BEFORE THE WASHINGTON

UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Complainant.

v.

PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY

Respondent,

DOCKET UE-250224

RESPONSE TESTIMONY OF DR. ROBERT L. EARLE ON BEHALF OF THE WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL PUBLIC COUNSEL UNIT

EXHIBIT RLE-1CT

August 20, 2025

Shaded Information is Designated Confidential Per WAC 480-07-160

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I. INTRODUCTION & SUMMARY

Q. Please state your name and business address.

A. My name is Robert Earle. My business address is 1388 Haight St. #49, San Francisco, CA, 94117.

Q. By whom are you employed and in what capacity?

A. I am employed by Alea IE, LLC as the owner.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Public Counsel Unit of the Washington Attorney General's Office (Public Counsel).

Q. Please describe your professional qualifications.

A. I have over two decades of experience in the electric power and natural gas industries. This includes working on infrastructure planning, environmental mitigation, and analysis of gas and electric power markets. I taught graduate level classes in statistical machine learning at the University of Zürich for five years and supervised two masters' theses. I have Ph.D. and M.S. degrees from Stanford University in operations research, and an A.B. in mathematics from the College of William and Mary. My curriculum vitae is attached as Exhibit RLE-2.

Q. What exhibits are you sponsoring in this proceeding?

A. With this testimony I am sponsoring the following exhibits:

- Exhibit RLE-2 Curriculum Vitae of Robert L. Earle
- Exhibit RLE-3C PacifiCorp's Proposed Reallocation of Generation
- Exhibit RLE-4 PacifiCorp Response to Public Counsel Data Request 002.
- Exhibit RLE-5 PacifiCorp Response to Staff Data Request 60.

• Exhibit RLE-6	PacifiCorp Response to Public Counsel Data Request 152.
• Exhibit RLE-7C	Useability of Chehalis and Jim Bridger
• Exhibit RLE-8	PacifiCorp Response to Public Counsel Data Request 74.
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- Exhibit RLE-23 PacifiCorp Response to Public Counsel Data Request 114.
- Exhibit RLE-24C Calculation of EDAM Disallowance (CONF)

Q. Please give an overview of your testimony.

A. My testimony addresses PacifiCorp's (the Company) proposed reallocation of generation and the lack of support in the Company's filing for its proposal. Further, my testimony addresses the problems of over-collection of costs by PacifiCorp, both recent and future. In addition, my testimony addresses the cost of Rolling Hills and PacifiCorp's plans to join EDAM.

Q. What are your recommendations to the Washington Utilities and Transportation Commission (Commission)?

A. My recommendations are as follows:

1. The Commission should reject PacifiCorp's allocation of generation in its 2026 Protocol and adopt Public Counsel's proposal, as detailed in my testimony, which is better aligned with the environmental policy goals of the State of Washington and better for Washington consumers.
2. If the Commission chooses to approve PacifiCorp's allocation of generation in its proposed 2026 Protocol, it must do so with conditions, including:
    a. Sunsetting the allocation of Chehalis and Jim Bridger to Washington by the end of 2029, removing these resources from Washington rate base except for retirement costs.

b. Ensuring that PacifiCorp, not Washington customers, pay for any additional allowances needed for Chehalis and Jim Bridger if additional no-cost allowances are not granted by Ecology.

c. Reducing forecast Net Power Costs (NPC) for 2026 by approximately $16 million because there is no need for a premium for coal free power due to the enactment of Washington House Bill 1329.

d. Imposing a disallowance penalty of 15 percent of the increased non-NPC costs of Chehalis for 2026 and going forward.

3. The Commission should reduce non-NPC costs for Rolling Hills from $7.5 million to $3.4 million.

4. The Commission should open an investigation to determine whether PacifiCorp has unduly profited by allocating resources across its system in excess of 100 percent. For example, from 2021 through 2023, PacifiCorp has apparently over-collected on short term firm (STF) purchases that has appears to have resulted in $178.9 million in overcharges to Washington customers. The Commission should investigate whether Washington customers are due reparations for the over-collections for STF purchases and other over-collections. Moreover, going forward, approval of changes to rates should be made contingent pending that PacifiCorp has not over-

collected. Or, the allocation process, particularly for power costs, should be reformed so that over-collection by PacifiCorp is prevented.

5. The Commission should disallow approximately $437,000 in Extended Day Ahead Market (EDAM) costs because of PacifiCorp's lack of due diligence and presentation of consideration of the alternative of Markets+.

II. PACIFICORP HAS FAILED TO ADEQUATELY SUPPORT ITS FILING

Q. Please describe PacifiCorp's filing.

A. PacifiCorp has submitted a Power Cost Only Rate Case (PCORC) filing that proposes sweeping changes through what it calls the 2026 Protocol. The most important and central change is PacifiCorp's proposal for reallocating generation plant. PacifiCorp proposes to reallocate the natural gas-fired plant Chehalis entirely to Washington (from 104 MW to 477 MW), remove the natural gas-fired plant Hermiston from allocation to Washington (from 101 MW to 0 MW), and decrease the allocation of the natural gas-fired portion of Jim Bridger (from 156 MW to 56 MW). These changes result in a 172 MW increase in gas-fired capacity. In addition, PacifiCorp proposes to increase the allocation of the Rolling Hills wind generation facility (from 8 MW to 35 MW).[1]

In its filing, PacifiCorp also announces the removal of non-NPC coal generation operating costs from rates as required by law and its decision to join

[1] Robert L. Earle, Exh. RLE-3C (PacifiCorp's Proposed Reallocation of Generation).

the California Independent System Operator's (CAISO) Extended Day-Ahead Market (EDAM).[2]

Q. What support does PacifiCorp offer for its reallocation of power plant?

A. PacifiCorp has presented little to no substantive support or analysis for its proposed reallocation. In its filing, the Company merely compared the effects of its proposed reallocation with the current allocation. It did not consider alternative reallocations at all. Moreover, the Company merely compared the effects of its proposed reallocation for next year (2026) only, absurdly neglecting to consider the effects of its proposed long-term realignment of generation beyond one year. With 2030 Clean Energy Transformation Act (CETA) requirements coming fast on the heels of the Company's proposal, consideration of the effects beyond one year are obviously necessary.

Q. Does PacifiCorp's filing meet the standard that is required of it?

A. Not at all. PacifiCorp proposes a 7.9 percent increase in rates.[3] RCW 80.04.130 requires,[4] "[a]t any hearing involving any change in any schedule, classification, rule, or regulation the effect of which is to increase any rate, charge, rental, or toll theretofore charged, the burden of proof to show that such increase is just and reasonable shall be upon the public service company."

[2] Direct Test. of Sherona L. Cheung, Exh. SLC-1T at 4:4–5; Direct Test. of Michael G. Wilding, Exh. MGW-1CT at 2:7–9.
[3] Direct Test. of Joelle R. Steward, Exh. JRS-1T at 4:4–5.
[4] RCW 80.04.130(4).

The Commission has consistently reaffirmed this.[5] Perhaps PacifiCorp will pull a rabbit out of its hat on rebuttal and provide the missing evidence it failed to provide in its initial filing. The Commission should be wary of any new evidence produced by PacifiCorp on rebuttal. WAC 480-07-510(3)(a) states: "The company must include in its initial testimony and exhibits, including those addressing accounting adjustments, sufficient detail, calculations, information, and descriptions necessary to meet its burden of proof."

Q. Should PacifiCorp have to evaluate alternatives in this proceeding?

A. Unless there are no other alternatives, it is hard to imagine that the burden of proof does not require the evaluation of alternatives. In this case, there are other possible realignments of generation other than the one PacifiCorp proposes, including allocating even more wind power to Washington, deallocating all gas from Washington and replacing it with hydropower, etc. In its filing, PacifiCorp should have shown how its proposal would be superior to a range of alternatives. PacifiCorp failed to do so. The Company's approach is reminiscent of the Henny Youngman joke with the punchline "Compared to what"?

Q. Did Public Counsel ask if PacifiCorp performed any analysis of alternative reallocations of generation capacity?

A. Yes. PacifiCorp claimed that it did, but refused to provide the analysis. In refusing to provide the analysis, the Company said that all such analysis (concerning plant

[5] See, for example, *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-240004 & UG-240005, Order 09/07 ¶ 553 (Jan. 15, 2025). *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy* Dockets UE-170033 & UG-170034, Order 08, ¶ 437 (Dec. 5, 2017).

transfers) was subject to an NDA and therefore it was not available for review. [6] Then, confronted with a motion to compel, the Company stated that any analysis it had done was irrelevant to its proposed 2026 Protocol.[7]

So, first, PacifiCorp said that it did conduct an analysis of alternatives, but it could not provide them. Then, PacifiCorp said that the analyses it had conducted, but would not provide, were not relevant to its proposal. When PacifiCorp finally released the materials it withheld under order of the Commission, it turned out that its second assertion was the accurate one. While the materials provided do perform analysis of various generation realignments, there appears to be no analysis of the Company's reallocation proposal in its filing or comparison with alternatives. In other words, if PacifiCorp is to be believed, PacifiCorp did not do any basic analysis of its proposal as it should have.

This, of course, beggars the imagination. Did no one in PacifiCorp's management ask the question of whether its 2026 Protocol would be good for shareholders over the short- or long-run and whether there was no better approach? Did no one in PacifiCorp's management ask the question of whether its 2026 Protocol would be good for its Washington customers over the short- or long-run and whether there was no better approach? Were there no discussions, no memos, no emails, nor even any scrap of paper concerning the 2026 Protocol and how it could be improved, refined, or compared to alternatives? Apparently

[6] Earle, Exh. RLE-4 (PacifiCorp Response to Public Counsel Data Request 002).
[7] PacifiCorp's Resp to Pub. Counsel's Mot. to Compel Discovery, ¶¶ 7 & 12 (filed June 30, 2025).

not. PacifiCorp's 2026 Protocol seemingly sprang forth full grown like Athena from Zeus's head.

Washington consumers deserve better.

Q. Are there other areas in which PacifiCorp neglected to provide evidence, perform analysis, or consider alternatives?

A. Yes. PacifiCorp says that it will start hedging for Washington separately. While this is something that Public Counsel has long urged, PacifiCorp has provided no details, merely saying it will provide them in some future filing. For example, when asked if it will "commit to making a filing in an appropriate proceeding providing further details on the implementation of this risk management practice prior to January 1, 2026," PacifiCorp declined to do so.[8] The Company also says it is unlikely that hedges under its new policy will be executed by January 1, 2026.[9]

Likewise, with respect to its decision to join EDAM, as detailed below, PacifiCorp provided no consideration of the alternative of Markets+ in its filing. Nor did the Company apparently do any comparison between EDAM and Markets+ to conclude that EDAM was better for PacifiCorp and/or its customers.

Q. Do you have any further thoughts on the PacifiCorp's lack of support and analysis in its filing?

A. Discovering what costs are or reasonably will be, and whether they have been or would be prudently incurred, is a central problem of the regulation of utilities. An

[8] Earle, Exh. RLE-5 (PacifiCorp Response to Staff Data Request 60). See subpart a).
[9] *See Id.* at subpart b.

information asymmetry characterizes this problem: the utility knows much more about its operations and costs than the regulator or other interested parties.[10] As the National Regulatory Research Institute describes: [11]

> Although the utility may have the burden to demonstrate the reasonableness of its forecasts, any proposed adjustments by other parties would require an evaluation showing the forecasts' inaccuracies. The utility has a big advantage over other parties in knowing its prudent costs. It is difficult for a regulator's staff and interveners to either (a) show that the utility's costs are excessive or (b) produce their own forecasts that reflect efficient utility management.

A classic paper on this topic explains:[12]

> [T]he major goal of public utility regulation is price-setting. One of the most common causes of disputes in determining these prices is over the regulated firm's true minimum-cost of production. The regulated firm has private information, not known by the regulator, concerning its true production technology. In most instances, the utility also has very little incentive to reveal this private information to the regulator. Moreover, because it is a privately-owned company that must answer to its shareholders, the utility should use this private information to maximize its profits subject to the constraints imposed on it by the regulatory process.

Perhaps, PacifiCorp will say that the discovery process obviates the informational asymmetry. But PacifiCorp did not present a case that met the prudency or reasonableness standard in the first place, making it difficult for an

[10] The Commission has noted the problem of information asymmetry in setting rates. *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co., Dockets UE-230172 and UE-21082, consolidated,* Order 08/06 ¶ 311 (March 19, 2024).
[11] Kenneth W. Costello, *Multiyear Rate Plans and the Public Interest* at 35, Nat. Reg. Rsch. Inst. (Oct. 2016), https://pubs.naruc.org/pub/FA86999D-D03F-2858-7228-A6353560E5B9?_gl=1*5m84cq*_ga*NTIwMzQ0MDE2LjE2OTQzNTY3ODY.*_ga_QLH1N3Q1NF*MTY5NDM1Njc4Ni4xLjEuMTY5NDM1NjgyOS4wLjAuMA.
[12] Frank A. Wolak, An Econometric Analysis of the Asymmetric Information Regulatory-Utility Interaction, ANNALES DECONOMIE ET DE STATISTIQUE. (1994) https://fawolak.org/pdf/An%20Econometic%20Analysis%20of%20the%20Asymmetric%20Information,%20Regulator-Utility%20Interaction_1994_Wolak.pdf.

interested party to use the discovery process to fill in its information gap. Furthermore, PacifiCorp claimed on the central issue in this case that it could not provide its analysis, but when faced with a motion to compel claimed the evidence that contained its analysis of the issue asked for was irrelevant. PacifiCorp exhausts interested parties with evasions and non-answers and impedes the ability of the Commission to review a full set of facts so that it can set just and reasonable rates.

Perhaps then, PacifiCorp would reply in turn that the meet-and-confer/motion-to-compel process provides a remedy for dissatisfactions during the discovery process. Yet, the motion-to-compel process is time-consuming and expensive for intervenors and can only be used selectively to address evasions in data request responses.

PacifiCorp suffers from moral hazard because it is Washington ratepayers, not Company shareholders, who will bear brunt of PacifiCorp's poor decisions. As a result, it is in PacifiCorp's interest to not provide evidence for its proposals. As long as the Commission goes along with that, PacifiCorp need not support its positions by considering alternatives.

With its 2026 Protocol, PacifiCorp has presented what it hopes is a *fait accompli*. Either the Commission accepts PacifiCorp's deeply flawed reallocation or Washington customers continue with the current system under which Washington customers will suffer even more. However, there are other possible allocations of power plant that PacifiCorp did not explore.

III. PACIFICORP'S PROPOSED ALLOCATION MOVES WASHINGTON IN THE WRONG DIRECTION AND SHOULD BE REJECTED

Q. Why do you say that PacifiCorp's proposed allocation moves Washington in the wrong direction?

A. Washington has set a policy goal in statute to decarbonize its economy, including the electric generation sector. Under CETA, in just over four years, eighty percent of the power provided to retail electric customers must come from non-emitting or renewable resources. The remaining twenty percent must either be from non-emitting or renewable resources, or be covered by Renewable Energy Credits (RECs). [13]

PacifiCorp's proposed reallocation of generation plant moves Washington in the opposite direction of its goals by assigning more emitting generation to Washington, not less. The Company's 2026 Protocol increases gas-fired generation by 172 MW. Under PacifiCorp's scheme, only 35.2 percent of retail sales will be from CETA-compliant resources in 2026.[14] How Washington will be able to increase CETA-compliant resources to at least 80 percent by 2030 is not addressed by PacifiCorp.

This short-sightedness results in the assignment of a huge amount of unnecessary and ultimately unusable gas-fired generation to Washington by PacifiCorp. Using the 2026 figures as an example, for PacifiCorp to increase its CETA compliance to 80 percent, Chehalis and Jim Bridger would be mostly unusable for Washington because market purchases exceed 20 percent of retail

[13] RCW 19.405.040(1).
[14] Direct Test. of Rohini Ghosh, Exh. RG-1T at 6, Table 1.

load.[15] The capacity factors for the plants combined would drop from 52.7 percent to 8.2 percent unless PacifiCorp purchased more allowances from the open market. As a result, these plants would be largely useless for Washington consumers. Moreover, they would be very expensive because the non-NPC costs for these plants would be spread over many fewer MWh.[16]

Q. Are there other problems with PacifiCorp's proposed reallocation of generating facilities?

A. Yes. Along with not considering alternatives that are a better fit for Washington's market exposure and environmental goals over the short and long term, there are two other significant problems with PacifiCorp's proposal. First, PacifiCorp's plan exposes Washington ratepayers to considerable Climate Commitment Act (CCA) allowance costs. PacifiCorp has asked Ecology for more no-cost allowances to recognize the transfer of 100 percent of Chehalis to Washington.[17] However, there is no guarantee that PacifiCorp will receive more no-cost allowances. When asked who would bear the cost of additional allowances if they are not granted by Ecology, PacifiCorp stated it did not know.[18]

Second, PacifiCorp's 2026 Protocol allocation scheme would result in Washington customers being over-reliant on one asset, Chehalis. In its NPC

[15] It is possible that PacifiCorp would argue that all the market purchases could be made to make sure they were all from CETA-compliant sources. This, however, would be very costly. Even if PacifiCorp did make sure all the market purchases were CETA-compliant, the usage of the plants would be cut in half to 26.1%. These percentage uses may be overestimates because the economics of Chehalis would be affected by the cost of RECs. PacifiCorp has no estimate of the cost of RECs in 2030 (Exh. RLE-6 (PacifiCorp Response to Public Counsel Data Request 152)).
[16] Calculations for this section can be found in Earle, Exh. RLE-7C (Useability of Chehalis and Jim Bridger).
[17] Direct Testimony of Rick T. Link, Exh. RTL-1T at 13:19–20.
[18] Earle, Exh. RLE-8 (PacifiCorp Response to Public Counsel Data Request 74).

calculations for 2026, Chehalis makes up approximately 57.9 percent of the resources not purchased in the short-term market. If Chehalis were to suffer a prolonged outage, Washington customers would find themselves significantly short and subject to high market prices.

Moreover, PacifiCorp does not accurately depict Washington's market exposure. The Company claims that the 2026 Protocol eliminates market exposure for Washington.[19] This is not true. What PacifiCorp fails to include in this calculation is the [redacted] MWh in short term firm purchases (including 450,000 MWh in "pre-hedging") along with [redacted] MWh in "system balancing purchases." All of these purchases are short-term market exposure. So, rather than being long on annual basis by 239,973 MWh, Washington is short by [redacted] MWh on an annual basis under the 2026 Protocol.

IV. THE COMMISSION SHOULD ADOPT PUBLIC COUNSEL'S ALTERNATIVE RECOMMENDATION

Q. Does Public Counsel have an alternative to PacifiCorp's proposed reallocation of generation facilities?

A. Yes. Public Counsel proposes to reduce the allocation of all coal and natural gas-fired plants to zero for Washington. That generation should be replaced by sufficient renewable and other non-emitting generation to meet Washington's needs now and to position it to meet the 2030 CETA requirements.

While there are many potential configurations, one simple approach would be to provide a "slice" of generation across PacifiCorp wind resources so that

[19] Direct Test. of Ramon J. Mitchell, Exh. RJM 1-CT at 14:18–21.

Washington has an adequate supply.[20] Allocating an additional 32 percent of PacifiCorp owned wind generation would supply approximately the same amount of power provided by gas-fired generation in PacifiCorp's proposal. It would also result in CETA compliance.

Q. What effect would Public Counsel's proposal have on rates?

A. Public Counsel's proposal would reduce NPC to $77.06 million, a significant decrease from PacifiCorp's proposal of $194.6 million.[21] Non-NPC costs would increase by approximately $49.8 million.[22] Altogether, Public Counsel's proposal is a reduction in rates of $67.2 million over PacifiCorp's proposal. In other words, Public Counsel's proposal results in a reduction of approximately $33.3 million from current rates excluding the effects of taxes, changes to the system overhead (SO) factor, and Production Tax Credits (PTC).

Q. Along with comparing Public Counsel's proposal to PacifiCorp, did you consider other alternatives?

A. Yes, in addition to PacifiCorp's proposal, I also considered allocations that would retain some gas generation, and others that would assign two wind facilities (such as TB Flats and Rock Creek 2) 100 percent to Washington. Each of these were rejected in favor of the proposal presented here.

[20] It is possible that PacifiCorp might object that the wind facilities are already fully assigned to other jurisdictions. This, however, is an empty objection, because the same is true of Chehalis which it proposes to fully assign to Washington.

[21] This includes elimination of PacifiCorp's 50 percent adder for some purchased power which accounts for approximately $16 million of PacifiCorp's NPC.

[22] Non-NPC costs of the increased wind allocation are capped at the average cost of wind construction over the last eight years. PacifiCorp had the opportunity to build more wind power for its Washington customers and was aware of the need. Washington customers should not have to pay more than if PacifiCorp had done what it should have for its Washington customers. See, Earle, Exhibit RLE-11 (Rolling Hills and Average Cost of Wind).

In the first set of alternatives, I considered retaining some gas generation for Washington was considered. The amount of retained gas generation was such that no more than 10 percent of Washington customers' needs would be met from gas generation. This, however, posed the continuing danger that meeting CETA requirements after 2029 would be difficult if there is enough load growth and PacifiCorp does not procure enough CETA-compliant generation facilities for its Washington customers. Indeed, according to PacifiCorp's own predictions for 2026, the amount of market purchases exceeds 20 percent of retail load.

The second set of alternatives involved replacing gas generation with just two wind facilities from PacifiCorp's system. These alternatives would, as with PacifiCorp's proposal, make Washington overly dependent on a limited number of generation facilities and vulnerable to plant outages.

V. CONDITIONS ON THE ACCEPTANCE OF PACIFICORP'S PROPOSAL

Q. Why should there be conditions on the acceptance of PacifiCorp's proposal if the Commission does not decide to accept Public Counsel's proposal?

A. While Public Counsel's proposed reallocation is superior to PacifiCorp's proposal, if the Commission chooses to accept PacifiCorp's proposed reallocation, there are numerous flaws in PacifiCorp's proposal that must be fixed. These conditions are:

a. The allocations of Chehalis and Jim Bridger to Washington should be ended by December 31, 2029. That is, the allocations should be set to zero. As a result, Chehalis and Jim Bridger will be removed from Washington rate base except for retirement costs. As of January 1, 2030,

emitting sources, including those from gas-fired plants and unspecified market purchases, will be limited to 20 percent of retail load, and must be covered by renewable energy credits (RECs). As a result, Chehalis and Jim Bridger will largely be useless for Washington customers and should be removed from rates. Furthermore, any retirement or remediation costs of Chehalis and Jim Bridger should be based on historic usage/allocations, including those prior to implementation of the Company's 2026 Protocol.

b. The Commission should ensure that PacifiCorp, not Washington customers, pay for any additional allowances needed for Chehalis and Jim Bridger if additional no-cost allowances are not granted by Ecology. During discovery, Public Counsel asked the Company, "Should PacifiCorp's petition to Ecology fail to result in assignment of sufficient no-cost allowances to reflect the use of Chehalis to serve Washington retail load, does PacifiCorp propose that shareholders pay for additional no-cost allowances, or does PacifiCorp propose that Washington ratepayers pay for the additional no-cost allowances?" The Company coyly replied, "PacifiCorp has not made any final determinations on how to handle these costs under the hypothetical conditions outlined by Public Counsel."[23] While the Company has not made a determination, the Commission should. It is unreasonable for PacifiCorp to pass onto Washington customers the cost of any additional allowances, which could run into tens of millions, if not hundreds of millions of dollars. The

[23] Earle, Exh. RLE-8 (PacifiCorp Response to Public Counsel Data Request 74).

Commission should make a determination that the costs of any additional allowances will be borne by PacifiCorp shareholders.

The Company knew at the time of submitting its first no-cost allowance forecast, in 2022, that coal had to be out of retail rates by 2026 and that CETA requirements would limit emissions for retail load. Under its initial rules, Ecology allocated no-cost allowances for nearly 100% of retail electric load for Washington utilities for the first compliance period. By significantly changing their proposed gas allocation in 2025 from what they had previously forecast, the Company has taken on a significant amount of risk as to whether Ecology will adjust their no-cost allowance allocation. This risk has been taken on through no fault of ratepayers, but simply due to the Company's failure to procure non-emitting resources and lack of foresight. Therefore, the Company should shoulder the burden of its decisions.

c. Forecast NPC should be reduced from $194,585,894 to $176,348,657 to reflect the signing of House Bill 1329.[24] PacifiCorp applied a premium to certain market transactions to account for the possibility that House Bill 1329 would not pass. These should be removed. While PacifiCorp was unwilling to provide a recalculation of any premium,[25] the response to a Staff data request provides the recalculation.[26] It is possible that PacifiCorp might claim that there should still be a premium on some

[24] Earle, Exh. RLE-9C (PacifiCorp Response to Staff Data Request 20 (C) see subparts c & d).
[25] Earle, Exh. RLE-10 (PacifiCorp Response to Public Counsel Data Request 106).
[26] Earle, Exh. RLE-9C (PacifiCorp Response to Staff Data Request 20 (C) see subparts c & d).

transactions.[27] However, PacifiCorp has refused to provide any calculations of these effects. The Commission should reject any attempt by PacifiCorp to continue to impose a premium that the Company refuses to provide an estimate of. Moreover, it is Public Counsel's view that any such premium is not justified given the new law.

d. The Commission should impose a disallowance of 15 percent of the non-NPC costs of Chehalis for 2026 and going forward. As discussed above, PacifiCorp failed to meet the prudency standard required of it. In particular, the Company did not look at alternatives to the 2026 Protocol, and thus ruled enough out in order to meet prudence. Moreover, it did not look beyond one year to consider the effects of the 2026 Protocol. It is impossible, therefore, to know from PacifiCorp's application whether it is a reasonable allocation either in the short term or long term.

Even if, despite the lack of reasonableness of PacifiCorp's filing, the Commission approves the Company's 2026 Protocol, it should disallow a portion of the requested recovery. The transfer of Chehalis to Washington forms the problematic core of the Company's 2026 Protocol. Therefore, it is appropriate to target compensation for Chehalis in a disallowance. Public Counsel recommends a disallowance of 15 percent of the increased non-NPC costs of Chehalis or $5.1 million for 2026.

If the Commission does not impose a disallowance on PacifiCorp, it will signal to PacifiCorp that the Company has no obligation that its filings must meet

[27] Mitchell, Exh. RJM-1CT at 12:1–12.

the prudence standard. Absent a disallowance, PacifiCorp will be able to continue to submit proposals that are unsubstantiated and unreasonable.

VI. ROLLING HILLS

Q. Please describe PacifiCorp's proposal for Rolling Hills.

A. Rolling Hills is a 100 MW wind facility located in Eastern Wyoming. It began operations in 2009 with parts repowered in 2019.[28] Currently, Washington customers are allocated about 7.9 percent[29] or 8 MW of Rolling Hills. PacifiCorp proposes to allocate an additional 27 percent[30] or 27 MW of Rolling Hills to Washington customers.

Q. From where is the additional MW allocated to Washington coming?

A. In 2008, the Oregon Public Utility Commission (OPUC) rejected the inclusion of Rolling Hills in Oregon rates.[31] In particular, the OPUC found that Rolling Hills' acquisition was "imprudent," and its "specifications are markedly inferior, compared to either Glenrock or Seven Mile Hill, or other Wyoming wind projects in general."[32] The OPUC cites the anticipated capacity factors of "41.3 percent for Seven Mile Hill, 38.6 percent for Glenrock, and 31 percent for Rolling Hills."[33]

As a result of the disallowance of Rolling Hills by the OPUC, the share of Rolling Hills that would have been assigned to Oregon customers is now proposed by PacifiCorp to be assigned to Washington customers.[34]

[28] Link, Exh. RTL-1T at 8:5–6.
[29] Steward, Exh. JRS-1T at 5:20–21.
[30] *Id*. at 5:22–23; Cheung, Exh. SLC-1T at 13:1–3.
[31] *In the Matter of PacifiCorp, d/b/a Pacific Power 2009 Renewable Adjustment Clause Schedule 202*, Oregon Commission Docket No. UE 200, Order No. 08-548 at 20 (Nov. 14, 2008).
[32] *Id.* at 19.
[33] *Id.* at 19.
[34] Link, Exh. RTL-1T at 8:16–21.

Q. What is the cost to Washington consumers for the extra allocation of 27 MW of Rolling Hills to Washington?

A. The cost is an increase of 49.4 million in rate base, resulting, along with other costs, in a 7.5 million increase in revenue requirements for 2026.[35]

Q. Is this a reasonable increase in costs?

A. No, it is not. PacifiCorp claims that Rolling Hills is used and useful, and blithely says all it is doing is to "only allocate additional Rolling Hills generation to Washington."[36] In fact, PacifiCorp's assignment of an additional 27 MW of generation of Rolling Hills raises questions of the prudency of its actions. Just because around 8 MW of Rolling Hills had been assigned to Washington, and were deemed presumably prudent at the time of the assignment, does not mean that the assignment of such a large number of additional MW is prudent at the price that PacifiCorp is demanding.

While the Commission may have approved the inclusion of Rolling Hills in rates, it allowed Rolling Hills in rates for a given number of MW at the time of its approval. Now, PacifiCorp proposes more than quadrupling the MW to be included in rates. Quadrupling the allocation to Washington customers is not automatically prudent given changing circumstances from 2009.

Even after repowering in 2019, Rolling Hills' performance has not improved. The Rolling Hills facility is a poor performer with only 29 percent

[35] See PacifiCorp workpaper, 250224-PAC-SLC-WP-Adjustment6RollingHills-4-1-25.xlsx
[36] Link, Exh. RTL-1T at 9:1–4.

capacity factor for the years 2021 through 2024. In fact, PacifiCorp predicts that Rolling Hills will only have an effective capacity factor of [redacted] in 2026.[37]

Q. PacifiCorp says that allocating "an additional share of Rolling Hills to Washington benefits customers in this state."[38] Do you agree?

A. Not at the cost to Washington customers that PacifiCorp proposes. It is true that the increased allocation helps shield Washington customers from market exposure and increases the supply of renewable power to Washington customers. However, these are benefits to Washington customers only if they are obtained at a reasonable cost.

The cost of the additional allocation of Rolling Hills to Washington customers is an astounding $102.29/MWh if one credits it with a 31 percent capacity factor. At this cost, it is no wonder that PacifiCorp wishes to dump the unallocated portion of this facility onto Washington customers. The average cost of building a new wind facility over the past eight to nine years has been approximately $40.85/MWh.[39] PacifiCorp had the opportunity to propose building such a facility for its Washington customers, but neglected to do so.

Q. What is your recommendation to the Commission?

A. Permit the allocation of the additional 27 MW of Rolling Hills to Washington customers, but reduce the charges to Washington customers by 60.1 percent (or

[37] See PacifiCorp workpaper, NEW-PAC-RJM-WA-Direct-4-1-2025(C).xlsx. Some of the poor performance may be due to curtailments, but whether it is the fault of the facility itself or curtailments make no difference to the value that Washington customers receive.
[38] Link, Exh. RTL-1T at 9:16–10:2.
[39] Averaging from 2017 to 2025, using figures from PacifiCorp's IRPs, yields a cost of $40.85/MWh. See, Earle, Exh. RLE-11 (Rolling Hills and Average Cost of Wind).

$4.1 million in 2026) to reflect the outsized costs of the Rolling Hills facility. This results in non-NPC charges of $3.0 million for Rolling Hills in 2026.

VII. OVER-COLLECTIONS

Q. Why do you recommend that the Commission open an investigation into possible over-collections by PacifiCorp?

A. As a general principle, PacifiCorp should not collect more than 100 percent of its costs across its various jurisdictions. In a dynamic allocation system and because of different regulatory regimes, it is understandable if there is some deviation close to 100 percent collection of prudently incurred costs, whether above or below. However, large deviations should be unacceptable. PacifiCorp, however, seems to be wholly unconcerned about gross over-collection of costs. PacifiCorp itself has recognized that it has under- and over-recovered costs for specific resources.[40] In the case of STF purchases, as discussed below, the problem is severe: the Company appears to have over-collected tens of millions of dollars.

Shockingly, PacifiCorp does not know how much it has recovered from each jurisdiction on a resource-by-resource basis.[41] So, PacifiCorp cannot say whether what it has charged Washington or any other jurisdiction has been fair or not. According to the data provided by PacifiCorp, many plants in the years 2019 through 2024 were over-allocated by over 14 percent. That is, the total allocation was over 114 percent. For instance, in 2024, the total allocation for each of Hermiston, Chehalis, Camas Cogeneration, Colstrip, and Jim Bridger was 114.15

[40] Earle, Exh. RLE-18 (PacifiCorp Response to Staff Data Request 1 at subpart d).
[41] Earle, Exh. RLE-19 (PacifiCorp Response to Public Counsel Data Request 71 with Attachment); Earle, Exh. RLE-20 (1st Supplemental Response to Public Counsel Data Request 71).

percent. Moreover, 67 of 88 resources had total allocations of 100.5 percent.[42] It is unclear what this implies for how much was collected in rates for each plant, but Washington customers deserve to know the answer.

Q. Why do you say that the problem of over-collection is severe with respect to STF purchases?

A. In calculating the Power Cost Adjustment Mechanism (PCAM) amounts, PacifiCorp "balances" Washington load and resources so that they equal. As part of this process, PacifiCorp has assigned more STF purchases to Washington customers than they would otherwise be allocated using the standard allocation factor (SG). That is, Washington customers would normally pay for the SG percentage (approximately 8 percent) of the cost of company-wide short-term firm purchases. However, when Washington is considered to be "short," it is assigned more STF purchase costs than it would otherwise.

Severe problems have been noted previously concerning the balancing adjustment process and the fact that what PacifiCorp characterizes as STF purchases are really a hodge-podge of transactions that lack cost causation and boost the cost to Washington ratepayers.[43]

It turns out, however, that the problems already in the record are superseded by an even greater problem. Even though PacifiCorp pretended to charge Washington customers for their "short" position in order to balance the system (balancing adjustment), it appears that it did not, in fact, balance the

[42] Those that were not 114.5 percent were 100.05 percent.
[43] Declaration of Robert L. Earle, ¶ 18, *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket 240461, (Jan. 24, 2025).

system. In the 2023 PCAM, PacifiCorp made a balancing adjustment that increased the amount paid by Washington customers for STF purchases by $56 million. When asked to provide evidence that PacifiCorp did not also charge other jurisdictions for this amount allocated to Washington, PacifiCorp replied:[44]

> PacifiCorp has not charged any other jurisdictions for the net position balancing adjustment allocated to Washington. The Company is unable to provide evidence to disprove a cost that has not occurred.

PacifiCorp's response is quite amazing. It says it did not double collect on STF purchase costs, but cannot show that it did not. The Company says, in effect, that it does not have the ability to track the costs it charges or does not charge to each jurisdiction. If that is in fact the case, then it calls into question all of the charges it has made to Washington that are the result of an allocation of costs.

However, PacifiCorp, in response to other data requests, did provide how much it charged each non-Washington jurisdiction for STF purchases for each of the years 2021 through 2024.[45] The responses show that PacifiCorp charged other jurisdictions for STF purchases according to their SG factors. Because PacifiCorp charged Washington for STF purchases according to its SG factor plus the balancing adjustment amount of STF purchases, PacifiCorp over-collected on STF purchases.

[44] Earle, Exh. RLE-12 (PacifiCorp Response to Public Counsel Data Request 33), see subpart c. Earle, Exh. RLE-13 (PacifiCorp 1st Supplemental Response to Public Counsel Data Request 33).
[45] Earle, Exh. RLE-14 (PacifiCorp Response to Public Counsel Data Request 113 with Attachment); Earle, Exh. RLE-15 (PacifiCorp Response to Public Counsel Data Request 143 with Attachment); Earle, Exh. RLE-16 (PacifiCorp Response to Public Counsel Data Request 144 with Attachment); Earle, Exh. RLE-17 (PacifiCorp Response to Public Counsel Data Request 145 with Attachment).

Table 1 shows the amounts PacifiCorp says it spent on STF purchases, how much it charged other jurisdictions for STF purchases, how much it charged Washington for STF purchases, and the total collected by PacifiCorp for STF purchases.

Table 1: STF Purchases ($ M)

Year	Total STF Purchases	Amount Charged to Other Jurisdictions	Amount Charged to WA	Total Collected by PacifiCorp	Over Collected by PacifiCorp	Balancing Adjustment Charge to Washingon
2021	$ 370	$ 343	$ 80	$ 423	$ 53	$ 51
2022	$ 697	$ 644	$ 120	$ 765	$ 67	$ 65
2023	$ 908	$ 834	$ 126	$ 960	$ 52	$ 56
2024	$ 961	$ 899	$ 136	$ 1,035	$ 74	$ 63

So, for instance, in 2021, PacifiCorp spent $370 million on STF purchases and it charged other jurisdictions $343 million for STF purchases, and Washington customers $80 million. The total collected by PacifiCorp was $423 million. So, in 2021, PacifiCorp collected $423 million for STF purchases, but only spent $370 million, resulting in an over-collection of $53 million. Because the amount spent on STF purchases is a pass-through amount, the over-collection by PacifiCorp appears to be illegitimate. The $53 million in over-collection nearly matches the $51 million payment in the balancing adjustment. PacifiCorp clearly double collected on the STF purchase amounts in the balancing adjustment for each of the years 2021 through 2024.

Had PacifiCorp not double charged the balancing adjustment payments for STF purchases, charges to Washington ratepayers including interest would be reduced by $178.9 million as shown in Table 2.

Table 2: PCAM Overcharges ($)

Year	Original PCAM Recovery	Adjusted PCAM Recovery	Difference	Date	Reparations*
2021	49,849,948	14,266,909	35,583,039	EoY 2021	45,914,721
2022	71,467,276	8,974,651	62,492,624	EoY 2023	72,044,890
2023	81,016,057	24,654,631	56,361,426	9/30/2024	60,977,233
				Total	178,936,844
* with interest through September 30, 2025					

Q. What is your recommendation to the Commission?

A. There are two parts to my recommendation. First, the Commission should open an investigation to determine whether PacifiCorp has unduly profited by allocating resources across its system in excess of 100 percent. In particular, the Commission should investigate whether to order PacifiCorp to provide $178.9 million in reparations to Washington ratepayers for the years 2021 through 2023. This amount reflects the removal of the balancing adjustment payments for STF purchases made, with the resulting amount re-run through the PCAM process. The $178.9 million refund should be amortized over three years to smooth out rate impacts. The Commission should also investigate whether there are other areas in which PacifiCorp has over-collected and whether reparations are due in those areas.

Second, going forward, approval of changes to rates should be made contingent pending that PacifiCorp does not over-collect, or the allocation method for power costs be reformed so that over-collection does not occur. The stakes involved in setting PacifiCorp's power costs are high. STF purchase balancing adjustments have exceeded $230 million for the past four years, 2021 through 2024. The prior allocation methodology has led to PacifiCorp over-collecting on

its power costs. The Commission should ensure that does not occur moving forward.

I. EDAM DISALLOWANCE

Q. Why should there be a disallowance for a portion of EDAM costs?

A. As discussed above, PacifiCorp has an obligation to carefully consider alternatives when it makes decisions that result in costs to ratepayers. Moreover, in presenting its decision to the Commission and interested parties, PacifiCorp has an obligation to show its analysis of alternatives in its filing. Once again, however, PacifiCorp failed in its obligation to analyze alternatives and present them in its filing.

PacifiCorp had a choice to join CAISO's EDAM, to join the Southwest Power Pool's Markets+, or to join neither. The analysis presented in its filing does not consider Markets+, even though entities such as the Bonneville Power Administration decided to join Markets+.[46] It appears from the Company's discovery responses that PacifiCorp did not consider whether Markets+ was better for PacifiCorp's customers at all. As a result, the Commission should disallow a portion of the funds used to join EDAM because PacifiCorp failed to fully evaluate the alternatives and to present such evaluation in this filing.

[46] Bonneville Power Admin., *Day-Ahead Market*, (May 2025) https://www.bpa.gov/learn-and-participate/projects/day-ahead-market.

Q. Are you saying that the decision to join EDAM is a bad decision?

A. No. The point is, whether or not PacifiCorp's decision to join EDAM is prudent, it should have considered the alternative of Markets+ and presented the analysis showing that EDAM was a better choice.

Q. What do we know about PacifiCorp's consideration of Markets+ versus EDAM?

A. In announcing its decision to join EDAM, PacifiCorp did not present any consideration of the alternative of joining Markets+. Indeed, a search for the word "Markets+" in the Company's filing shows it does not occur anywhere in PacifiCorp's filing, either in its testimony or exhibits, with one exception.[47]

Clearly, even though Markets+ was an alternative to EDAM, one which the Bonneville Power Administration (BPA) chose over EDAM, PacifiCorp presented no comparative analysis of EDAM versus Markets+ in its filing. On that basis alone, the Commission should disallow a portion of the EDAM costs.

Q. Did PacifiCorp evaluate whether EDAM would be better for its customers than Markets+?

A. It appears that they did not. When asked to provide PacifiCorp's evaluations of "other day-ahead market offerings" it provided none.[48] Instead, it referred to two analyses. The first was an analysis by a third-party consultant, commissioned by

[47] The exception is in Wilding, Exh. MGW-3 at 35 where Markets+ is mentioned as being analyzed in another study. This exhibit is a study No analysis of Markets+ is given in the exhibit. PacifiCorp admits (Earle, Exh. RLE-21 PacifiCorp Response to Public Counsel Data Request 115) that the exhibits provided in its filing did not compare EDAM and Markets+.
[48] Earle, Exh. RLE-22 (PacifiCorp Response to Public Counsel Data Request 34 at, subpart a).

PacifiCorp, that compared EDAM and Markets+.[49] Significantly, while this study compares EDAM and Markets+, it does not conclude that either market is better than the other in general, much less does it conclude that EDAM is better for PacifiCorp than Markets+.[50] The second analysis provided by PacifiCorp was performed by Portland General Electric (PGE) without any apparent involvement of PacifiCorp.[51] The PGE analysis concludes that EDAM was the right choice for PGE. It makes no conclusion about whether EDAM is the correct choice for PacifiCorp. Even if it did, the analysis provided was that of PGE, not PacifiCorp. There apparently was no internal discussion, email, or presentation that PacifiCorp could provide that showed that the Company considered these two documents and concluded from them that it should join EDAM over Markets+.

Moreover, when PacifiCorp was asked to provide any calculations that PacifiCorp had done to show that EDAM was the best option for an "inclusive market," or "leverage the greatest transmission capacity," [52] it provided none.[53]

Finally, when asked to provide copies of any and all analysis PacifiCorp has performed of Markets+, the Company referred to the same two analyses

[49] Brattle, *Experts Assess the Proposed Day-Ahead Markets in the WECC in a New White Paper* (Oct. 2024) https://www.brattle.com/insights-events/publications/brattle-experts-assess-the-proposed-day-ahead-markets-in-the-wecc-in-a-new-white-paper/.
[50] Indeed, other than saying the report was prepared for PacifiCorp, the report does not mention PacifiCorp at all.
[51] Portland General Electric, *Comparative Analysis of the CAISO's EDAM and the SPP's Markets+* (Mar. 2024) https://www.oasis.oati.com/woa/docs/PGE/PGEdocs/PGE_EDAM_and_Marketsplus_comparative_study_2024.pdf.
[52] Wilding, Exh. MGW-1CT at 18:10.
[53] Earle, Exh. RLE-22 (PacifiCorp Response to Public Counsel Data Request 34 at, subparts. c. & e).

discussed above.[54] PacifiCorp later confirmed that it had done no internal analyses of its own.[55]

Clearly, PacifiCorp did not evaluate whether EDAM would be better for its customers than Markets+. There seems to be not a presentation, not a memo, not an email, nor even a scrap of paper that lays out the pros and cons of PacifiCorp joining EDAM, and then concludes that EDAM is right for PacifiCorp. Or, if there is one, PacifiCorp is not willing to provide the analysis.

Q. What is an appropriate disallowance for PacifiCorp's failure to conduct or provide in its filing analysis of whether joining EDAM was superior to joining Markets+?

A. Public Counsel recommends a disallowance of [redacted] of certain EDAM costs, or approximately $437,000.[56]

Q. What would be the consequence should the Commission not disallow a portion of PacifiCorp's EDAM costs?

A. It will encourage PacifiCorp to continue to not provide complete filings and not consider alternatives either in its presentations in filings or in its actual consideration of decisions. Failure to disallow a portion of PacifiCorp's EDAM costs will further encourage the Company's exploitation of the informational asymmetry between PacifiCorp and the Commission.

Q. Does that conclude your testimony?

A. Yes, it does.

[54] See *Id*. at subpart f.
[55] Earle, Exh. RLE-23 (PacifiCorp Response to Public Counsel Data Request 114 at subpart a).
[56] Earle, Exh. RLE-24C (Calculation of EDAM Disallowance – CONF).