the rate increase that PacifiCorp requested less  
13 than six months ago on June 1, 2021. In addition, the Multi-Party Stipulation relies on an  
14 entirely new modeling methodology with many problematic assumptions, which I discuss  
15 below.

16 **Q. WHAT ARE YOUR PRINCIPAL RECOMMENDATIONS AND CONCLUSIONS**  
17 **WITH RESPECT TO THE MULTI-PARTY STIPULATION?**

18 A. Specifically, I recommend the Commission:

- 19 ◦ Reject the proposed April 2022 NPC update;
- 20 ◦ Incorporate the benefits of nodal pricing dispatch;
- 21 ◦ Incorporate increased fly ash revenues from the Jim Bridger power plant  
22 into base rates as an offset to NPC; and,
- 23 ◦ Require PacifiCorp to allocate non-firm wheeling transactions based on  
24 the System Energy (SE) factor, consistent with the 2020 Protocol.

---

<sup>1/</sup> Exh. JT-1CT at 11

1  
2 **II. BACKGROUND**

3 **Q. PLEASE PROVIDE SOME BACKGROUND ON THE PCORC FILING.**

4 A. The PCORC was an outcome of PacifiCorp’s 2020 General Rate Case (“GRC”) Docket  
5 No. UE-191024. Paragraph 20 of the settlement in that case stated “that revenue  
6 requirement in this Settlement Stipulation includes a NPC baseline of approximately  
7 \$102 million.” Further, Paragraph 17, provided “the NPC baseline will be updated based  
8 on a nodal dispatch through a PCORC filed in 2021.” Following the stipulation,  
9 however, PacifiCorp performed an update to NPC, where it proposed to increase the  
10 forecast NPC to \$119.5 million, a projected \$17.5 million increase to the amount  
11 originally contemplated by the Parties to the 2020 GRC settlement.<sup>2/</sup> Given the  
12 unexpected impacts of the NPC update, and to preserve the rate reduction that parties had  
13 agreed to in the 2020 GRC settlement, the \$17.5 million increase was applied as an offset  
14 to the Power Cost Adjustment Mechanism (after applying company sharing amounts)  
15 through the Deferred NPC Baseline Adjustment (“DNBA”). Thus, the current effective  
16 NPC baseline, including the DNBA, is \$119.5 million. The Commission, however,  
17 admonished the parties with respect to the NPC update and the DNBA, stating “we have  
18 concerns about the Parties’ agreement to add this unwieldy additional calculation into  
19 the PCAM because it fails to afford the transparency to customers that we expect of a  
properly functioning PCAM and of regulatory ratesetting.”<sup>3/</sup>

---

<sup>2/</sup> WUTC v. PacifiCorp d/b/a Pacific Power & Light Company, Docket No. UE 191024, FINAL ORDER  
09/07/12 ¶ 73 (Dec. 14, 2020).

<sup>3/</sup> Id. ¶ 76.

1 **Q. WHAT LEVEL OF NPC DID PACIFICORP PROPOSE IN ITS JUNE 1, 2021**  
2 **FILING IN THIS DOCKET?**

3 A. PacifiCorp's filing in this docket proposed a baseline NPC of \$114,802,054, representing  
4 an approximate \$13.1 million increase to the NPC baseline currently included in rates,  
5 but a \$7.4 million decrease from the total NPC in rates after considering the DNBA  
6 amounts in the PCAM.

7 **Q. WHAT NPC BASELINE IS PROPOSED IN THE MULTI-PARTY SETTLEMENT**  
8 **IN THIS DOCKET?**

9 A. As I discuss below, it is not entirely clear. The Multi-Party Stipulation provides a single  
10 adjustment—for a production factor—in the amount of \$646,336, resulting in a potential  
11 NPC baseline of \$114,155,718.<sup>4/</sup> Notwithstanding, the Multi-Party Stipulation also  
12 contains a requirement for an April 2022 NPC update, which PacifiCorp estimates will  
13 potentially increase the NPC baseline to \$157,000,000,<sup>5/</sup> representing a 31% increase to  
14 the NPC established in Docket No. UE-191024, including the DNBA. Thus, significant  
15 uncertainty exists with respect to the NPC baseline that is being proposed in the Multi-  
16 Party Stipulation. In addition to the NPC production factor adjustment, PacifiCorp  
17 agreed not to correct an alleged error in its initial filing related to the nodal pricing  
18 model.

19 **Q. WHAT OTHER TERMS ARE INCLUDED IN THE MULTI-PARTY**  
20 **STIPULATION?**

21 A. PacifiCorp also agreed to begin passing back the savings of the production tax credit rate  
22 increase to 2.6 cents/kWh expected in 2022, although that savings would otherwise pass  
23 through the 2023 PCAM filing.

---

<sup>4/</sup> Exh. JT-1CT at 6.  
<sup>5/</sup> Id. at 11:17-18.



1 Commission agreed with parties' recommendation to update natural gas prices in the  
2 AURORA model. Second, Staff identified a quote from Order 07 on a Motion to Strike  
3 in PacifiCorp's 2014 GRC, Docket No. UE-140762, which did not strike a portion of  
4 Rebuttal Testimony in which PacifiCorp had performed a material update to coal costs.  
5 The issues in those dockets, however, are distinct and not relevant to the update at issue  
6 in this docket, and therefore, do not establish a precedent for the type of update  
7 contemplated in the Multi-Party Stipulation.

8 **Q. HOW IS THE UPDATE PROVISION OF THE MULTI-PARTY STIPULATION**  
9 **DISTINCT FROM THE UPDATE AT ISSUE IN PSE'S 2006 GRC**

10 A. In Puget Sound Energy's 2006 GRC, gas prices had declined by approximately  
11 \$0.48/MMBtu by the time parties filed Reply Testimony and the Commission accepted  
12 parties' recommendation to re-run AURORA with updated gas prices, stating "[t]he  
13 method for calculating such costs is now well-established."<sup>9/</sup> The Commission  
14 continued, stating "[t]he update should be a straightforward, mechanical and non-  
15 controversial process."<sup>10/</sup> Further, while PSE had requested to update all aspects of  
16 power costs in the update, the Commission declined PSE's request, stating that "[a]s to  
17 the other costs PSE proposes be updated, costs it does not identify except by reference to  
18 brief redirect examination of Company witness David Mills, there simply is no record to  
19 support any such update even were we otherwise inclined to authorize it."<sup>11/</sup> In contrast,  
20 the update proposed in the Multi-Party Stipulation is distinct from the update required in  
21 PSE's 2006 GRC for several reasons.

---

<sup>9/</sup> WUTC v. Puget Sound Energy, Inc. Docket Nos. UE-060266 and UG-060267 (consolidated), Order 08 ¶  
101-105 (Jan. 5, 2007).

<sup>10/</sup> Id. ¶ 104

<sup>11/</sup> Id. ¶ 105.

1           First, the closed-system modeling methodology that PacifiCorp uses is not the  
2 same out-of-the box AURORA modeling methodology that PSE uses. The NPC  
3 calculations of PacifiCorp rely on both forward gas and electric prices (not just gas  
4 prices) from numerous market points, which produce rate impacts that are unpredictable.  
5 Thus, the modeling approach PacifiCorp uses is inherently more complicated and not  
6 well-established enough to be modified through a compliance filing. It is by no means  
7 straightforward, nor mechanical.

8           Second, in PSE’s 2006 GRC, the impacts of the market price update were  
9 relatively known: it was known that the update would produce a slight reduction to NPC  
10 based on the record in that proceeding. In this case, however, PacifiCorp acknowledges  
11 that the price impacts of the update are unknown and that the impacts are highly  
12 volatile.<sup>12/</sup> Unlike the forward prices updated in the PSE 2006 GRC, the March 2022  
13 OFPC that Settling Parties propose be used in the update in this case has not yet been  
14 issued.

15           Third, to accommodate the timing of the update, PacifiCorp proposes dramatic  
16 changes to the modeling methodology submitted in its initial filing by using a hybrid of  
17 actual and forecast data, discussed further below.<sup>13/</sup> This will undoubtedly raise  
18 modeling controversy that was not present in the 2006 GRC of PSE.

19           Fourth, in the PSE case, the Commission found “it appropriate for PSE to rerun  
20 AURORA with updated gas costs, [but did] not find support in the record for updating

---

<sup>12/</sup> Exh. JT-1CT at 12:15-13:3.

<sup>13/</sup> Id. at 11:6-12.

1 other costs.”<sup>14/</sup> In this Docket the Settling Parties propose to update all contracts,  
2 including settled Short-Term Firm transactions and other aspects of NPC. Thus, the  
3 scope of the update proposed in the Multi-Party Stipulation is also broader than the  
4 update approved in the PSE 2006 GRC.

5 Given these distinctions, the 2006 GRC of PSE cannot be considered valid  
6 precedent for the update contemplated by the Multi-Party Stipulation.

7 **Q. HOW IS THE UPDATE PROVISION OF THE MULTI-PARTY STIPULATION**  
8 **DISTINCT FROM THE UPDATE AT ISSUE IN PACIFICORP’S 2014 GRC?**

9 A. Similarly, the update at issue in the 2014 GRC is distinct from the update contemplated in  
10 this docket. In the 2014 GRC, the issue was whether an update to coal costs was  
11 permissible in Rebuttal Testimony.<sup>15/</sup> The update contemplated by the Multi-Party  
12 Settlement is distinct because it will involve all prices and contracts and will include  
13 controversial new modeling assumptions. It is also distinct because it will occur at the  
14 compliance stage, with no opportunity for review. Staff did not mention that the  
15 Commission specifically conditioned its Order 07 in PacifiCorp’s 2014 GRC on  
16 “affording the parties opportunities for discovery and the preparation of supplemental  
17 testimony.”<sup>16/</sup> During the contemplated two-week review period in the Multi-Party  
18 Settlement, no such opportunity for discovery, supplemental testimony, nor hearing will  
19 be available.

20 Further, the block quote from PacifiCorp’s 2014 GRC identifies updates that have  
21 occurred in the compliance stage. As discussed above with respect to the PSE 2006

---

<sup>14/</sup> Docket Nos. UE-060266 (Cons.), Order 08 ¶ 105.

<sup>15/</sup> WUTC v. Pac. Power & Light Co., Docket Nos. UE-140762, UE-140617, UE-131384, and UE-140094 (consolidated), Order 07 ¶ 2 (Dec. 5, 2014).

<sup>16/</sup> Id. ¶ 5.

1 GRC, however, such updates were noncontroversial and were for known rate impacts,  
2 excluding new contracts and other cost items.

3 **Q. WERE EITHER OF THE CASES STAFF CITED A PROCEEDING**  
4 **SPECIFICALLY INITIATED TO UPDATE NPC?**

5 A. No. The PCORC was intended specifically as an update to NPC based on PacifiCorp's  
6 migration to nodal dispatch. Since it was unknown what impact this change would have  
7 on NPC, the parties, including AWEC, agreed to a PCORC to ensure that the benefits of  
8 nodal pricing were captured in the baseline. PacifiCorp's initial filing establishes that  
9 baseline using AURORA (instead of GRID) and captures the impacts of nodal dispatch  
10 (though as discussed below, it does not do so completely). Thus, an update is outside of  
11 the scope of this proceeding. Additionally, PacifiCorp is in the middle of a rate stay-out.  
12 Under the rate case settlement, it cannot file a new rate case (or otherwise update its  
13 power costs) until 2023, for rates effective in 2024.<sup>17/</sup> This means that power costs set in  
14 this PCORC will be in effect for a minimum of nearly two years. Given the dynamic  
15 nature of power costs, there is no reason to believe that an update performed at any  
16 period during the pendency of this case will be any more or less accurate than the NPC  
17 baseline PacifiCorp identified in its initial filing over the entire period that this baseline  
18 will be in effect.

19 **Q. DID PACIFICORP PROPOSE AN UPDATE IN ITS INITIAL FILING?**

20 A. No. Neither PacifiCorp's Direct Testimony, nor its application, mentions or requests an  
21 NPC update in this proceeding. An NPC update also was not incorporated into the  
22 procedural schedule in Order 03 issued in this docket, nor was there any mention of the

---

<sup>17/</sup> Docket UE-191024, Stipulation ¶ 11.

1 possibility of an update occurring nearly three months following the hearing in this  
2 docket.

3 **Q. IS AN UPDATE APPROPRIATE, GIVEN THAT IT WAS NOT IDENTIFIED AT**  
4 **THE ONSET OF THIS CASE?**

5 A. No. To the extent that an NPC update, such as the one contemplated in the Multi-Party  
6 Settlement, is to occur, it is important from AWEC's perspective that it be identified at  
7 the time of setting the procedure for a docket. Otherwise, parties may be faced with the  
8 difficult situation of responding to a rate proposal with the expectation of a particular  
9 proposed rate increase, only to be subject to a dramatically different rate proposal  
10 resulting from the unexpected update. In the context of this case, PacifiCorp proposed a  
11 3.73% overall rate increase,<sup>18/</sup> yet now in the Multi-Party Stipulation, PacifiCorp states  
12 that ratepayers may be faced with a rate increase of 15.42%,<sup>19/</sup> over four-times the  
13 original rate request, and a level that could result in rate shock. From a ratepayer  
14 perspective, a 15.42% rate request is an entirely different case than the one they were  
15 confronted with when PacifiCorp made its initial filing in June, and at the time the  
16 procedure was set for this docket.

17 **Q. IS A COMPLIANCE FILING ADEQUATE PROCEDURE FOR THE UPDATE**  
18 **PROPOSED IN THE MULTI-PARTY STIPULATION?**

19 A. No. Given the potential issues at stake in such an update, which are discussed below, a  
20 compliance filing is by no means an adequate procedure to adjudicate a 15.42% rate  
21 increase to customers. In the two-week review period contemplated by the Settling  
22 Parties, there will be little time to get access to the new modeling, let alone conduct

---

<sup>18/</sup> Meredith, Exh. RMM-2.

<sup>19/</sup> Exh. JT-1CT at 11:20.

1 substantive discovery and review. Further, there is no process established for contesting  
2 issues that are likely to arise in the compliance filing. Unlike the PSE 2006 GRC, the  
3 updates at issue will be controversial, involving many new costs and not limited to  
4 incorporating a known change to forward gas prices. If any update is to be performed in  
5 a case, there needs to be sufficient procedure to review and evaluate the filing, consisting  
6 of several rounds of discovery; the potential for responsive testimony or comments from  
7 intervenors; and, the opportunity for hearing—similar to the procedure adopted to review  
8 the NPC update that was contemplated in this docket.

9 **Q. CAN THE RATES IN THE MULTI-PARTY STIPULATION BE CONSIDERED**  
10 **JUST AND REASONABLE IN LIGHT OF THE UPDATE PROVISION?**

11 A. No. Given the uncertainty surrounding the rates that it would otherwise be approving, the  
12 Commission will have no ability to evaluate whether the rates resulting from the Multi-  
13 Party Stipulation are just and reasonable. If the Multi-Party Stipulation is approved, the  
14 Commission will not know the rates it has actually authorized until April 2022 when  
15 PacifiCorp makes its compliance filing, well after it issues its Final Order. Unlike the  
16 PSE 2006 GRC, the impact of the OFPC update in this case is unknown and the update  
17 will also include new contracts and other cost items, the impact of which is also  
18 unknown.

19 It is true that a complex mathematical formula is used to forecast NPC.  
20 Notwithstanding, it is the responsibility of the Commission to evaluate whether the rates,  
21 themselves, are just and reasonable, not the underlying mathematical formula. In the  
22 context of *Hope*, it is “the result reached and not the method employed” which is

1 controlling in determining “just and reasonable.”<sup>20/</sup> Thus, if the Commission does not  
2 know the result reached, it cannot determine whether the rates are just and reasonable.

3 **Q. WHAT COST ITEMS WILL BE INCLUDED IN THE UPDATE?**

4 A. That is not entirely clear. In addition to the March 2022 OFPC, the Multi-Party  
5 Stipulation states that the update will include the “latest electric and gas hedging and  
6 contract positions at the time.” PacifiCorp states that this may include 1) wholesale  
7 electric sale and purchase contracts that are for long-term firm sales and purchases; 2)  
8 short-term firm sales and purchases; and 3) natural gas sales and purchase contracts.<sup>21/</sup>

9 **Q. DOES AWEC SUPPORT UPDATING THESE ITEMS?**

10 A. No. Consistent with the precedent in the PSE 2006 GRC, new contracts and other cost  
11 items are not appropriate to be considered in a compliance filing.

12 **Q. WAS THE LIST PROVIDED BY PACIFICORP AN EXHAUSTIVE LIST OF**  
13 **UPDATE ITEMS?**

14 A. PacifiCorp seems to imply that this list is exhaustive, although that is not entirely clear.  
15 If the list PacifiCorp provided is not exhaustive, the term “contract positions” is so broad  
16 that it could be interpreted to include any cost item included in NPC, as every such cost  
17 results from some sort of contract. For example, PacifiCorp might request to update its  
18 coal costs for Jim Bridger or Colstrip, which are the byproduct of a “contract position.”  
19 Further, it is possible PacifiCorp may request other corrections and updates to other cost  
20 items, such as wheeling, as those items may relate to a contract position. Such updates,  
21 however, have the potential to be one-sided, as PacifiCorp is given extra time to identify  
22 modeling updates that will increase NPC, while potentially ignoring updates or

---

<sup>20/</sup> Hope Natural Gas Co., 320 U.S. 591, 602-603 (1944).  
<sup>21/</sup> Exh. JT-1CT at 11:1-5.

1 corrections that will reduce NPC. Intervenors would not have the same right to propose  
2 adjustments and corrections that reduce net power costs, nor would intervenors have any  
3 venue to review and propose such changes.

4 **Q. DID PACIFICORP PROPOSE TO UPDATE EIM BENEFITS IN CONNECTION**  
5 **WITH THE UPDATED OFPC?**

6 A. It is not clear. An update to Energy Imbalance Market (“EIM”) benefits calculation for  
7 the OFPC was not specifically identified by the Settling Parties. In Oregon, however,  
8 updating the EIM benefits calculation to more a more recent OFPC resulted in a  
9 \$63,856,616 reduction to total-Company NPC.<sup>22/</sup> Absent updating the EIM benefits  
10 calculation, the Settling Parties’ proposal has the potential to be one-sided because it  
11 would consider the increased costs associated with the OFPC update, but not the  
12 offsetting benefits associated with the impact of changing market prices on forecast EIM  
13 benefit levels. Accordingly, any update to forward prices must also consider the impacts  
14 of the updated prices on EIM benefits, which tend to increase as market prices increase.

15 **Q. CAN THE COMMISSION EVALUATE WHETHER THE NEW CONTRACTS**  
16 **PROPOSED IN THE UPDATE ARE PRUDENT?**

17 A. No. Those contracts will not be identified until the April 2022 compliance filing, after  
18 the Final Order in this case. As contemplated by the Settling Parties, the compliance  
19 filing process will last only two weeks, so there would be virtually no opportunity to  
20 review such items.<sup>23/</sup> Under RCW 80.04.150, rates in Washington must be subject to  
21 “complaint and inquiry.” If the final rates at issue are not presented until the utility  
22 makes its compliance filing, no such complaint or inquiry could possibly occur. Further,

---

<sup>22/</sup> In re PacifiCorp, dba Pacific Power, 2022 Transition Adjustment Mechanism, Or.PUC Docket No. UE 390, Net Power Cost Indicative Update for 2022, Exhibit A (Nov. 8, 2021).

<sup>23/</sup> Exh. JT-1CT at 10:8-9.

1 under RCW 80.04.130, the Commission can only approve a rate increase “upon a hearing  
2 concerning such proposed change and the reasonableness and justness thereof.” No such  
3 opportunity for hearing would exist with respect to the potential increase proposed in the  
4 update provision.

5 **Q. ARE THERE REASONS TO QUESTION THE PRUDENCE OF THE IMPACT**  
6 **OF THE PROPOSED NPC UPDATE?**

7 A. Yes. Considering the volatile market conditions that PacifiCorp identified in Settlement  
8 Testimony and the potential for large impacts to NPC in connection with the OFPC  
9 update, it is evident that, from Washington’s perspective, PacifiCorp’s hedging policies  
10 and practices are not prudent. In Exh. BGM-3C, I present an analysis of the hedges that  
11 were included in NPC in PacifiCorp’s initial filing in this matter. As can be seen,  
12 Washington NPC is only [REDACTED], or [REDACTED] percent, hedged. There is no need for  
13 any extensive discussion to establish that this is unreasonable and imprudent. One  
14 expects PacifiCorp to manage its price risk exposure through hedging such that it will not  
15 incur significant unexpected losses as a result of volatile market prices, such as those that  
16 have occurred in recent months. While Washington has a unique jurisdictional allocation  
17 methodology, PacifiCorp is still required to manage risk in a prudent manner for  
18 Washington customers and it has failed to do so.

19 **Q. PLEASE PROVIDE AN OVERVIEW OF EXHIBIT BGM-3C.**

20 A. Exh. BGM-3C details the net position and the hedging contracts allocated to Washington  
21 in connection with the WIJAM based on PacifiCorp’s initial filing. The amounts are  
22 detailed for both net power purchases and natural gas purchases.

1           With respect to power purchases, approximately [REDACTED] MWh of net purchases  
2           are included in Washington-allocated NPC. In contrast, only [REDACTED] MWh of those  
3           purchases have been hedged with fixed price hedging contracts. Thus, only [REDACTED] % of  
4           Washington-allocated purchases are hedged in PacifiCorp's NPC study. In fact, in the  
5           months of January through March 2022, Washington's net purchase hedging position is  
6           [REDACTED], indicating that ratepayers are [REDACTED]  
7           [REDACTED].

8           With respect to gas purchases, a similar degree of hedging can be observed. The  
9           NPC study forecasts that Chehalis and Hermiston will consume [REDACTED] MMBtu of  
10          natural gas on a Washington-allocated basis in 2022. Notwithstanding, only [REDACTED]  
11          [REDACTED], of those consumption volumes had been hedged through the purchase  
12          of natural gas swaps. In fact, the gas hedging for Washington's benefit was limited to  
13          just [REDACTED].

14          If a weighting is applied based on the cost of market purchases and natural gas  
15          purchases included in Washington-allocated NPC, the resultant hedging percentage is  
16          [REDACTED]%. Considering recent market volatility, that is not prudent hedging practice.

17       **Q. WOULD AN UPDATE BE NECESSARY IF PACIFICORP HAD HEDGED?**

18       A. No. If PacifiCorp were hedged from a Washington perspective, the recent change in  
19          market prices would not have resulted in such a significant change to NPC. Therefore,  
20          the need to perform any update would have been diminished. This is another reason why  
21          an update is not equitable, as any potential increase to NPC is the result of imprudent  
22          hedging practices from Washington's perspective.

1 **Q. HOW WILL THE UPDATE BE PERFORMED, GIVEN THAT IT IS EXPECTED**  
2 **TO OCCUR PART WAY THROUGH THE TEST PERIOD?**

3 A. This is another incurable complication associated with the update provision of the Multi-  
4 Party Stipulation. The Multi-Party Stipulation anticipates an update sometime in mid- to  
5 late-April 2022. The test period, however, is the 12 months ending December 2022.  
6 Therefore, at least three months of the forecast (January 2022 through March 2022) will  
7 be based on actual data, including actual market prices, actual short-term firm contracts,  
8 actual fuel contracts, and potentially, actual coal costs at Jim Bridger and Colstrip. Thus,  
9 the proposed update is not a mechanical, straightforward process. Rather, it will rely on  
10 an entirely new hybrid modeling methodology, using a blend of actual and forecast cost  
11 data.

12 **Q. WHAT ARE SOME COMPLICATIONS OF SETTING THE NPC BASELINE**  
13 **USING A HYBRID FORECAST AND ACTUAL DATA?**

14 A. Many unforeseen consequences may arise from this new methodology. For example, the  
15 new short-term firm transactions that PacifiCorp would seek to include in its update will  
16 include actual, settled transactions over the three months January 2022 through March  
17 2022. This would include not just monthly short-term firm transactions, but also day-  
18 ahead and real-time transactions (i.e., system balancing transactions), which are also  
19 considered short-term firm transactions subject to the update provision. Including actual  
20 costs in the NPC baseline, however, is not reasonable. The baseline is supposed to  
21 represent a normalized forecast, not actual costs. The actual costs of short-term firm and  
22 system balancing transactions in the three months January 2022 through March 2022 will  
23 otherwise be recovered in the PCAM. The actual costs in that period would therefore be

1 irrelevant to the rate effective period, since they will have already occurred prior to the  
2 date rates go into effect in this docket.

3 The use of actual gas purchase contracts would also result in actual costs being  
4 included in the model and would skew the results of the model dispatch. The actual gas  
5 purchases contracts would be based on actual dispatch, not the dispatch forecast in the  
6 AURORA model.

7 Similarly, the Settling Parties state that they intend to use actual settled market  
8 prices over that period.<sup>24/</sup> The actual market prices, however, are not normalized prices.  
9 They are reflective of the actual market and weather conditions in that period. To the  
10 extent that the weather is abnormal, for example, the result of such a hybrid modeling  
11 will be to incorporate the costs of non-normalized load and market conditions into the  
12 forward-looking NPC baseline. The baseline will need to be in effect for multiple years,  
13 however, so considering non-normalized costs in the forecast is inconsistent with  
14 normalized ratemaking.

15 Further, many of the modeling assumptions included in NPC, such as the Day-  
16 ahead / Real-time (“DA/RT”) adjustment, are premised on the use of forward-looking  
17 modeling estimates. PacifiCorp’s update to short-term firm transactions would include  
18 both the incremental term and balancing transactions that are being forecast through the  
19 DA/RT adjustment. Therefore, the DA/RT adjustment would not be applicable if applied  
20 to historical actual market data and actual short-term firm transactions. The AURORA  
21 model is not designed to take actual system balancing transactions as an input to develop

---

<sup>24/</sup> Exh. JT-1CT at 11:6-12.

1 a forecast of system dispatch surrounding the actual transactions; it is unknown how the  
2 model will respond to such a modeling change.

3 There are likely many more unanticipated issues that will need to be considered  
4 when using a hybrid actual/forecast modeling methodology, and those issues cannot  
5 reasonably be dealt with in a two-week compliance filing.

6 **Q. GIVEN THESE ISSUES IS THERE A WAY TO PERFORM AN UPDATE THAT**  
7 **IS REASONABLE?**

8 A. No. The Commission could, for example, require PacifiCorp to update NPC based on the  
9 January 1, 2022 OFPC, which will be the latest available OFPC at the time of the hearing  
10 in this docket. The Commission could also limit the update to gas and electric market  
11 prices, consistent with decision in the PSE 2006 GRC. Further, the Commission could  
12 also require an update to the level of EIM benefits based on the January 1, 2022 OFPC.  
13 To the extent, however, that update resulted in an increase in rates relative to the filed  
14 case, that increase would still be due to imprudent hedging practices. In addition, with  
15 such an update, there would still be no “opportunities for discovery and the preparation of  
16 supplemental testimony.”<sup>25/</sup> Thus, any increase resulting from such an update would still  
17 not be reasonable to consider in this docket, even if some of the impacts are knowable at  
18 the time of the hearing.

19 **Q. WHAT DO YOU RECOMMEND?**

20 A. This docket was intended to be a limited proceeding to update the NPC baseline that was  
21 approved in Docket No. UE-191024. Yet, now the Multi-Party Stipulation is  
22 contemplating even further updates to the update. At some point, however, there needs to

---

<sup>25/</sup> Docket No. UE-140762 (Cons.), Order 07 ¶ 5 (Dec. 5, 2014).

1 be certainty, recognizing that the baseline is a normalized forecast meant to be in effect  
2 for several years and that variances between actual net power cost and the forecast are  
3 recovered in conjunction with the PCAM. Stakeholders will have no venue to review and  
4 contest the proposed update, which will undoubtedly raise controversial issues. Any  
5 potential increase to baseline NPC relative to PacifiCorp's initial filing, for example, can  
6 only be attributed to an imprudent hedging policy, which has not considered the unique  
7 Washington load and resource balance position. Further, PacifiCorp proposes to use an  
8 entirely new hybrid modeling methodology incorporating both actual and forecast  
9 transactions into the NPC baseline, which also has the potential to result in material  
10 disputes with the proposed update. The Commission will have no way to evaluate  
11 whether the update produces just and reasonable rates and will have no way to evaluate  
12 the prudence of new cost items included in the update. For these reasons, AWEC  
13 recommends that the Commission reject the proposed NPC update altogether, and  
14 approve rates based on the NPC analysis PacifiCorp submitted in its initial filing in this  
15 docket, subject to the production factor adjustments in the Multi-Party Stipulation and the  
16 additional adjustments discussed below.

#### 17 **IV. NODAL PRICING MODEL**

##### 18 **Q. WHAT IS THE NODAL PRICING MODEL?**

19 A. The nodal pricing model ("NPM") is a day-ahead dispatch model developed by the  
20 California Independent System Operator ("CAISO") that allows PacifiCorp to dispatch  
21 its generation fleet based on the marginal price of each pricing node. To model nodal  
22 dispatch for purposes of setting power costs, PacifiCorp transitioned from its in-house  
23 GRID model to the AURORA model, though PacifiCorp simplified the model by

1 grouping all nodes together in areas where there is no transmission congestion.

2 PacifiCorp represents that this accurately captures nodal pricing without the complexity  
3 of modeling individual nodes. PacifiCorp discusses the NPM and AURORA in its  
4 Supplemental Testimony in this proceeding, Exhibit No. DRS-3T.

5 **Q. WHY DID PACIFICORP ADOPT THE NPM?**

6 A. The NPM has been discussed for several years in the Multi-State Process (“MSP”) as a  
7 means of allocating power costs to each state if those states transition to a fixed  
8 generation portfolio. Currently, power costs are dynamically allocated based primarily  
9 on each state’s load forecast when power costs are set; however, the MSP (and now  
10 Framework Issues) workgroup has discussed the possibility of fixing each state’s  
11 generation portfolio to help address differing state generation policies. In theory, nodal  
12 pricing helps identify the costs and benefits of each state’s generation portfolio for  
13 allocation to the state. Accordingly, as part of the 2020 MSP Protocol, the parties  
14 “affirm[ed] support for PacifiCorp’s reasonable and prudent investment of related capital  
15 funds, related operations and maintenance expenses, and the related ongoing grid  
16 management charges to develop and implement an NPM.”<sup>26/</sup>

17 **Q. HOW DOES THE MULTI-PARTY STIPULATION TREAT THE COSTS**  
18 **ASSOCIATED WITH THE NPM?**

19 A. The Multi-Party Stipulation includes approximately \$300,000 in Washington-allocated  
20 costs associated with the NPM. It also notes that this amount is an error; PacifiCorp  
21 included only \$4 million of the total \$8.3 million in NPM costs, which would have

---

<sup>26/</sup> 2020 Protocol, Appendix D ¶ 9.

1 resulted in an additional \$312,000 allocated to Washington.<sup>27/</sup> Under the Multi-Party  
2 Stipulation, PacifiCorp has agreed not to recover those additional costs in this case, but  
3 the full costs would flow through the Power Cost Adjustment Mechanism (“PCAM”),  
4 meaning that they could still be recovered through the PCAM’s deferral at a later date.<sup>28/</sup>

5 **Q. WHAT IS YOUR CONCERN WITH HOW THE MULTI-PARTY STIPULATION**  
6 **ADDRESSES NPM COSTS?**

7 A. While the Multi-Party Stipulation prevents full recovery of NPM costs in this case, it still  
8 makes no provision for the benefits of the NPM and allows PacifiCorp to, at least in  
9 theory, recover the additional costs through the PCAM. When the parties to the MSP  
10 agreed to allow PacifiCorp to move forward with the NPM and represented that this  
11 decision was prudent based on information known at that time, that agreement was based  
12 in part on an understanding that the NPM would result in cost savings for customers. The  
13 2020 Protocol explicitly identifies “more granular dispatch information resulting in  
14 anticipated operational cost savings” as a benefit from the NPM.<sup>29/</sup>

15 **Q. DOES PACIFICORP AGREE IN THIS CASE THAT THE NPM RESULTS IN**  
16 **COST SAVINGS?**

17 A. Yes. In Mr. Staples’ Supplemental Testimony in this proceeding, he testified that “the  
18 benefits from nodal dispatch and NPM come from having more efficient day-ahead setup  
19 .... [A] more efficient day ahead set-up results in fewer changes between the day-ahead  
20 setup and real-time dispatch, which lowers actual NPC by avoiding those changes.”<sup>30/</sup>

21 Mr. Staples also testified, however, that “this benefit is impossible to track because it is

---

<sup>27/</sup> Multi-Party Stipulation ¶ 11.

<sup>28/</sup> Id. n. 12.

<sup>29/</sup> 2020 Protocol, Appendix D, Exh. B.

<sup>30/</sup> Exh. No.DRS-3T at 3:18-4:1.

1 impossible to know what the day-ahead setup would be without NPM.”<sup>31/</sup> Consequently,  
2 PacifiCorp admits that there are NPC benefits from the NPM, but retains all of these  
3 benefits for shareholders.

4 **Q. IS PACIFICORP’S POSITION REASONABLE?**

5 A. No. As Staff notes in its portion of the Joint Testimony supporting the Stipulation,  
6 customers should pay as close to actual power costs as possible.<sup>32/</sup> Withholding benefits  
7 from the NPM may result in an inaccurate power cost forecast. There is also no  
8 justification for NPM benefits to flow to shareholders if customers pay for the NPM.  
9 PacifiCorp bears the burden of proof in this case. Whether it is “impossible” to quantify  
10 NPM benefits or not, that is an insufficient rationale for withholding those benefits from  
11 customers. If PacifiCorp cannot quantify the benefits, then it has failed to carry its  
12 burden on this issue and the Commission should identify a reasonable approximation of  
13 those benefits, or otherwise disallow the costs of the NPM.

14 **Q. HAVE OTHER STATES FOUND THAT BENEFITS EXIST FROM THE NPM?**

15 A. Yes. In a recent order, the Oregon Public Utility Commission (“Oregon Commission”)  
16 determined that PacifiCorp had failed to carry its burden to demonstrate that the benefits  
17 of the NPM are already captured in its power cost model. It determined that  
18 “PacifiCorp’s approach to forecasting no incremental benefit from its NPM is not well-  
19 supported by the record in this case ....”<sup>33/</sup> In that case, due to the lack of additional  
20 information provided by PacifiCorp, the Oregon Commission imputed savings from the  
21 NPM equal to one-half of its costs. The Oregon Commission justified this decision by

---

<sup>31/</sup> Id. at 4:2-3.

<sup>32/</sup> Exh. JT-1CT at 15:2-23.

<sup>33/</sup> OPUC Docket No. UE 390, Order No. 21-379 at 31 (Nov. 1, 2021).

1 noting that “over time [the NPM’s] benefits would more than offset its costs. At the  
2 same time, we recognize that the benefits of a new system may not necessarily, in 2022,  
3 produce benefits that fully offset the program’s initial costs.”<sup>34/</sup>

4 **Q. WHAT DO YOU RECOMMEND IN THIS PROCEEDING?**

5 A. I recommend that the Commission either: (1) disallow the NPM costs, for this proceeding  
6 only, on the basis that PacifiCorp has failed to demonstrate the benefits of this investment  
7 (PacifiCorp can attempt to justify these costs again the next time power costs are at  
8 issue); or (2) impute a level of benefits from the NPM equivalent to the \$312,000  
9 PacifiCorp failed to include in its initial filing in this proceeding. If the Commission  
10 adopted the latter recommendation, this would mean that PacifiCorp could not flow the  
11 full costs of the NPM through its PCAM.

12 **V. BRIDGER FLY ASH REVENUES**

13 **Q. WHAT IS FLY ASH?**

14 A. Fly ash is a byproduct of the combustion of coal. It is used in construction to develop  
15 concrete, bricks and other building supply products. Given reduced supply resulting from  
16 coal plant closures and increased construction demand, prices for fly ash have been  
17 increasing at a rapid pace in recent years.

18 **Q. WHAT AMOUNT OF FLY ASH REVENUES ARE INCLUDED IN BASE**  
19 **RATES?**

20 A. In base rates in the 2020 GRC, PacifiCorp assumed fly ash revenues from the Jim Bridger  
21 power plant of \$2,324,917 total-Company, or \$501,652 Washington-allocated.<sup>35/</sup>

---

<sup>34/</sup> Id. at 33.

<sup>35/</sup> See UE-191024, workpapers of Shelly McCoy, “B-Tabs/B1 - Electric Operations Revenue.xlsm” row 386.

1 **Q. ARE THOSE AMOUNTS INDICATIVE OF WHAT PACIFICORP ACTUALLY**  
2 **EXPECTS TO RECOGNIZE IN 2022?**

3 A. No. In October 2020, PacifiCorp entered into a new sales agreement to sell fly ash from  
4 the Jim Bridger power plant. In Docket No. UE 390 before the Oregon Public Utility  
5 Commission, PacifiCorp identified the incremental revenues that it expected to receive as  
6 a result of the new contract. In response to AWEC Data Request 39 in that proceeding,  
7 PacifiCorp indicated that, due to the new agreement, it expected increased fly ash  
8 revenues from Jim Bridger of \$13,895,142 on a total-Company basis,<sup>36/</sup> or \$2,998,182 on  
9 a Washington-allocated basis.<sup>37/</sup>

10 **Q. DO YOU RECOMMEND THAT THESE INCREMENTAL REVENUES BE**  
11 **CONSIDERED IN THIS DOCKET?**

12 A. Yes. AWEC has sought a deferral of the incremental revenues associated with this  
13 contract, but also recommends that the \$2,998,182 be incorporated into base rates in this  
14 proceeding, similar to the provision in the Multi-Party Stipulation to increase the  
15 production tax credit rate.

## 16 VI. WHEELING ALLOCATION

17 **Q. HOW ARE WHEELING EXPENSES ALLOCATED UNDER THE 2020**  
18 **PROTOCOL?**

19 A. Under the 2020 Protocol, wheeling expenses are allocated using the System Generation  
20 (“SG”) and System Energy (“SE”) factors. Firm wheeling transactions are allocated  
21 using the SG Factor. Non-Firm wheeling is allocated using the SE.

---

<sup>36/</sup> Mullins, Exh. BGM-4 at 2 (see the Jim Bridger amount on the fifth row of the table).

<sup>37/</sup> Based on a 21.58% Control Area Generation West (“CAGW”) allocation factor.

1 **Q. WHAT ISSUE HAVE YOU IDENTIFIED WITH RESPECT TO PACIFICORP'S**  
2 **ALLOCATION OF WHEELING COSTS TO WASHINGTON?**

3 A. When performing the jurisdictional allocation to Washington, PacifiCorp incorrectly  
4 assumed that all of its wheeling expenses were firm wheeling transactions and used the  
5 SG factor for all wheeling costs.

6 **Q. ARE ALL OF PACIFICORP'S WHEELING TRANSACTIONS FIRM?**

7 A. No. Approximately \$ [REDACTED] of the wheeling expense included in this case represents  
8 non-firm wheeling transactions, which are supposed to be allocated using the SE factor,  
9 not the SG factor. Since Washington has a slightly lower SE factor, PacifiCorp's  
10 treatment resulted in over-allocating wheeling costs to Washington.

11 **Q. WHAT IS THE IMPACT OF USING THE SE FACTOR FOR THE NON-FIRM**  
12 **WHEELING COSTS?**

13 A. Using the SE factor for the non-firm wheeling costs results in a \$45,104 reduction to  
14 Washington-allocated NPC.

15 **Q. DOES THIS CONCLUDE YOUR OPPOSITION TESTIMONY?**

16 A. Yes.