

Docket No. UE-210402 – Vol III

**WUTC v. PacifiCorp, d/b/a Pacific Power & Light
Company**

January 14, 2022



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BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

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

EVIDENTIARY HEARING

VOLUME III

* A PORTION OF TESTIMONY IS DESIGNATED CONFIDENTIAL
AND IS SEALED UNDER SEPARATE COVER. *

(ALL PARTICIPANTS APPEARING VIA VIDEOCONFERENCE)

DATE TAKEN: January 14, 2022
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1 January 14, 2022; 9:32 a.m.

2

3 JUDGE HOWARD: Good morning. Let's be
4 on the record. Today is Friday, January 14, 2022, at
5 9:32 a.m. We're here today for a settlement hearing
6 in Docket UE-210402 which is captioned Washington
7 Utilities and Transportation Commission v. PacifiCorp
8 doing business as Pacific Power & Light Company. The
9 company characterizes this filing as a power cost only
10 rate case or PCORC. To spell out that acronym, that
11 is P-C-O-R-C.

12 My name is Michael Howard. I'm an
13 administrative law judge with the Commission. I am
14 joined today by Chair Dave Danner, Commissioner Ann
15 Rendahl, and Commissioner Jay Balasbas. We are
16 proceeding with this as a virtual hearing over the
17 Zoom platform. We ask that you please keep yourself
18 on mute unless it's your turn to speak and that
19 witnesses only turn on their cameras when they are on
20 the virtual witness stand.

21 Let's start by taking short form appearances
22 beginning with the Company.

23 MR. KUMAR: Thank you, Your Honor. On
24 behalf of PacifiCorp, this is Ajay Kumar, and also
25 appearing on the record is Ms. Carla Scarcella. And

1 appearing here today with me is also Mr. Adam Lowney
2 of the firm McDowell Rackner Gibson.

3 JUDGE HOWARD: Thank you, Mr. Kumar.
4 Could we have an appearance for Staff?

5 MR. DALLAS: Yes, Your Honor. Joe
6 Dallas, assistant attorney general, on behalf of
7 Commission Staff, and today Staff will be -- Staff's
8 witness will be Mr. David C. Gomez.

9 JUDGE HOWARD: Thank you.
10 Could we have an appearance for Public
11 Counsel?

12 MS. PAISNER: Good morning. My name is
13 Ann Paisner. I'm appearing on behalf of Public
14 Counsel -- Public Counsel unit in the Washington State
15 Office of the Attorney General. And our witness today
16 is Corey Dahl. He's on the line. We also have --
17 listening in today, we have our paralegal Thomas
18 Johnson and also our expert Robert Earle.

19 JUDGE HOWARD: All right. Thank you.
20 Could we have an appearance for Alliance of
21 Western Energy Consumers or AWEC?

22 MR. COLEMAN: Good morning, Your Honor.
23 Brent Coleman of the law firm Davison Van Cleve
24 appearing on behalf of the Alliance of Western Energy
25 Consumers.

1 JUDGE HOWARD: Thank you.

2 Could we have an appearance for The Energy
3 Project?

4 MR. ZAKAI: Good morning,
5 Commissioners, Your Honor. My name is Yochi Zakai, an
6 attorney with the firm of Shute, Mihaly & Weinberger,
7 and I'm here today representing The Energy Project.
8 Our witness Shawn Collins is on the line as well.
9 Thank you.

10 JUDGE HOWARD: Thank you.

11 And could we have an appearance for Walmart?

12 MS. BALDWIN: Yes. Thank you. This is
13 Vicki Baldwin with the law firm of Parsons Behle and
14 Latimer, and I'm appearing on behalf of Walmart. And
15 our witness Alex Kronaurer is also on the line.

16 JUDGE HOWARD: All right. Thank you.

17 So to begin, I want to give a roadmap or an
18 overview of today's hearing. We'll begin by ruling on
19 the admission of the prefiled testimony and exhibits,
20 and we will address any motions that the parties wish
21 to bring. We'll then allow for opening statements.
22 I'll then swear in the witnesses who provided joint
23 testimony in support of the settlement, and we'll hear
24 testimony from those witnesses as a panel.

25 Although Public Counsel is taking essentially

1 a neutral position on the settlement, I plan to
2 include Public Counsel's witness Corey Dahl on that
3 panel.

4 I will allow AWEC an opportunity to
5 cross-examine the witnesses supporting the settlement,
6 and there will be an opportunity for the redirect of
7 those same witnesses. In terms of the cross and the
8 redirect, we will handle those -- we will plan on
9 handling those one at a time, one witness cross, one
10 witness -- that same witness being redirected. And
11 then we'll allow questions from the bench directed
12 towards the panel as a whole.

13 I will then allow -- I'm sorry. I'll then
14 swear in AWEC's witness, Bradley Mullins, and we will
15 allow for the cross-examination of Mullins before
16 proceeding to any redirect and any questions from the
17 bench for the same witness.

18 Are there any questions about this plan or
19 this overview of the hearing today?

20 All right. Hearing none, on to the issue of
21 admitting evidence before the hearing, I circulated an
22 exhibit list which included the prefiled testimony and
23 exhibits, including the settlement and errata sheets
24 and cross-examination exhibits filed as recently as
25 January 7.

1 Are the parties willing to stipulate to the
2 admission of all the prefiled exhibits and testimony
3 in this case? I would turn first to the Company.

4 MR. KUMAR: Your Honor, we're ready to
5 stipulate to the prefiled exhibits and testimony in
6 this case. I would like to, however, reserve the
7 right to object to -- if at any point in time during
8 AWEC's cross exhibits, if we feel like they're being
9 used improperly, I would like to reserve the right to
10 object to those during the actual cross-examination of
11 Mr. Wilding. But, otherwise, we have no objection to
12 the prefiled testimony and exhibits in this case.

13 JUDGE HOWARD: Certainly.

14 I would turn next to Staff.

15 MR. DALLAS: Yes, Your Honor. Staff
16 has no objection to any of the proposed exhibits,
17 including the cross exhibits of PacifiCorp and AWEC.
18 And Staff would be willing to stipulate to such.

19 JUDGE HOWARD: Thank you.

20 And what is Public Counsel's position?

21 MS. PAISNER: Public Counsel does not
22 object to admission of these exhibits and also willing
23 to stipulate their admission. Thank you.

24 JUDGE HOWARD: All right. I would turn
25 next to AWEC.

1 MR. COLEMAN: Thank you, Your Honor.
2 AWEC is not -- has no concern about cross-examination
3 Exhibit BGM-6X and so is willing to stipulate to the
4 admission of that document.

5 With respect to BGM-5X, AWEC would ask the
6 opportunity to provide the full rebuttal and initial
7 testimony of Mr. Mullins in that case rather than the
8 single-page excerpt that the company has proposed as
9 cross-exam Exhibit BGM-5X. So to the extent necessary
10 for -- for employing the complete document rule, we
11 would ask the opportunity to provide the full
12 testimony related to that particular page of
13 testimony.

14 And then do you want me to stop there, or do
15 you want me to go on to the last one?

16 JUDGE HOWARD: You may continue.

17 MR. COLEMAN: With respect to BGM-7X,
18 at this point in time, I'm not -- AWEC is not willing
19 and prepared to stipulate to the admission of that
20 order and related settlement document. To the extent
21 necessary, I might need to voir dire the exhibit with
22 the witness, but given that it's a settlement document
23 and the terms of it may be relevant here and its use
24 and may prohibit its use, potentially, we're not at
25 the point of being able to stipulate to the admission

1 of BGM-7X.

2 And I guess I would ask Mr. Kumar for clarity.
3 I'm not really sure, is he -- is the Company willing
4 to stipulate to their proposed exhibits and just wants
5 to potentially object to my questioning or -- I mean,
6 I'm just curious. I'm not clear if I need to continue
7 to lay the foundation for those exhibits or if they're
8 in evidence and he's reserved the right to object to
9 my questions.

10 JUDGE HOWARD: Just to clarify from
11 myself and then we'll turn to Mr. Kumar, I haven't
12 officially ruled on whether they're admitted or not,
13 but once they are admitted and, as PacifiCorp
14 indicated, they don't object to the admission of them,
15 he's still reserving his right to object to the use of
16 them on cross as I understand. So that seems
17 perfectly fair to me. That would be down to probably
18 more of the substance of the questions and use of them
19 and things like that.

20 MR. COLEMAN: I just wanted to make
21 sure I was clear on my procedural leads.

22 JUDGE HOWARD: Mr. Kumar, do you want
23 to respond?

24 MR. KUMAR: Yes. I think you have it
25 exactly correct, Your Honor. I think we want to

1 reserve the right to object to the substance of
2 certain cross questions, and it's not an objection to
3 the stipulation of those exhibits as a whole.

4 JUDGE HOWARD: So, Mr. Coleman, it
5 sounds like AWEC does not have any objections to the
6 admission of exhibits other than the cross exhibits
7 for Bradley Mullins; is that right?

8 MR. COLEMAN: That is correct.

9 JUDGE HOWARD: So on the issue of
10 BGM-5X, you wanted to provide the entire testimony. I
11 think that's entirely fair. It doesn't necessarily
12 show that the exhibit as offered should not be
13 admitted, so I would be inclined to -- if that's your
14 only objection to that exhibit, I would be inclined to
15 admit BGM-5X but then allow you the opportunity to
16 provide the entire testimony. And we could provide --
17 we could allow you a few days after the hearing to do
18 that.

19 Or, I mean, we are in the virtual setting
20 which makes this slightly more difficult because we
21 can't just hand each other a piece of paper. Does
22 that sound amenable to you?

23 MR. COLEMAN: I appreciate that.
24 That's great. Thank you, Your Honor.

25 JUDGE HOWARD: All right.

1 MR. LOWNEY: Judge Howard?

2 JUDGE HOWARD: Yes.

3 MR. LOWNEY: This is Adam Lowney,
4 counsel for PacifiCorp. And I'll be the one
5 conducting the cross-examination of Mr. Mullins.
6 Given the objection of 5X, we're happy to just
7 withdraw it rather than burdening the record with
8 voluminous testimony that has no bearing on the issues
9 here. So I guess I would just -- instead of admitting
10 the entire testimonial record of Mr. Mullins from a
11 different case, I'm fine to just withdraw 5X.

12 JUDGE HOWARD: Withdraw your objection
13 to it?

14 MR. LOWNEY: Withdraw our request to
15 admit 5X as an exhibit. I won't use it in
16 cross-examination, and there's no need to have it in
17 the record.

18 JUDGE HOWARD: Okay. So I will -- we
19 will deem that exhibit itself withdrawn.

20 And then Exhibit BGM-7X, Mr. Coleman, you
21 indicated there was an objection to it as because it
22 involves the settlement underlying that Oregon
23 decision.

24 Mr. Lowney, would you like to respond to that?

25 MR. LOWNEY: I'm happy to respond.

1 First, I don't think there's room to object to it
2 because it's a commissioned order approving a
3 stipulation. So on those grounds, I just don't think
4 that's a basis to object to it. To the extent there's
5 a concern that there may not be a sufficient
6 foundation laid, I'm happy to do that during
7 cross-examination if it's required.

8 JUDGE HOWARD: I will --

9 MR. COLEMAN: May I briefly respond?

10 JUDGE HOWARD: Certainly.

11 MR. COLEMAN: Your Honor, the order is
12 an order accepting and adopting a stipulation. And
13 part of that stipulation specifically outlines that
14 it's prohibited from being used as evidence in another
15 proceeding.

16 So to the extent that the Oregon commission
17 adopted and approved that settlement agreement, I
18 would ask this commission to extend the comity
19 necessary and appropriate to the Oregon commission's
20 ratification of that limitation of the use of the
21 settlement agreement. It's not simply the order, but
22 the order does accept and ratify the limitation
23 inherent in the settlement agreement.

24 JUDGE HOWARD: Well, Mr. Coleman, I
25 think -- I agree with much of your argument. I think

1 that -- my ruling would be that we admit BGM-7X, but I
2 think that the use of it would be constrained by
3 exactly what you argued. So I would be -- I would be
4 looking to how we are using the exhibit during the
5 cross.

6 So are there any further objections or points
7 from AWEC?

8 MR. COLEMAN: No. Your Honor, thank
9 you.

10 JUDGE HOWARD: Thank you.

11 I would turn to The Energy Project.

12 MR. ZAKAI: Hello, Your Honor. No
13 objection to the admission of the exhibits and
14 stipulation.

15 JUDGE HOWARD: Thank you.

16 And I would turn next to Walmart.

17 MS. BALDWIN: Yes, Your Honor. Walmart
18 does not object to the use of the exhibits and would
19 stipulate to their admission.

20 JUDGE HOWARD: Thank you. After
21 hearing the parties' positions and objections, I will
22 deem all the prefiled exhibits and testimony admitted
23 with the exception of Exhibit BGM-5X which has been
24 withdrawn by PacifiCorp. And I will reflect that in
25 the exhibit list sent to the court reporter so it can

1 be made part of the record.

2 I'd also like to speak to Public Counsel about
3 public comment exhibit. We had the public comment
4 hearing earlier in this case on November 18. Would
5 the usual one week be sufficient to compile and submit
6 public comment exhibit?

7 MS. PAISNER: Yes, please. I believe
8 that would be January 21, next Friday.

9 JUDGE HOWARD: That sounds correct to
10 me. And I would anticipate marking that Bench
11 Exhibit 2.

12 All right. Do we have any motions or other
13 issues that we should address before turning to
14 opening statements?

15 All right. Hearing none, do the parties
16 intend to give opening statements either in support or
17 in opposition to the settlement in AWEC's case? I
18 would first turn to the parties -- to the settling
19 parties. Excuse me.

20 MR. KUMAR: Your Honor, on behalf of
21 the Company, PacifiCorp is prepared to give an opening
22 statement in support of the settlement.

23 MR. DALLAS: Your Honor, likewise,
24 Staff is prepared to provide some opening remarks.

25 JUDGE HOWARD: All right. Let's --

1 let's begin with the Company, and then we'll go
2 through the list of settling parties and provide each
3 an opportunity. And then we will turn to AWEC as the
4 opposing party.

5 So, Mr. Kumar, if you are providing the
6 opening statement, you may begin.

7 MR. KUMAR: Thank you, Judge Howard.
8 Chair Danner, Commissioners Rendahl and Balasbas,
9 PacifiCorp appreciates the opportunity to bring this
10 settlement for PacifiCorp's power cost only rate case
11 to the commission. And we request that you adopt the
12 settlement as filed in this case. Additionally,
13 PacifiCorp would like to thank all the parties in this
14 docket for their active and robust involvement in the
15 settlement process and in this proceeding overall.

16 The multiparty case -- the multiparty
17 settlement in this case is straightforward. The net
18 power cost baseline would be set using the same
19 methodology and modeling that the Company used in its
20 direct filing. The parties request that the
21 commission issue an order by the end of March to allow
22 for a May 1 rate effective date in this proceeding.

23 To ensure that the power cost baseline is set
24 using the most up-to-date information and to reflect
25 the expected market conditions during the rate year,

1 the settlement includes a provision requiring the
2 company to update the net power cost baseline in its
3 compliance filing. The update is limited and will
4 update only the most recent official forward price
5 curve available and will also reflect the Company's
6 electric and gas hedging and contract positions
7 through the rate effective date -- through the
8 compliance filing.

9 This update will not change the methodology or
10 modeling used by the Company in its direct filing.
11 Furthermore, this process is consistent with
12 commission practice and previous PCORC and the
13 procedures that PacifiCorp uses in other states.
14 Achieving the most accurate net power cost or NPC
15 baseline is consistent with the public interest and
16 would result in just and reasonable rates for
17 customers.

18 As part of the settlement testimony,
19 PacifiCorp provided a preliminary estimate based on
20 power and natural gas prices as they were known in
21 September of 2021. Due to power prices increasing by
22 nearly 80 percent and natural gas prices increasing by
23 almost 70 percent, it resulted in an almost 15 percent
24 possible increase in retail rates.

25 The significant upward movement in power and

1 natural gas markets was unexpected and unknown when
2 PacifiCorp filed its PCORC but has been driven by
3 historic droughts in the Pacific Northwest, recent
4 events like the heat dome, and a nationwide increase
5 in natural gas prices.

6 Based on the latest PCAM data, it is evident
7 that the NPC baseline set in PacifiCorp's last general
8 rate case is not accurately reflecting the power costs
9 incurred to serve customers. The settlement also
10 provides for specific adjustment to net power costs
11 for the production factor and the update of the
12 production tax credit or PTC rate.

13 The implementation of this new NPC baseline
14 would also result in the elimination of the deferred
15 net power cost balancing adjustment that was created
16 in PacifiCorp's last general rate case. PacifiCorp
17 finally recommends that the commission reject the
18 adjustments proposed by AWEC.

19 First, AWEC's opposition to the agreed upon
20 update is contrary to commission precedent, contrary
21 to AWEC's prior advocacy, and if adopted, would set
22 the net power cost baseline using the most out-of-date
23 information in the record.

24 Second, the commission should allow full
25 recovery of the costs incurred to implement the nodal

1 pricing model as reflected in the stipulation and
2 joint testimony. The nodal pricing model improves
3 actual operational dispatch of generation by bringing
4 actual dispatch closer to model dispatch in Aurora.
5 It supports future regionalization goals and is
6 necessary for the ongoing work in the multistate
7 process.

8 Third, PacifiCorp recommends that AWEC's
9 adjustment on fly ash revenues be rejected as outside
10 the scope of this proceeding and inconsistent with the
11 appropriate matching of costs and revenues. As a
12 result, PacifiCorp recommends that the commission
13 adopt the settlement as proposed by the settling
14 parties. Thank you, Your Honor.

15 JUDGE HOWARD: Thank you, Mr. Kumar.

16 I would turn next to Staff.

17 MR. DALLAS: Thank you, Judge Howard.

18 Today we are here to examine the multiparty
19 settlement stipulation that was filed to this docket
20 on November 5, 2021. The main focus of the opposition
21 testimony to the stipulation was the proposed power
22 cost update, and that is where I will focus the
23 majority of my opening remarks today to which I will
24 attempt to keep under five minutes.

25 As regulatory staff to the commission, Staff

1 tries to position itself in these PCORC proceedings as
2 close to the commission's written guidance provided in
3 prior orders. In other words, the commission's
4 guidance and direction is at the heart of how Staff
5 conducts itself in these proceedings.

6 This commission understands that no one can
7 100 percent predict what power costs will be during
8 the rate year. If this was possible, these
9 proceedings would look much different. Accordingly,
10 this commission has taken the wide step of
11 establishing power costs mechanisms with sharing and
12 dead bands to deal with both ordinary and
13 extraordinary variances in baseline power costs during
14 the rate year.

15 In order for these mechanisms to function
16 properly and provide the Company with the right
17 incentives to operate efficiently, it requires a
18 baseline that contains an accurate forecast of rate
19 year commodity prices that a utility will pay.

20 Therefore, this commission has stated that the
21 goal of a PCORC, the reason that we are all here
22 today, is to forecast power costs based upon, quote,
23 the most up-to-date information available to the
24 commission, not stale information or information we
25 know is inaccurate and does not reflect the market

1 consensus of forward rate year prices, but the most
2 up-to-date information, which is what the stipulation
3 calls for.

4 This commission recently reaffirmed this goal
5 within the recent PSC PCORC in Docket UE-200980 in
6 which this commission ordered a similar power cost
7 update to the one proposed in the stipulation. Staff
8 understands that some parties may not like the result
9 of any particular update. For instance, a utility
10 company may not like an update in a decreasing power
11 cost market, and a ratepayer advocate may not like an
12 update in an increasing market.

13 Staff is different. Staff takes a very
14 disciplined and principled approach in these PCORC
15 proceedings to help ensure that the baseline neither
16 biases the Company nor the ratepayer. Therefore,
17 Staff's focus in these proceedings is on the accuracy
18 of the forecast and the utilization of the most
19 up-to-date information rather than setting the
20 baseline on an arbitrary amount to satisfy the
21 preferences of any individual party.

22 Staff generally believe that the means should
23 justify the end results in a PCORC and not vice versa.
24 However, Staff understands for other parties the level
25 of actual baseline power costs may be more important

1 than the accuracy of the forecast itself.

2 As regulatory staff to the commission, our
3 goal is the same as the commission's goal in the
4 PCORC, a proper forecast of power costs which requires
5 the utilization of the most up-to-date information
6 available within the model. This commission has the
7 opportunity to reaffirm this goal again in this
8 proceeding.

9 Accordingly, pursuant to WAC 480-07-740, Staff
10 supports the update as proposed in the stipulation as
11 meeting the public interest standard. This is because
12 the update supports the implementation of a more
13 accurate power cost baseline which is essential to a
14 properly functioning PCAM mechanism which would
15 provide the right incentives to PacifiCorp to operate
16 efficiently, equitable sharing of extraordinary power
17 cost variances between PacifiCorp and the ratepayer,
18 and less rate instability.

19 That concludes my opening remarks. Thank you.

20 JUDGE HOWARD: Thank you, Mr. Dallas.

21 Does Public Counsel wish to give an opening
22 statement?

23 MS. PAISNER: Yes. Thank you. Judge
24 Howard, Chair Danner, Commissioners Rendahl and
25 Balasbas, thank you for the opportunity to appear in

1 this proceeding today.

2 As an opening remark on behalf of Public
3 Counsel, I would just like to reiterate as stated in
4 the testimony of Public Counsel witness Corey Dahl
5 filed on November 6 and revised on November 8, Public
6 Counsel is not a party to the settlement agreement in
7 this case, and Public Counsel neither supports nor
8 opposes the agreement.

9 Public Counsel would also like to recognize
10 that while provisions regarding adjustments and tax
11 credit provisions are reasonable, the settlement will
12 have an impact on customers. Customers experiencing
13 financial hardship may experience additional
14 challenges as a result of this settlement agreement.
15 Thank you.

16 JUDGE HOWARD: All right. Because AWEC
17 is opposing the settlement, I would look to AWEC last
18 out of the parties. Does The Energy Project wish to
19 give an opening statement?

20 MR. ZAKAI: Your Honor, you asked for
21 brevity in opening statements. The Energy Project,
22 which uses the acronym TEP, supports the settlement
23 and urges the commission to adopt it in full.

24 Thank you. I hope I've met your expectations.

25 JUDGE HOWARD: You have exceeded it.

1 I would turn next to Walmart.

2 MS. BALDWIN: Your Honor, similarly,
3 Walmart supports the stipulation and proposes that the
4 commission accept it in full. Thank you.

5 JUDGE HOWARD: Would AWEC like to give
6 an opening statement?

7 MR. COLEMAN: Just briefly, Your Honor.

8 With respect to today's proceedings, as will
9 be shown, AWEC's primary concern relates to the
10 uncertainty of the rates that will be imposed by the
11 update. There's no evidence presented that the
12 accuracy of the rates will be improved through an
13 update. AWEC is also concerned with respect to the
14 trajectory of total company net power costs versus
15 Washington values and whether or not the Washington
16 net power costs actually represents real costs that
17 are experienced by the Company.

18 Furthermore, this proceeding is actually an
19 update to the Company's most recent general rate case
20 net power cost value. We are already updating net
21 power costs, and the stipulation continues to extend
22 the point of final update beyond this commission's
23 final ruling.

24 And, finally, final point, you know, the PCORC
25 frameworks that are in place for other jurisdictional

1 utilities and PacifiCorp in other jurisdictions, AWEC
2 submits those frameworks are in opposite to this
3 particular procedure. PacifiCorp does not have a
4 history and an expected future of PCORC proceedings
5 and frameworks.

6 So at this point in time, we'll be prepared to
7 pursue these particular issues, and I'll close my
8 remarks. Thank you.

9 JUDGE HOWARD: Thank you.

10 Are there any questions from the bench for
11 counsel at this point before we swear in the
12 witnesses?

13 CHAIR DANNER: No, not until we hear
14 from the witnesses. Thank you.

15 COMMISSIONER RENDAHL: And not from me
16 either.

17 COMMISSIONER BALABAS: I have none as
18 well.

19 JUDGE HOWARD: Okay. Thank you.

20 We will now hear testimony from the witnesses
21 who submitted joint testimony in support of the
22 settlement along with Public Counsel's witness, Corey
23 Dahl.

24 Because this is a virtual hearing, let's first
25 have the witnesses identify themselves and the party

1 they are appearing for beginning with the settlement
2 witnesses for -- settlement witness, excuse me, for
3 the Company. And let's also have each of the
4 witnesses turn on their cameras, and I will swear you
5 in at the same time. And we will hear testimony from
6 the witnesses as a panel.

7 So, Mr. Wilding, are you on the line?

8 MR. WILDING: Yes. I am.

9 JUDGE HOWARD: Great. Thank you.

10 Could you state your name and your employer
11 and your position.

12 MR. WILDING: Yes. My name is Michael
13 Wilding. I am employed by PacifiCorp as the vice
14 president of energy supply management.

15 JUDGE HOWARD: Thank you.

16 Could we have the witness for Staff?

17 MR. GOMEZ: Yes, Your Honor. This is
18 David Carlos Gomez, and I am a member of commission
19 staff. My title is assistant power supply manager,
20 energy regulation.

21 JUDGE HOWARD: Thank you.

22 Could we have Public Counsel's witness?

23 MR. DAHL: My name is Corey Dahl, and I
24 am appearing on behalf of the Public Counsel unit of
25 the Washington State Office of the Attorney General.

1 JUDGE HOWARD: Thank you.

2 And The Energy Project's witness?

3 MR. COLLINS: Good morning, Your Honor.
4 This is Shawn Collins, director of The Energy Project.
5 I apologize. I'm having some connectivity challenges,
6 so I hope it's okay to remain on audio.

7 JUDGE HOWARD: Thank you. That's -- I
8 did get a heads-up from Mr. Zakai that you might have
9 some issues, and so, hopefully, you can hear us. Can
10 you hear us all right?

11 MR. COLLINS: Yes, I can hear you
12 perfectly well. Thank you.

13 JUDGE HOWARD: Great. All right.
14 Could we have the witness for Walmart?

15 MR. KRONAURER: Good morning, Your
16 Honor. My name Alex Kronaurer. I'm a senior manager
17 on the energy services team. Glad to be here.

18 JUDGE HOWARD: Thank you. I will swear
19 in each of you here at the same time. Please raise
20 your right hand.

21

22 MICHAEL WILDING

23 DAVID CARLOS GOMEZ

24 COREY DAHL

25 SHAWN COLLINS

1 ALEX KRONAURER
2 witnesses herein, having been first duly sworn an
3 oath, were examined and testified as follows:

4
5 JUDGE HOWARD: All right. Thank you.
6 So we will begin with the cross-examination.
7 And AWEC indicated it wishes to cross-examine Wilding,
8 Gomez, Collins, and Dahl.

9 Mr. Coleman, do you anticipate crossing
10 Wilding first?

11 MR. COLEMAN: Yes, Your Honor.

12 JUDGE HOWARD: Okay. So I know we have
13 the witnesses sworn in as a panel today. I think for
14 the sake of clarity, it would be best if we -- if you
15 proceed with crossing your witnesses one at a time,
16 and then we would have the redirect in between them.
17 So we would cross Wilding, have a redirect of Wilding,
18 and then proceed with the next witness. And then the
19 bench questions would be directed to the witnesses as
20 a panel.

21 And as we -- I have discussed with the parties
22 that AWEC's first three cross-examination exhibits are
23 marked confidential. The exhibits are actually
24 redacted in their entirety. And I have heard from the
25 parties before the hearing and it does appear that we

1 will need to close the hearing to anyone who has not
2 signed a confidentiality agreement in this docket.

3 And we will -- I would plan on closing the
4 hearing during the -- well, let's look into the
5 question of how long we need to close the hearing for.

6 Do you plan on using those cross exhibits,
7 Mr. Coleman, with just Mr. Wilding, or do you plan on
8 using them with other witnesses?

9 MR. COLEMAN: Bear with me just one
10 second. Just Mr. Wilding for discussion with those
11 potential confidential witnesses. And I do have, just
12 for information -- for your -- this process, I have
13 about slightly over four pages of outline, and my
14 first page is not confidential.

15 So there is -- I did try to organize that I
16 could have at least my initial line of questioning for
17 Mr. Wilding as in the open status, and then the
18 remainder would be directly or indirectly referencing
19 confidential material. I didn't know if you wanted to
20 make that kind of a break or if you wanted the whole
21 thing sort of under the umbrella?

22 JUDGE HOWARD: Yeah, I appreciate your
23 considering it. I think it would be best if we just
24 have the hearing be confidential from the start of the
25 cross to the end of the witness's cross and redirect.

1 I think I don't want to interrupt the
2 cross-examination partway through and then have to
3 awkwardly kick people off the virtual hearing.

4 So we will close the hearing for Wilding's
5 cross and redirect to anyone who has not signed a
6 confidentiality agreement in this docket. The court
7 reporter will have to segregate the confidential
8 portion of the hearing transcript and have it filed
9 separately.

10 So we'll go off the record in a moment to do
11 this, and I would note the confidentiality here is
12 being asserted by the Company, so I will be looking at
13 the participants list, but I'll also be looking to
14 counsel for PacifiCorp to help me making sure that
15 we've -- we have an accurate idea of who is on the
16 call and who should not be on the call. So let's go
17 off the record for a moment.

18 (A break was taken from 10:06 a.m. to
19 10:10 a.m.)

20 (Confidential portion of the transcript
21 was commenced and is as follows.)

22

23

24

25

1 (Confidential portion of the transcript
2 ended.)

3 JUDGE HOWARD: Mr. Coleman, you may
4 proceed with your cross of Mr. Gomez.

5 E X A M I N A T I O N

6 BY MR. COLEMAN:

7 Q Thank you, Your Honor. Good morning,
8 Mr. Gomez.

9 A Good morning, Mr. Coleman.

10 Q You and I have spoken on the phone a number of
11 times probably in forms like this. This is probably
12 the most formal introduction or interaction we've had,
13 so it's good to meet you more formally.

14 A Good to meet you too.

15 Q So I'm going to try -- I only have a page and
16 a half outline, so, hopefully, it will go quickly. So
17 if you have the Exhibit DCG-1CT -- and my apologies to
18 the court reporter. I tried to be clear on all those
19 very rhyme-y letters there -- which is your rebuttal
20 testimony.

21 A I have it now. If you could give me a
22 reference, I'll get to that reference.

23 Q Well, throughout it -- and maybe, for example,
24 on page 22, you know, you testified more generally
25 throughout that Staff supports a power cost update

1 because it will result in a more accurate power cost
2 baseline; correct?

3 A That's correct.

4 Q And on page 22 I want to make sure -- there it
5 is. Line 7. Starting on line 7 you state, quote, I
6 block quoted the passage to testify as to the
7 commission's goals stated within the passage itself to
8 set the baseline as close as practical to what is
9 likely to be experienced during the rate year.

10 Do you see that?

11 A Yes. I do, Mr. Coleman.

12 Q Did I read that correctly?

13 A Yes, you did.

14 Q And do you agree that PacifiCorp's total
15 company net power cost declined in the September
16 indicative update relative to the baseline in the
17 filed case?

18 A I'm only familiar with the Washington
19 allocated baseline, and the movement of that baseline
20 from the as filed position to the benchmark or the
21 check that we did using the September 2021 OFPC which
22 arrived at the number of 157 million. So relative to
23 what that did to the overall system number, I'm not as
24 familiar with. We were just, again, focused on what
25 it does to the Washington power cost itself.

1 Q Okay. And I know you've been on for the
2 morning because I've seen your -- I've seen your
3 window, so -- and working hard not to go too far back,
4 you were listening to the conversation I had with
5 Mr. Wilding; correct?

6 A Yes, I was.

7 Q And the conversation that he and I had about
8 Exhibit 9-CX -- MGW-9CX and the three tranches of data
9 that the Company provided as response to AWEC data
10 request 34? Do you recall that conversation I had
11 with him?

12 A Yes. I do recall a conversation. I don't
13 have that exhibit handy, but I think we can continue
14 if you just jog my memory.

15 Q Sure. And he and I spoke about the first --
16 the first chunk of the analysis representing the
17 company's initial filing, the middle chunk
18 representing the kind of September indicative best
19 estimate analysis, and then the last section sort of
20 being the delta between the two. Do you recall that
21 conversation I had with him?

22 A Yes, I do.

23 Q And we did talk in that discussion, he and I,
24 specifically, about the numbers for companywide net
25 power cost values. Do you recall that conversation I

1 had with him?

2 A Yes. And as Mr. Wilding explained, the
3 differences are all accounted for in the allocation.

4 Q So but you would agree, from your recollection
5 of that conversation, that the companywide net power
6 cost decreased from the initial filing to the best
7 estimate filing? Do you recall that part of my
8 conversation?

9 A Yes. I do recall that part of the
10 conversation, yes.

11 Q If the same thing happens with this proposed
12 final update where Washington experiences a material
13 power cost increase while the companywide total net
14 power cost decline, why is that an accurate reflection
15 of what the company is likely to experience during the
16 rate year?

17 A Because you were speaking about two different
18 things. Because what you're talking about is how the
19 system number allocates down to the Washington
20 jurisdiction, which is completely different with
21 regards to the impact of market power prices are on
22 the Washington allocated amount.

23 And as Mr. Wilding explained is that the
24 allocation excludes certain resources, and there's a
25 larger percentage share of market -- market purchases

1 which are being more susceptible and more sensitive to
2 market price changes.

3 Q Okay. So in your rebuttal testimony -- and I
4 appreciate the answer. In your rebuttal testimony,
5 page 22, rolling over to page 23, starting on line
6 19 --

7 A Is that line 19 on 22 or -- which line 19 are
8 you speaking of?

9 Q Page 22, line 19.

10 A All right. I'm there.

11 Q Your testimony reads, in part, quote, the
12 commission should not ignore evidence that a
13 significant increase in the company's power costs
14 during the rate year will result from increased fuel
15 supply costs --

16 A Yes.

17 Q -- end quote, and you continue for a bit.

18 Does the September indicative update result in
19 significant increases in the total company power
20 costs?

21 A Well, as you just said, there was a decrease.
22 Again, our focus is on the Washington allocated
23 number. The Washington allocated number increased
24 significantly.

25 Q Okay. So on page 25 of your testimony, you

1 state that your position is that what would likely
2 happen if the company did not approve a power cost
3 update, and that is that PacifiCorp would likely
4 absorb a disproportional share of these rising costs
5 via the PCAM, dead band, and sharing bands. Do you
6 see that?

7 A Yes, I do.

8 Q And based upon what we've just discussed, will
9 PacifiCorp actually experience rising power costs if
10 the final update in this case is similar to the
11 September update?

12 A Well, as Mr. Wilding has indicated, he talked
13 about the dramatic increase in power and gas market
14 prices as reflected in the forwards, which occurred
15 after the company had filed its initial filing. Staff
16 was tracking those numbers independently, and as they
17 stand as of yesterday when I checked, we're looking at
18 numbers from the as filed in terms of power and gas,
19 both, at a level 60 percent higher than the initial
20 filing.

21 So Staff has independently confirmed what
22 Mr. Wilding has said, which is the movement of
23 market -- power market prices, and as Staff
24 understands as a critical input into the model, that
25 that change would result in an increase in the

1 Washington allocated power costs.

2 Staff was one of the parties that had asked
3 for the update so that we could get an idea of where
4 the costs -- power costs stood as we prepared the
5 settlement for the commission to consider
6 understanding that the March OFPC, which is March of
7 2022, could result in a very different number
8 altogether which we don't know.

9 But Staff continuously tracks those numbers
10 during the dependency of a case independently and
11 confirms dramatic increases to power costs and gas
12 costs during the rate year.

13 Q That's fair. I appreciate it. But since the
14 company's total power costs seem to be declining but
15 Washington power costs would increase at least under
16 the indicative sort of settlement related best
17 estimate approximately \$43 million, where does that
18 \$43 million go? Who realizes the benefit of that
19 \$43 million?

20 A What you're talking about is the allocations,
21 and who receives the benefit relative to that lower
22 power cost is spelled out in the allocation of the
23 jurisdictions that those resources are impacted which
24 led to that different systemwide number. So if you
25 have a systemwide number that goes down, you may be in

1 a Washington allocation or an Oregon allocation, and
2 those -- the way those allocated would be different.
3 They could have different impacts. Mr. Wilding very
4 capably explained why that's different.

5 Q But where does -- I guess I'm not sure I heard
6 the answer. Where does the \$43 million go that
7 Washington ratepayers are going to be asked to pay an
8 increased net power cost while the company's overall
9 net power cost decreases?

10 A What you're saying is what happens to the
11 overall decrease of \$43 million? Is that what the
12 question is? Or are you saying is what happens to the
13 \$43 million that ratepayers would have to pay? We
14 don't know what the number is yet. We just know that
15 power market forwards are indicating higher prices,
16 and what that means in terms of the case before us is
17 the number that we developed -- or the number that we
18 talked about, which is 157 million. So I don't
19 understand the question is where does \$43 million go.

20 Q Let me try the question again. So we agree
21 that the company identified total net power costs as
22 going down; correct?

23 A You mean for their system?

24 Q Yes. Systemwide, companywide net power cost
25 decrease?

1 A All right.

2 MR. DALLAS: Your Honor, I'm going to
3 object. Mr. Coleman is asking the same question over
4 and over again. It is clear that the September update
5 is not the final update. It is a projection, and this
6 calls for speculation. Nobody knows what's going to
7 happen in the final update. So speculating as to
8 costs that will be not be included in rates I think is
9 inappropriate.

10 MR. COLEMAN: Your Honor, Mr. Gomez
11 indicated he didn't understand the question. So I'm
12 trying to rephrase my question again. I don't think
13 he and I have had a meeting of the minds about what my
14 question is, and he actually just admitted that he
15 doesn't think he understands the question.

16 JUDGE HOWARD: I agree with Mr. Coleman
17 that -- and I think -- I mean, I don't want you to
18 back up too much and reiterate too much, but I think
19 it's fair to try to get that meeting of the minds
20 you're talking about. So I will allow this line of
21 questioning.

22 MR. GOMEZ: I think your question is if
23 the power costs for the system went down but they went
24 up for the Washington jurisdiction, then what happens
25 to the benefit of the reduced power costs, where does

1 it go, who gets it. Is that what you're saying?

2 BY MR. COLEMAN

3 Q Almost. Almost. My question is: What
4 happens to the money that the Washington ratepayers
5 paid? Where does that -- for purposes of this
6 discussion, where does the -- and the
7 \$43 million delta, where does that go?

8 A The \$43 million, it would go into rates;
9 right? You mean --

10 Q Well --

11 A I guess the concept is alluding me. Forgive
12 me, Mr. Coleman. The way I see it, okay, is that the
13 costs associated -- the movement in the NPC baseline
14 is driven by commodity prices. The Company is a price
15 taker in that, and if you look at my Exhibit DCG-2 and
16 my rebuttal testimony, you'll find the report that was
17 done during the Avista collaborative which spoke to
18 this in terms of the impact to variable costs
19 associated with the movements of those markets.

20 So when you say as what happened to
21 \$43 million, well, the \$43 million is what's reflected
22 in the rates of other jurisdictions based on the
23 allocations that were agreed to. And there's been an
24 overall agreement on those jurisdictions, as I
25 understand, through the multistate protocol process.

1 And so what happens to the \$43 million is that's not
2 relevant to the baseline that's before us in our
3 jurisdiction.

4 Q All right. I appreciate that. Fair enough.

5 A That's why I'm having problems with answering
6 the question.

7 Q I understand that. I appreciate that. Thank
8 you.

9 So on pages 6 and 7 of your rebuttal
10 testimony, you reference -- you sort of analogize the
11 power cost update agreed to in this stipulation with
12 one from Puget Sound's last PCORC. Do you recall
13 that? Do you see that?

14 A Yeah. I see that.

15 Q Can you explain the meaning of a closed system
16 dispatch that PacifiCorp uses in Aurora?

17 A I think that the -- what it refers to when you
18 say a closed system is that it really doesn't look at
19 the entire WECC. What it's looking at is essentially
20 is its assets that are associated with a particular
21 portfolio.

22 And so when you say closed loop, it just looks
23 at those costs, and it doesn't draw in from the rest
24 of the Western Electric Coordinating Council footprint
25 that's included in the model. That's the way I

1 understand it.

2 Q Does Puget Sound Energy use a closed system
3 dispatch in Aurora like PacifiCorp?

4 A Puget Sound uses a different methodology.
5 And, again, I draw your attention to Staff Exhibit
6 DCG-2 which explains those differences. But those
7 differences don't really change the importance of an
8 update.

9 In each case or in the case of, let's say,
10 Puget Sound Energy which uses a deterministic method
11 to arrive at the market price which is included as an
12 input for Pacific, the gas price -- the gas market
13 price forward is still an important aspect of an
14 update that's included in their version or their
15 methodology that they employ. And if you look at
16 DCG-2 and if you read that, you'll find that if you
17 concluded that all of those methods are acceptable,
18 they're different, and there's different assumptions.

19 But each different method, you need to update
20 the price assumption that you're utilizing within each
21 different methodology. So it's no different whether
22 it be Puget Sound Energy, Avista, or in this case
23 Pacific Power. All of those require an update.

24 Q Okay. But the answer to my question is no;
25 right? Puget Sound does not use a closed system

1 dispatch like in Aurora like PacifiCorp?

2 A No.

3 Q So in your opinion, what type of update would
4 be more predictable, one based on the closed system
5 dispatch that PacifiCorp uses or an out-of-the-box
6 model that Puget Sound uses?

7 A I don't think that there is any -- that,
8 again, if I took you back to the extensive work that
9 we did as part of the Avista collaborative -- and when
10 we say Avista power cost collaborative, it wasn't just
11 all inclusive on that. We examined a lot of, in this
12 case, Pacific Power's and Puget's versions, and each
13 method produces reasonable results.

14 It's not -- it's not that one method is better
15 than the other. It's just that the assumptions and
16 the methodologies are slightly different. But in each
17 case, both methodologies require update because the
18 input assumption of market price must be refreshed.
19 Otherwise, the solution is wrong.

20 Q Does the -- did the Puget Sound update rely on
21 a hybrid of actual data and forecast data similar to
22 what's contemplated in our current settlement?

23 A No.

24 Q No? Have you ever reviewed an Aurora model
25 run that uses actual power and forecasted costs as

1 contemplated in the current settlement?

2 A No.

3 Q So do you have any idea how that combination
4 of inputs is going to affect the forecast?

5 A Well, we looked at that because we signed on
6 for the settlement understanding that that was going
7 to be the approach, but we're not concerned by it.
8 Because it accomplishes the same thing. And then the
9 other thing that we have to consider in the update is
10 that we're trueing up for that other step for the next
11 year.

12 So we have to make sure that whatever we do is
13 that we at least reflect in this case using the spot
14 market prices as a proxy for the forwards. We're only
15 just improving the information. So I don't see
16 anything theoretically or wrong with that approach
17 and, hence, why Staff support it.

18 Q Okay. So is there a situation where Puget
19 Sound's overall power costs would decline while the
20 update would show an increase for customers?

21 A No.

22 Q Okay.

23 A Because they're not a multi jurisdiction,
24 multi-state jurisdiction.

25 Q Okay. Thank you. Is it -- in your opinion,

1 is it fair that Washington customers should pay
2 materially higher power costs when the company is
3 projecting that systemwide net power costs will
4 decline?

5 A Well, that would -- that would be a question
6 if we were debating the allocations. But we're not
7 debating the allocations here. In fact, AWEC, I
8 believe, agreed to the allocation methodology in
9 another case. So I find it strange here that we're
10 talking about allocations when it really wasn't a
11 subject of the power cost only rate case.

12 Q Okay. So last question. Page 20 of your
13 rebuttal testimony --

14 A Okay. I'm there.

15 Q -- lines 19 through 23, you discuss
16 Mr. Mullins's citation to the Federal Power Commission
17 versus Hope case. And then you say on line 22 to 23:
18 It is my understanding that Hope deals with issues of
19 federal and constitutional law.

20 Do you see that?

21 A Yes.

22 Q Is it Staff's position that standards of the
23 Hope case and its subsequent case law and progeny do
24 not apply to the Washington Commission?

25 MR. DALLAS: Objection. Calls for a

1 legal conclusion. Mr. Gomez can certainly testify as
2 to why updating data in a model is good public policy,
3 but he should not be expected to testify as to the
4 legal precedent of Hope and the cases that follow it.

5 MR. COLEMAN: Your Honor, he testified
6 that his understanding -- I'm trying to understand
7 what his testimony here is that my understanding that
8 Hope deals with issues of federal and constitutional
9 law. There is an implication in the sentence there in
10 his prefiled testimony that the Hope case doesn't seem
11 to apply, and I'm just trying to better understand
12 what Staff's position is.

13 JUDGE HOWARD: I'm going to -- I'm
14 going to -- recognizing that this was something
15 mentioned in the testimony and that sometimes the
16 lines between regulatory opinions and legal opinions
17 gets a bit blurry, I'm going to allow this question.

18 MR. GOMEZ: Okay. Well, I'll answer
19 the question by just asking you to look down to the
20 next page which I think explains, and I'll read. It
21 says: Staff generally believes that arguments
22 involving statutory interpretation and constitutional
23 law should be reserved for briefing by legal counsel.

24 THE REPORTER: Mr. Gomez, if you are
25 going to read, could you please read slower and start

1 that again?

2 MR. GOMEZ: Oh, I'm sorry. I'll start
3 again. Thank you.

4 Okay. If I draw your attention to page, not
5 20 but 21 as you referred me to, and then I explain
6 that which I say is: Staff generally believes that
7 arguments involving statutory interpretation and
8 constitutional law should be reserved for briefing by
9 legal counsel. Staff will respond to Mr. Mullins's
10 analysis and conclusions pertaining to the legality of
11 the proposed update within the schedule rounds of
12 briefing.

13 So I think that answers your question. So
14 Staff's reference -- Staff's reference is simply just
15 as a reference, and then to respond to say as I'm not
16 going to talk about that, our counsel will discuss
17 that in briefing. Does that answer your question?

18 Q I'm not sure that it does actually. Because
19 your testimony sort of challenges Mr. Mullins's
20 citation in reference to the Hope case, and then you
21 state: It is my understanding, your understanding,
22 that Hope deals with issues of federal and
23 constitutional law. Again --

24 MR. DALLAS: Your Honor, I have to
25 insist here. Are we -- are we really going to expect

1 witnesses of Staff to testify as to United States
2 Supreme Court precedents? Mr. Gomez is a policy
3 witness, and Mr. Coleman is drilling down on supreme
4 court precedent. I think allowing this is very
5 inappropriate, and Mr. Gomez responded that we'll
6 respond to Mr. Mullins's legal analysis in briefing.

7 JUDGE HOWARD: I'm going to -- I do
8 recognize that witnesses will give opinions on topics
9 involving regulation that do touch on issues of legal
10 opinion. And sometimes those -- sometimes those two
11 things can mix together.

12 In this particular situation with Mr. Dallas's
13 objection just now, I'm going to grant it. I think
14 that focusing on that line in the testimony on the
15 Hope -- about the Hope case and whether it's federal
16 law or not is -- does strike me as a purely legal
17 question.

18 I think that Mr. Gomez does continue on the
19 following page with some regulatory analysis that I'd
20 be willing to allow questioning on, but I would be
21 hesitant to allow questioning on purely -- what
22 strikes me as purely legal grounds.

23 MR. DALLAS: Thank you, Your Honor.

24 MR. COLEMAN: Thank you, Your Honor.

25 Just in the interest of time and brevity, I'm

1 going to go ahead and conclude my cross-examination of
2 Mr. Gomez. I have nothing further. Thank you,
3 Mr. Gomez.

4 THE WITNESS: Thank you, Mr. Coleman.

5 JUDGE HOWARD: Do we have any redirect
6 of Mr. Gomez from Staff?

7 MR. DALLAS: Yes, Your Honor.

8 E X A M I N A T I O N

9 BY MR. DALLAS:

10 Q Good morning, Mr. Gomez.

11 A Good morning, Mr. Dallas.

12 Q Mr. Coleman started his cross-examination by
13 stating you supported the update because it resulted
14 in a more accurate baseline. Given all your
15 experience in the area of power cost modeling, besides
16 Mr. Mullins, have you ever heard of any power cost
17 expert or consultant who claims that using older
18 information in the model or not updating a model at
19 all would result in a more accurate power cost
20 forecast?

21 A No, I have not.

22 MR. COLEMAN: Your Honor, I would
23 object. I don't believe that that is a fair
24 characterization of AWEC's testimony.

25 MR. DALLAS: Your Honor, AWEC's primary

1 position is that the commission should not adopt the
2 proposed update because the proposed update would not
3 necessarily result in a more accurate power cost
4 baseline. The accuracy of the power cost baseline is
5 the reason we are all here today.

6 JUDGE HOWARD: I'll allow the question.

7 MR. DALLAS: Thank you, Your Honor.

8 BY MR. DALLAS:

9 Q Mr. Coleman spends a lot of his testimony --
10 cross-examination talking about the September OFPC
11 update. Is the September OFPC update is that the one
12 that will be within the final update, or was that just
13 for illustrative purposes?

14 A That was just for illustrative purposes and
15 for the purposes of crafting the settlement.

16 Q So all of Mr. Coleman's speculation about rate
17 increases and who gets these savings and costs, it's
18 all speculation. We actually don't know what's going
19 to happen until we get the final update; is that
20 correct?

21 MR. COLEMAN: Your Honor, I would
22 object to the question. The characterization of my
23 cross-examination as speculation I think is unfair,
24 and I think it's an inappropriate question.

25 MR. DALLAS: Your Honor, he asked a lot

1 of questions about the September update. The
2 September update is not the proposed update. Pacific
3 Power provided this update for purely illustrative
4 purposes. I have concerns that Mr. Coleman is trying
5 to confuse the commissioners about what is actually
6 being proposed in the update.

7 JUDGE HOWARD: I think the -- the
8 topics you're asking about are entirely fair,
9 Mr. Dallas, but I think that the wording of your
10 particular question right there was a bit problematic.
11 I would prefer if you could reword it. Try, ideally,
12 to reference less to characterizations of the prior
13 cross, but I think, more importantly, to me as that
14 question struck me as a bit leading, so try to keep
15 them more open ended.

16 BY MR. DALLAS:

17 Q I will rephrase. Mr. Coleman spends a lot of
18 his testimony talking about the September OFPC update.
19 Is this the final update contemplated in the final
20 stipulation, or was this made simply for illustrative
21 purposes?

22 A Illustrative purposes. The final update will
23 be based on the March 2022 update.

24 Q Thank you. Mr. Gomez, Mr. Coleman talks a lot
25 about PSE's modeling methodology. Do you believe

1 because Pacific Power uses power forwards as an input
2 in the model as opposed to power prices being
3 deterministically derived from the model itself like
4 PSE is a compelling reason why not to conduct the
5 update?

6 A No. As I indicated to Mr. Coleman, both
7 methodologies require update.

8 Q Thank you. In your testimony you talk about
9 the three primary ways to model power costs. The
10 first one is fundamental modeling. The second one is
11 forward prices, and the third is regression analysis.
12 In DCG-2 which is E3's report, did E3 provide any
13 distinction between these three modeling methodologies
14 and why one should be an update and one shouldn't?

15 A When it described the methodologies, the
16 different methodologies, it was specific to Avista,
17 and in general, it said that all of the methods that
18 use an input and methodology would benefit from
19 updates.

20 And so when E3 conducted its report or
21 prepared its report and we were in discussions with
22 AWEC and we talked about the appropriateness of
23 updates and they were there and I didn't register any
24 or recall any objections at that point with regards to
25 the recommendation that was included in there relative

1 to the updates.

2 But from a practical manner and based on my
3 experience, both methodologies, Puget's, which is
4 deterministic, and Pacific Power and Avista, which
5 uses market prices as an input, both require update
6 because both rely on power -- or on gas market
7 forwards. And the gas market forwards is an important
8 variable in the determination of power costs.

9 JUDGE HOWARD: Mr. Dallas, before your
10 next question, can you just slow down a touch for the
11 court reporter so we're not going too quickly here.

12 MR. DALLAS: Yes, Your Honor.

13 JUDGE HOWARD: All right. Thank you.

14 BY MR. DALLAS

15 Q Mr. Gomez, you just talked about how there was
16 no objection to the E3 report. Did E3 provide a draft
17 report before it finalized its report?

18 A Yes. We looked at several drafts, if I recall
19 correctly, but, certainly, there was drafts that were
20 reviewed by the parties including AWEC.

21 Q Now, did AWEC provide any objection to E3's
22 recommendation related to standardizing the practice
23 of updating power costs close to the rate effective
24 period?

25 A No, they did not.

1 MR. COLEMAN: Your Honor, I'm going to
2 object at this point in time. I didn't talk with
3 Mr. Gomez about the E3 report. I think this line of
4 redirect is beyond the scope of my cross-examination.

5 MR. DALLAS: I'll withdraw the
6 question, Your Honor.

7 JUDGE HOWARD: All right. Thank you.

8 BY MR. DALLAS

9 Q Was Staff's intent in supporting the PSC PCORC
10 update which took place in the compliance filing the
11 same as the intent in supporting the update in this
12 case?

13 A Yes.

14 Q Thank you.

15 A Yes. Sorry. I didn't know if you heard me.

16 Q Mr. Gomez, Mr. Coleman talked about
17 PacifiCorp's recommendation to using both actual and
18 forecast data in the inputs when conducting the
19 update. Does the use of actual data as an input in
20 the model fundamentally change the model itself?

21 A No. It doesn't. And when we say -- what
22 we're saying is just the spot prices themselves as
23 opposed to the forwards.

24 Q In -- Mr. Gomez, if the commission does not
25 want to accept PacifiCorp's approach in using both

1 actual and forecasted data within the update, would
2 Staff support an update based on the December 31, 2021
3 OFPC?

4 A Yes.

5 Q But would the December 31, 2021, OFPC would
6 that be the most up-to-date information available to
7 the commission?

8 A No, it would not. What I mean is that I think
9 what the question was is that whether the commission
10 found it unacceptable. That's the way I understood
11 it. Meaning if the commission, for some reason, ruled
12 and said that the use of actuals was unacceptable and
13 then the update would have to do something different.
14 But Staff supports the March 2022 OFPC because it is
15 the most -- the most up-to-date information available.

16 Q Thank you. And I have one last question.
17 Mr. Coleman talks about a portion of your testimony
18 stating that if the update does not occur, it may
19 result in a disproportional cost being absorbed by
20 PacifiCorp. Given all the information -- the most
21 up-to-date information you have today, how close is
22 the PCAM to hitting the surcharge trigger?

23 A Well, one of the things that we asked for,
24 that Staff asked for and that the commission granted
25 was that the Company, Pacific Power, report on its

1 power cost adjustment mechanism balances in the
2 current deferral year so that we're able to not only
3 at the time that we contemplate a baseline, at the
4 same time we're contemplating what the deferral
5 balances are because the deferral balances can -- are
6 becoming large enough to concern Staff with regards to
7 a surcharge.

8 So right now, as it stood in September, okay,
9 this is September of 2021, we were at
10 \$9.2 million with only a \$7.8 million head room
11 remaining for the last three months of 2021 before we
12 hit the trigger. So we throw on top of that a recent
13 extraordinary event with the cold snap, four more
14 months of the DMBA, and Staff is fairly confident that
15 we will be dealing with a surcharge probably at the
16 time of the annual review this year. But things
17 change. We don't know. We know what the balances
18 are.

19 But Staff is concerned that if we would
20 embrace a baseline strictly based on the fact that
21 it's lower or a lower number without tying that to
22 what the costs that we expect the company will face in
23 the upcoming rate year, all we would be doing is
24 growing -- already growing deferral balances. And
25 we'd accomplish nothing by embracing a baseline that

1 is not rooted in what the markets are saying.

2 Q Thank you, Mr. Gomez. And I actually have one
3 last question. If the commission accepts the position
4 of AWEC and prohibits updating power cost data in a
5 model, would this hinder Staff's ability to set the
6 baseline accurately in the future to reflect a
7 decrease in a company's forested power costs?

8 A Yes. And it's interesting that since the
9 direction has changed that the controversy is now --
10 that AWEC now has an issue with it. It's interesting
11 that way.

12 Q So, Mr. Gomez, for instance, let's say five
13 years from now, could we be in a decreasing power cost
14 market?

15 A Yes.

16 Q And if power costs decreased substantially
17 during a pendency of a case, would Staff want to
18 update those power costs to set the baseline
19 accurately?

20 A Absolutely. For the same reasons in the other
21 direction.

22 MR. DALLAS: Thank you. No further
23 questions.

24 JUDGE HOWARD: Thank you, Mr. Gomez.
25 As with Mr. Wilding, we'll still consider you part of

1 the panel for bench questions that may come later. We
2 will now take our lunch break. Let's take an hour
3 lunch break, and just to use some round numbers here,
4 let's return at 1:00 p.m. So we'll return at
5 1:00 p.m., and we are off the record and in recess
6 until then.

7 (A break was taken from 11:58 a.m. to
8 1:02 p.m.)

9 JUDGE HOWARD: Let's go back on the
10 record. We're returning from our lunch and resuming
11 with the cross-examinations.

12 Mr. Coleman, you may proceed with your
13 cross-examination of Shawn Collins.

14 E X A M I N A T I O N

15 BY MR. COLEMAN:

16 Q Thank you, Your Honor, Chairman, and
17 Commissioners.

18 Mr. Collins, good afternoon.

19 A Good afternoon, Mr. Coleman.

20 Q And, again, for the record, my name is Brent
21 Coleman. I represent the Alliance of Western Energy
22 Consumers in this proceeding, and I just have five
23 quick questions for you.

24 A Sure.

25 Q Your organization, The Energy Project,

1 heretofore referenced as TEP, represents low-income
2 customers in Washington, including in PacifiCorp
3 service territory; correct?

4 A Yes. I would say generally we represent
5 issues impacting low-income populations. We don't
6 speak for low-income people.

7 Q I appreciate that clarification.

8 With respect to Exhibit JT-1CT, were you aware
9 at the time that you drafted that joint testimony that
10 based on the September indicative power cost update
11 customer net power cost rates had the potential to
12 increase by over 15 percent in this case?

13 A My understanding was that the power costs were
14 in fluctuation. I did not at the time have specific
15 knowledge of to what extent the fluctuations were
16 occurring. Fluctuations occur regularly, so it was
17 not something specifically that I had knowledge of.

18 Q Okay. So in the testimony that you joined in
19 as part of the joint testimony references a
20 15.42 percent increase in net power costs related --
21 that would be resulting from the sort of best
22 estimates September number. Do you recall that?

23 A What I do recall is understanding that the
24 settlement negotiations and the settlement arrived at
25 did include some elements of adjustments that would be

1 beneficial to customers and that the ultimate outcome
2 per the March power costs would be determined at that
3 time, and it may be that that number was referenced in
4 the testimony. So, yeah, I would refer to that as the
5 most up to date at the time.

6 Q Okay. That's fair. Assuming for purposes of
7 this discussion that the September best estimate value
8 comes to fruition, what would a 15 percent net power
9 cost rate increase mean for PacifiCorp's income --
10 income-qualified or income-challenged customers from a
11 real world perspective?

12 A To answer that, you know, I do not have the
13 specific dollar amount that that would apply to the
14 residential customer class and to low-income
15 customers. Obviously, any increases to bills for
16 low-income customers is not desirable, and we seek
17 every opportunity to reduce that.

18 Q So were you aware at the time that you drafted
19 the testimony and joined into the testimony that while
20 the September example indicated a potential for a
21 15 percent increase in Washington allocated net power
22 costs that the Company's total net power costs were
23 declining by over \$26 million relative to the initial
24 case?

25 A My understanding, again, was that the final

1 impact to the PCORC would be determined in March. In
2 terms of a specific dollar amount to the Company's
3 reduced costs, you know, that is not something that I
4 was specifically tracking in the negotiations.

5 Q So you were not aware of a 15 percent rate
6 increase potential while at the same time the
7 Company's overall net power costs were decreasing?
8 You were not aware of that relationship?

9 A I would say with respect to the overall net
10 power that, yes, I did understand that there would be
11 an adjustment per the PCORC that for what I understand
12 is illustrative purposes that 15.4 percent was
13 utilized.

14 Q Okay. Did you understand that -- so that
15 15.4 percent rate increase is a Washington-specific
16 value. Did you also understand at that same time that
17 the Company's total companywide net power cost was on
18 the decrease?

19 A So Energy Project works specifically in
20 Washington State, and any activities that the company
21 undertakes in a separate jurisdiction is not the
22 specific business of The Energy Project with respect
23 to the work we do.

24 Q So is that no, you weren't aware of the
25 overall company net power cost value?

1 A I would agree with that assessment, yes.

2 Q Okay. Does it -- and you've listened to the
3 discussions today that I've had with other witnesses?

4 A I have.

5 Q Does it concern TEP that PacifiCorp's
6 Washington low-income customers may see a substantial
7 rate increase while the company's overall net power
8 costs are going down?

9 A I would agree that it does concern The Energy
10 Project for increased costs to low-income customers.
11 With respect to the overall Company's cost of doing
12 business, again, that is outside of the purview of
13 really the issues that we focus on.

14 MR. COLEMAN: Okay. I appreciate it.
15 And, Your Honor, that concludes my questions for
16 Mr. Collins. Thank you.

17 JUDGE HOWARD: Do we have any redirect
18 for Mr. Collins?

19 MR. ZAKAI: No, Your Honor.

20 JUDGE HOWARD: Mr. Coleman, you may
21 proceed with your cross-examination of Dahl.

22 E X A M I N A T I O N

23 BY MR. COLEMAN:

24 Q Good morning, Mr. Dahl.

25 A Hello.

1 Q How are you? There we go. And just to
2 clarify, you have been participating as a member of
3 the panel for the entire day; correct?

4 A I have been, yes.

5 Q Okay. Thank you. Public Counsel is neutral
6 on the stipulation in this case so far; is that
7 correct?

8 A Yes, that's correct, as I stated in my
9 testimony and Paisner stated in her opening statement.

10 Q Sure. So in your testimony and stipulation,
11 page 5, you stated that Public Counsel recognizes the
12 impact on customers as a result of the settlement and
13 that customers experiencing financial hardship may
14 have additional challenges as a result of the rate
15 increases included in the settlement agreement.

16 Did I read that correctly? It's somewhere
17 between line 17 and 23 on page 5 of your testimony.

18 A Yes. That's correct, subject to check.

19 Q Were you aware at the time that you drafted
20 that testimony that based upon the September best
21 estimate analysis provided by the Company customer
22 rates had the potential to increase over 15 percent in
23 this -- as a result of this case?

24 A I don't recall specifically, but I was aware
25 that customer rates could fluctuate on a significant

1 level.

2 Q I think there was -- on my end there was a
3 slight little hiccup. Customer rates could and then
4 the next word I missed.

5 A Yes. I was aware that customer rates could
6 fluctuate based on where the update landed, which is
7 why I included that in my testimony.

8 Q Did you have an expectation that a 15 percent
9 magnitude increase was a possibility?

10 A Yes. I guess that could have been possible.

11 Q Okay. So this question may sound familiar
12 from my last conversation. But from a real world
13 perspective, what are some of the financial hardships
14 that residential customers might face as a consequence
15 of this 15 percent rate increase?

16 A Without speculating on the individual
17 circumstances of customers, but, you know, any change
18 in a customer's monthly energy bills causes them to
19 shift around their budgeting priorities.

20 Q But a 15 percent rate increase would put
21 additional pressure -- is likely to put additional
22 pressure on residential budgets; correct?

23 A I guess I don't know if it would necessarily
24 be 15 percent directly based on how the power cost
25 increases load through the rate spread to individual

1 customers, but, you know, any increase to energy bills
2 certainly puts strain on any customer's bill and
3 particularly those who are low income.

4 Q Okay. And you've heard the conversations that
5 I've had with Mr. Wilding with respect to the
6 trajectory of companywide net power costs compared
7 with the Washington allocated net power cost; correct?

8 A I did hear that, yes.

9 Q So does it concern public counsel that
10 PacifiCorp's residential customers may see a
11 substantial rate increase as a result of this case
12 while the Company's actual net power cost are going
13 down?

14 A As I stated in my testimony, we -- we're aware
15 and have concern any time that customer rates are
16 impacted, so generally speaking, yes.

17 Q Okay. So I guess my question is a little bit
18 more fine-tuned than just the concept of a rate
19 increase.

20 But my question is really does it concern --
21 does it concern specifically public counsel that the
22 trajectory of companywide net power costs is downward
23 while Washington residential customers are going to be
24 facing an increase in rates due to Washington
25 allocated net power costs?

1 A To best answer this question, I would have to
2 familiarize myself with the Washington jurisdictional
3 model, and, admittedly, I'm not an expert on that. So
4 to fully and most confidently answer that question, I
5 would have to better verse myself with that -- with
6 that allocation model.

7 MR. COLEMAN: Okay. Fair enough. Your
8 Honor, I have no further questions. Thank you very
9 much.

10 JUDGE HOWARD: Do we have any redirect
11 for Corey Dahl?

12 Ann Paisner, are you on the line?

13 MS. PAISNER: Yes. I have no redirect.
14 Thank you.

15 JUDGE HOWARD: Okay. Thank you. All
16 right.

17 Now we would turn to questions from the bench
18 for the settling parties witnesses and for public
19 counsel's witness, Corey Dahl. Do we have any
20 questions from the bench?

21 COMMISSIONER RENDAHL: Yes, there are
22 questions from the bench. Do either of my colleagues
23 wish to go first?

24 CHAIR DANNER: No, Commissioner, you go
25 ahead. I will follow up.

1 COMMISSIONER RENDAHL: Okay. So I'm
2 going to start -- and this is a question for the
3 settling parties -- related to the issue of the --

4 (Reporter clarification.)

5 COMMISSIONER RENDAHL: I'm sorry. I
6 will try to speak more clearly. I said related to the
7 issue of Colstrip major maintenance expense. Is that
8 coming through clearly?

9 THE REPORTER: Yes, thank you.

10 COMMISSIONER RENDAHL: Okay. So
11 paragraph 14 of the settlement binds the settling
12 parties to not contest the prudence of the recovery of
13 the deferred major maintenance expenses at Colstrip
14 unit 4 and states that such deferred costs can be
15 recovered in the Company's next general rate case.

16 The joint testimony at JT-1CT that's in
17 support of the settlement at page 9, lines 13 through
18 18, provides that the settlement in the 2021 general
19 rate case provided for review of the prudence of the
20 costs in this PCORC proceeding and recovery in a
21 future GRC.

22 So is it the intent of the settling parties'
23 agreement to bind the commission to a determination of
24 prudence of those costs in the next general rate case
25 and recovery of those costs?

1 MR. GOMEZ: Would you like for me to
2 answer that question, Commissioner?

3 COMMISSIONER RENDAHL: Well, yes. This
4 is for the settling parties, so I think you can start;
5 and if others have different opinions, then they can
6 weigh in.

7 MR. GOMEZ: Well, Commissioner, as far
8 as the deferred major maintenance that was included in
9 this case, that had to do with the major maintenance
10 that had been conducted and that we reviewed in the
11 Avista GRC. And to the extent that the Company had
12 presented that, we had already seen that information
13 and we reviewed it. And we had no objections with
14 regards to the projects and the expenses that were
15 listed in there.

16 So we really took no position because we
17 already essentially reviewed that, and the review from
18 the Pacific standpoint was -- went fairly quickly
19 because we were familiar with those projects. I don't
20 know if that answers your question. Sorry.

21 COMMISSIONER RENDAHL: Well, I guess
22 for purposes of the record in this case, it doesn't
23 include the record of the Avista case, does it?

24 MR. GOMEZ: No, it does not.

25 COMMISSIONER RENDAHL: So that is why

1 I'm asking this question to clarify for the record in
2 this case that because there isn't anything for the
3 commission to look at in that respect.

4 MR. GOMEZ: I see.

5 COMMISSIONER RENDAHL: Okay. So do
6 other parties have an answer to that?

7 MR. WILDING: If I could perhaps jump
8 in, if that's okay, Commissioner, my reading -- and I
9 agree with Mr. Gomez 100 percent. And my reading of
10 this is that the intention is not to bind the
11 commission, and we could definitely augment the record
12 on the Colstrip if that was desired through bench
13 request or when it is able to go into rates.

14 But the agreement here is for the individual
15 parties that are signing on to this stipulation that
16 they will not contest the prudence of that major
17 maintenance expense. And so the commission, though,
18 is not bound because there's no agreement, you know,
19 forced upon the commission per se. It's just the
20 settling parties agreeing not to contest the prudence
21 and that they agree that they won't also contest it
22 being recovered as part of the next rate case.

23 And that being said, I think if the commission
24 wishes, we could either augment the record in this
25 case or in that future case when we seek to include it

1 in rates.

2 COMMISSIONER RENDAHL: I appreciate
3 that, Mr. Wilding. I think it's just there was really
4 no discussion about this other than that the settling
5 parties do not contest the prudence. So that's
6 helpful for me, and I would assume that also does not
7 bind the nonsettling parties when it comes to the rate
8 case going forward?

9 MR. WILDING: I would agree.

10 COMMISSIONER RENDAHL: Are there any
11 other settling parties who wish to add to Mr. Gomez
12 and Mr. Wilding's comments?

13 And I think somebody who is calling in should
14 mute themselves, number ending in 1393.

15 Okay. Do either of my colleagues wish to
16 weigh in? I can keep going.

17 CHAIR DANNER: Commissioner, I have a
18 question about PPAs if that's okay with you.

19 COMMISSIONER RENDAHL: Go right ahead.

20 CHAIR DANNER: All right. Thank you.
21 And this, again, is out to all the settling parties.
22 If you look at paragraph 12 in the settlement, the
23 very last line there on paragraph 12 where it talks
24 about gas hedging and contract positions at the time
25 of the update, and that caught me where it said

1 contract positions. Because then I go to the joint
2 testimony in support and you look on page 10 at the
3 top where it talks about wholesale electric --
4 wholesale electric sale and purchase contracts that
5 are for long-term firm sales and purchases.

6 And I was wondering can you talk about what's
7 included in this category? For example, what's the
8 maximum term length of these contracts, and what's the
9 maximum megawatt volume or capacity of these
10 contracts? Maybe we start there.

11 MR. WILDING: I can jump in on this one
12 if that's okay. So I'll just have to speak generally
13 as far as, you know, the maximum term length and
14 maximum capacity because I don't have that in front of
15 me right now, but we do have some contracts, long-term
16 contracts, that, you know, have a term of 20 years
17 that have recently been signed as part of, you know,
18 our last -- and recently come online so there's
19 19 years remaining on that term.

20 Also as far as capacity is concerned, some of
21 our -- those recent -- sorry. Wind PPAs that have
22 been signed, they have capacity of, you know, over
23 100 megawatts, and I don't have that number right in
24 front of me.

25 And so your question --

1 CHAIR DANNER: Just to be clear, twenty
2 is the maximum? There are none that are longer than
3 20 years?

4 MR. WILDING: I would want to double
5 check that, but around 20 years is our maximum PPA.
6 We might have had some legacy contracts that had a
7 longer term, but they're towards the end of their
8 life. But I would want to double check that, Chair,
9 just to -- so when we say we're going to update --
10 update these things, really we're talking about the
11 forward price curve. We're going to use the latest
12 version, most recent version of the official forward
13 price curve which we publish at the end of each
14 quarter.

15 And then when we talk about our latest
16 electric and natural gas hedges, those are those
17 short-term, usually, you know, less than a year,
18 purchases that we're transacting at in the forward
19 bilateral market.

20 And then when we say we want to update the
21 contracts as well, typically, what we do anytime
22 before we make a final filing, whether it's even the
23 initial filing or a filing for compliance, we have a
24 process that we go through with the origination team
25 and the contract administration team that owns those

1 contracts. And we go through and verify and we look
2 for a couple of different things.

3 We first make sure that we included
4 everything, that we haven't missed anything. We make
5 sure that if anything is changed, you know, sometimes
6 we're expecting contracts to come online at a future
7 date, and that construction might slip or, you know,
8 might get moved back, so we're verifying those online
9 dates.

10 We're also verifying that we have the latest
11 information from the developers and from the
12 generators that we have PPAs with that we have the
13 latest schedules and profiles and then also that we've
14 caught the correct pricing from the contracts.
15 Because some of those contracts might include
16 escalation.

17 And, in fact, that cross exhibit that I was
18 asked about, the Oregon TAM, there was an attestation
19 that had my signature on it. And that's what I'm
20 attesting to in that update is that we went through
21 that process and that we made -- captured all the
22 latest information from our PPAs, and, of course, the
23 test year is just one year.

24 So we're just making sure we're capturing, you
25 know, updated profiles, updated prices. We have the

1 right dates. If it's a new contract that anything
2 that might have expired, we've dropped off. And so
3 just going through that process to make sure those
4 long-term PPAs are accurate for the test period.

5 CHAIR DANNER: All right. And so with
6 regard to those long-term contracts, were they
7 provided to the parties or will they be provided and
8 when and will they be made part of the record in this
9 proceeding?

10 MR. WILDING: Meaning all of our
11 long-term PPAs?

12 CHAIR DANNER: Well, the ones you're
13 relying on here.

14 MR. WILDING: So I'm not sure -- our
15 net power cost forecast includes all of our long-term
16 PPAs, and we certainly can include any of those. We
17 may have -- I don't know if we've included some of
18 those through data requests, but whatever PPAs are --
19 the commission wishes to include as part of the
20 record, we can definitely provide any and all PPAs
21 that we have. We have a substantial amount. Some
22 of --

23 CHAIR DANNER: Go ahead. Go ahead.

24 MR. WILDING: I was going to say some
25 of those have been part of Washington rates for many

1 years now because they're long-term.

2 CHAIR DANNER: Yeah. I'm focused more
3 on the new contracts as opposed to escalations in
4 existing contracts. I'm looking at new long-term
5 contracts really. That's what I want to see. Are
6 those in the record?

7 MR. WILDING: Oh, right. Yes. So at
8 the time of the compliance filing, if there were any
9 new contracts that hadn't been provided, we would
10 definitely provide those. Anything that we wanted --
11 anything that we wanted to include, yeah, we would be
12 amenable to providing.

13 And, you know, off the top of my head right
14 now, I still -- I don't have all the information in
15 front of me, so I'd want to look. I'm not aware of
16 any new contracts that would be coming on since the --
17 that would be included in Washington rates that would
18 be coming on. We did have some wind contracts come
19 on, but those were included in our last rate case.
20 And those are kind of the most recent PPAs, but,
21 again, I could double check that and just confirm that
22 for you.

23 CHAIR DANNER: All right. And then
24 maybe you can help me with this. I'm trying to
25 understand, again, with regard to the long-term

1 contracts. Do you see this as part of the company's
2 hedging practices, or is it just decision making about
3 long-term resources for the portfolio? How would you
4 characterize this?

5 MR. WILDING: Long-term contracts
6 definitely play into both of those -- both of those
7 things that you just talked about because, you know,
8 we have expected energy and/or capacity from those
9 long-term PPAs that are part of our physical position,
10 which then drives our hedging activity. And so those
11 long-term PPAs are part of it.

12 And then in the IRP, of course, you know, that
13 also plays into -- you know, that existing resource
14 also plays into choosing that preferred portfolio.
15 And I'm not sure if that's what you're asking, but in
16 the net power cost study, really what we're trying to
17 do is just capture the cost and the dispatch of those
18 PPAs and their impact on net power costs for the
19 baseline.

20 CHAIR DANNER: Okay. Well, let me chew
21 on that.

22 And then -- well, that's all -- another
23 question that I would have -- and this is for anybody.
24 Are the settling parties aware of any previous cases
25 where the commission has authorized a company to

1 include new long-term PPAs in a compliance update?

2 MR. WILDING: Yeah. I'd have to defer
3 to maybe Mr. Gomez. I'm not aware, but, admittedly,
4 I'm not aware of -- as aware of others -- you know,
5 other utility updates that have taken place.

6 MR. GOMEZ: I'll give it a try,
7 Commissioner. I can't recall off the top of my head a
8 specific example, but I do recall situations where we
9 anticipated that a contract would be finalized at the
10 time of the compliance and that we would include that
11 given the fact that we understood what the contract
12 entailed and that it was just a standard, let's say,
13 Mid-Columbia power contract taking a slice out of one
14 of the dams.

15 And so in those cases we look at that, but we
16 certainly want to include it if our aim is to properly
17 reflect a baseline that includes a resource like that.
18 Now, on the other hand, I think it would be more
19 problematic if a company was proposing to include some
20 other contract that may be more controversial in which
21 case then the company could perhaps request deferral
22 treatment on that or some other means.

23 But in my recollection, we have run across
24 situations -- and I can't give you the specifics,
25 sorry, Commissioners. Perhaps we can research that as

1 part of a bench request. I do recall certain
2 situations where a Mid-Columbia contract was included
3 as part of the update.

4 CHAIR DANNER: Yeah. Judge, I think
5 that that might be a useful bench request. I would
6 like to know the specifics of those situations.

7 JUDGE HOWARD: I'll make a note of it.

8 CHAIR DANNER: All right. Thank you.

9 And then another question for Mr. Gomez. The
10 testimony indicates -- and this is rebuttal testimony
11 from PacifiCorp -- that the compliance update will
12 include any -- quote, any new power purchase
13 agreements. However, in your testimony, you indicate
14 that the compliance update will only include the most
15 recent OFPC and the electric and gas market hedge
16 positions.

17 Does Staff agree with PacifiCorp that the
18 settlement allows the company to include newly
19 identified PPAs in the compliance update, or is it
20 your understanding that the update will include only
21 the most recent OFPC and market hedge positions as
22 your testimony suggests?

23 MR. GOMEZ: I think we haven't
24 discussed, as I indicated earlier, Commissioners, is
25 that typically when a larger contract is still in the

1 works and -- but is anticipated to have a material
2 impact on power costs in the rate year, it's, again,
3 falling back on the goal, which is to have the power
4 cost baseline reflect the most accurate number
5 possible.

6 In my experience, as I recall, those were
7 anticipated, and all the parties understood that there
8 would be an inclusion of a certain contract. But, in
9 general, the -- at the time of the update and based on
10 our experience is typically just updates and marks to
11 market any contract that was included as part of the
12 original study to reflect the current market prices.
13 And so it does update some contracts, but, certainly,
14 you couldn't just go in and just throw additional
15 contracts.

16 I will add one other thing is that the
17 prudence of power costs is also examined in the annual
18 reviews. And to the extent that the Company has
19 entered into a new contract after the baseline has
20 gone into effect, then the prudence of those contracts
21 and those expenditures could be examined and
22 challenged at that point.

23 COMMISSIONER RENDAHL: Chair Danner,
24 can I jump in here?

25 CHAIR DANNER: Yes, you sure can.

1 COMMISSIONER RENDAHL: So in this case
2 we are talking about one of the issues that's
3 contested is updating in the compliance filing as
4 opposed to updating prior to the compliance filing.
5 And at that point you're saying new PPAs -- it sounds
6 like the settlement allows for new PPAs, long-term
7 PPAs, to be included at a compliance level, which it
8 would be good to know in the bench request that my
9 colleague has asked for whether we have done that in
10 the past. So I think that is the clarification.

11 In the past, we've had updates to the power
12 costs that either generally occur at the end of a rate
13 case and only -- up to this point only PSC has had
14 PCORCs which are a different animal. So that's the
15 distinction here, bringing in an entirely new resource
16 at a compliance level. Is that something new here, or
17 have we done that in the past?

18 MR. GOMEZ: As I had mentioned before,
19 Commissioners, my recollection seems to indicate that
20 the answer to that is yes. With some additional
21 research through a bench request, we can become more
22 specific and include that in the record if it guides
23 the Commission's decision, but I don't have a very
24 specific answer for you.

25 I certainly could say is that in my opinion if

1 I knew such contract was going to happen but we didn't
2 have sufficient details at the time we, let's say,
3 established a settlement, we would then anticipate
4 that the update would refresh that information so that
5 we could look at that.

6 But to the degree that we determine whether
7 it's prudent or not is really kind of depends on
8 whether -- let's just take, for instance, a PPA that
9 happens and then all of a sudden we say, well, we'll
10 look at the prudence of that at a later point. But
11 right now we need to include, as part of the baseline,
12 the impacts and the effects of that contract because
13 we've anticipated that it's coming, and it will have
14 an impact on the results.

15 But to say that the company then, without
16 anyone's knowledge, enters into a number of long-range
17 contracts and then wants to shoehorn them into
18 compliance filing, then we perhaps might take some
19 exception to that. So I think that the commission has
20 pointed out an area where we need to maybe strengthen
21 the record and to be a little bit more specific in
22 perhaps what we are talking about when we mention the
23 update.

24 MR. WILDING: May I -- I apologize,
25 Mr. Gomez. I thought you were --

1 CHAIR DANNER: Mr. Wilding, you're on
2 mute.

3 COMMISSIONER RENDAHL: No, he's not.

4 MR. WILDING: Okay. Can you hear me?
5 All right. Thank you. I think I appreciate the
6 answer and the clarification around the new PPAs, and
7 might I suggest it might also be helpful if we could
8 clarify if we think there will be new PPAs at the time
9 of the compliance filing.

10 You know, looking through this just really
11 quick to give myself a sanity check, I think we have,
12 subject to check, three solar PPAs that are projected
13 right now or at least at the last time we looked at it
14 projected to come online during the test year, so
15 those have been included in all of our -- in our
16 forecast and our initial filing. And then doing that
17 check that I, you know, talked about with Chair Danner
18 to make sure we have that start date correctly at the
19 time of compliance, we would do that.

20 But I am not aware of any other PPAs that
21 haven't been included in this filing already that
22 would be new -- any long-term PPAs that would be new
23 that would come into this filing for the first time
24 for the compliance filings.

25 So that might be helpful, too, to get on -- to

1 get on the record, and the Company can just double
2 check that and, you know, make sure that, you know,
3 there's nothing that I'm not aware of that is
4 projected to come on that is new. But as far as I'm
5 aware, there's only those three solar PPAs that have
6 already been included in our forecast that would be
7 coming online.

8 COMMISSIONER RENDAHL: I think what
9 will be best to do is for us to develop a bench
10 request and circulate that to the parties. I think we
11 may need to spend some time crafting that question off
12 the record. So if that's acceptable to my colleagues
13 and Judge Howard, I think that's probably the best way
14 to approach that.

15 MR. WILDING: Certainly.

16 JUDGE HOWARD: Yes. I agree.

17 COMMISSIONER RENDAHL: So I have
18 another question. And this is really just clarifying
19 for record. The settlement is an integrated agreement
20 and represents the entire agreement of the parties,
21 but in rebuttal testimony, the settling parties have
22 indicated they don't oppose AWEC's proposed adjustment
23 of \$45,000 -- \$45,104 related to wheeling expenses.
24 That's both in Mr. Gomez's rebuttal testimony and
25 Mr. Wilding's rebuttal testimony. If you would like

1 me to give you a reference, I can do that.

2 But I think the question is: If the
3 commission were to accept that proposed adjustment
4 related to the wheeling expenses, would the settling
5 parties object to the commission accepting the
6 settlement subject to that condition?

7 MR. WILDING: PacifiCorp would not
8 object to that.

9 MR. GOMEZ: Staff would not object
10 either, Commissioner.

11 COMMISSIONER RENDAHL: Other settling
12 parties?

13 Mr. Collins or other parties?

14 JUDGE HOWARD: Mr. Collins and
15 Mr. Kronaurer, would you like to respond to that
16 question?

17 MR. COLLINS: Yeah, this is Shawn. I
18 don't have a specific response. Would the question be
19 repeated for clarification?

20 COMMISSIONER RENDAHL: Yes. So the
21 question has to do with AWEC's proposed adjustment
22 related to wheeling expenses, and in Mr. Gomez's
23 rebuttal testimony and Mr. Wilding's rebuttal
24 testimony, they both indicated they would not oppose
25 that adjustment.

1 And so the question is if the commission
2 decided to accept that adjustment, would the settling
3 parties object to the commission accepting the
4 settlement subject to this condition?

5 MR. COLLINS: I would not object to
6 that. Thank you.

7 MR. KRONAURER: This is Alex Kronaurer
8 from Walmart. Walmart does not object either.

9 COMMISSIONER RENDAHL: Okay. Thank you
10 for that.

11 I have another line of questions, but if my
12 colleagues wish to jump in, please go ahead.

13 Okay. So this issue goes to the conversation
14 between Mr. Coleman and Mr. Wilding and Mr. Gomez
15 related to the drivers of the net power costs in
16 relation to Washington's exposure to those net power
17 costs. And, Mr. Wilding, your testimony does speak to
18 more than 20 percent of Washington's portfolio as
19 exposed to short-term market purchases.

20 How much more than 20 percent is Washington
21 exposed? What is the exact amount, if you know?

22 MR. WILDING: I will have to get that
23 for you, Commissioner.

24 COMMISSIONER RENDAHL: Is that a
25 fluctuating amount?

1 MR. WILDING: Yes, it is.

2 COMMISSIONER RENDAHL: Okay. Judge
3 Howard, we might want to issue a bench request related
4 to the full exposure, and I can work with you on that
5 after the hearing.

6 JUDGE HOWARD: I am making a note right
7 now.

8 COMMISSIONER RENDAHL: Okay. So you
9 state that hedging, Mr. Wilding, is performed on a
10 systemwide basis -- that hedging performed on a
11 systemwide basis is allocated to Washington expenses.

12 Is the method of that allocation of hedges
13 included -- where is that -- what is that method of
14 the allocation of hedges?

15 MR. WILDING: That is part of the WIJAM
16 or the Washington Inter Jurisdictional Allocation
17 Methodology, and as part of the rate case, we showed
18 that -- and it was actually in my testimony, how we
19 would allocate net power costs using a similar method
20 that we did under the WCA where we -- if Washington is
21 short, meaning if Washington load exceeds the
22 resources that is in its rates, they are first -- the
23 off system cells are first pulled back.

24 And so any forward hedging cells that we made
25 would be pulled back and not allocated to Washington,

1 that benefit. And then if that still doesn't bring it
2 into balance, then the next step would be to allocate
3 a disproportionate share of market purchases or
4 forward -- including our forward hedges to bring that
5 load and Washington's load and Washington's resources
6 in its rates into balance.

7 And as part of the rate case, you know, we --
8 we did go through and show that the WIJAM was
9 beneficial to customers -- to Washington customers,
10 and it was commiserate with the costs. And I think
11 the commission approved that.

12 And some of the benefits we showed were --
13 one, it was -- WIJAM net power costs were less than
14 WCA net power costs in the rate case. And then also
15 we showed that there was multiple benefits, including
16 increased renewable generation, increased PTCs, future
17 CETA compliance and our PS compliance. And so -- and
18 so the WIJAM, I just -- it has been approved, and it
19 is overall beneficial to customers.

20 And what we're seeing is the resources not
21 included in Washington rates are providing the system
22 a benefit, especially with these higher prices that
23 we're seeing in the market. But that benefit is not
24 being allocated to Washington matching it with the
25 costs that are not -- that are also not being

1 allocated to Washington.

2 COMMISSIONER RENDAHL: Okay. So,
3 again, you've said, you know, the Company does its
4 hedging on a portfolio basis for the -- on a
5 systemwide basis. But why would the company not have
6 a responsibility to also look at the Washington
7 portfolio and hedge for Washington?

8 MR. WILDING: It's that we don't want
9 to overhedge. And we don't want to hedge too much.
10 And also, you know, there is a cost of operating
11 Washington as its own system. And, currently, we're
12 not doing that, so we are not incurring that cost, but
13 there would be a cost to that.

14 But it's -- even looking at Washington on its
15 own and then the system would not result in more
16 hedges I think is my point that I want to make. It's
17 not that we would hedge differently. It's just that
18 Washington in the allocation is getting allocated a
19 bigger slice of the hedging that we've done. And so
20 it's not -- looking at Washington individually, it
21 doesn't mean we would hedge more. It doesn't mean
22 that we would hedge differently.

23 COMMISSIONER RENDAHL: But Washington
24 has clearly a higher exposure to the market than other
25 allocations, and since Washington has been -- the

1 Company has been subject to CETA for now three years
2 and there is a high market exposure, what is the
3 Company's responsibility under CETA to ensure that
4 those market needs are being met with resources
5 subject to CETA compliance so that Washington is not
6 as exposed to the market?

7 MR. WILDING: I think that's a really
8 good question and one that we are trying to answer
9 right now in the IRP and in the preferred portfolio as
10 we are working on the MSP, the multistate process, and
11 kind of this new -- this next allocation methodology.
12 So one -- the WIJAM was a very big step to doing that,
13 and we're able to -- through the WIJAM, Washington
14 customers are able to participate in EV-2020, our
15 energy vision 2020 projects, which added about
16 1,100 megawatts of new wind.

17 And through the WIJAM, they'll be able to
18 participate in the new -- in the further renewable
19 resources that we're adding through the ongoing RFP
20 right now that will result in even more renewable
21 generation on our system. And they're able to
22 participate in the diversity of our system and
23 capture, you know, some of the best solar in the world
24 in southern Utah and some of the best wind in eastern
25 Wyoming.

1 And so it's going to take time, and there's
2 going to be incremental steps. And we're working on
3 that. I think the WIJAM was step one to closing that
4 off, and -- not closing that off, but to unlocking
5 that benefit and to addressing that risk for
6 Washington customers by, you know, bringing those --
7 that Wyoming wind and that new incremental wind into
8 Washington rates. You know, that was step one, and
9 now we're looking forward and working on the next
10 steps to further do that. But it will take some time,
11 but we're definitely looking at that and making
12 progress.

13 COMMISSIONER RENDAHL: Thank you.
14 Dave, you're on mute, or it's not coming through.

15 CHAIR DANNER: Can you hear me now?

16 COMMISSIONER RENDAHL: Yes.

17 CHAIR DANNER: Thank you. I was just
18 going to saying, first of all, in the meantime, we're
19 exposed at more than 20 percent, and so in some ways,
20 it would seem that the Company should be mindful of
21 the time pressures here and the need to act with some
22 speed to resolve this.

23 My question -- you use the term "allocation of
24 hedges" a lot, and then you're citing to the WIJAM,
25 but the WIJAM -- does the WIJAM actually use the term

1 "allocation of hedges"?

2 MR. WILDING: No. I don't believe it
3 does. I believe the WIJAM discusses the allocation of
4 net power costs and that method that I discussed of
5 looking at taking that load and resource balance for
6 Washington and making adjustments to the market sales
7 or the market purchases to bring it within balance.
8 And then the market hedges would be part of that --
9 you know, that adjustment.

10 And so the allocation of market hedges, I
11 don't believe, is specifically stated in the WIJAM,
12 but it is covered in that -- in that outline of how
13 net power costs are allocated. And it was very
14 similar to the way that we allocated net power costs
15 under the WCA.

16 CHAIR DANNER: Okay. So it's your
17 position, then, that the mechanism in the WIJAM is the
18 Company's hedging practice?

19 MR. WILDING: No.

20 CHAIR DANNER: All right. Maybe you
21 could --

22 MR. WILDING: Maybe I don't understand
23 your question.

24 CHAIR DANNER: All right. So you're
25 not asserting that the mechanism in WIJAM is the

1 Company's hedging practice?

2 MR. WILDING: Our hedging practice is
3 dictated by our risk management policy. The way that
4 those hedges are allocated are dictated by the WIJAM,
5 and then the mechanism by which those are recovered in
6 rates is through the net power cost baseline and then
7 the PCAM mechanism.

8 CHAIR DANNER: So do the terms of the
9 WIJAM, do you believe they relieve the company from
10 considering the market exposure that you've talked
11 about?

12 MR. WILDING: No. And I don't believe
13 that we acted in a way that we -- or that we do act in
14 a way that -- we -- it's not -- the WIJAM does not
15 relieve the company of its hedging policy or its
16 hedging practices. What we're seeing here is we're
17 hedging because of that exposure that maybe we'll
18 say -- because Washington's load exceeds the resources
19 that it participates in rates -- in its rates and does
20 not pay the cost of those resources, Washington is
21 allocated a greater share of the hedges. So they're
22 allocated a disproportionate amount of our forward
23 hedges.

24 And when we lock in that hedge, we're doing
25 two things. We're, one, ensuring that we have firm

1 electric power -- and just talking about electric
2 hedges. Firm electric power to serve load -- to
3 reliably serve load, and then, two, we are locking in
4 a price and reducing the volatility of the net power
5 cost.

6 And that price can be -- that price risk is
7 really asymmetrical. Because whatever you lock it in
8 at, it won't fall. You know, it has a limited amount
9 that it can fall, that that price can fall. But it
10 can really go up exponentially. And we've seen
11 periods where we've exceeded the cap, and the
12 unfortunate circumstance here that we have that we've
13 seen this increase in Washington net power cost is the
14 change that we've seen in market.

15 It's that we've -- you know, prices went from
16 \$50 to \$100 and \$100 to \$200 in some markets. And so
17 we're still able to lock in that price. It's just
18 we're locking in at a higher price now, because as
19 Mr. Gomez stated, we are price takers. We can only
20 transact at what the market makes available to us.

21 CHAIR DANNER: So this is what I'm
22 struggling with. So you have 20 percent or more
23 exposure in Washington, less in the company system
24 overall. And so it seems that your hedges in
25 Washington would be different than your hedges

1 elsewhere because it's a matter of load and resources.

2 And so is the allocation appropriate? I mean,
3 if you had hedged for Washington alone, wouldn't it be
4 different? Because the load is different. The
5 resources are different. So I'm just trying to see if
6 you're allocating -- you're allocating hedges because
7 you cite to the WIJAM. I'm trying to figure out is
8 that appropriate, or are we in Washington getting the
9 bad end of that deal?

10 MR. WILDING: I understand your
11 question. I think maybe if I was just to repeat that
12 to make sure. Maybe your question is should we hedge
13 differently if we just looked at Washington in
14 isolation, or should we hedge more because of the
15 exposure that Washington has? And I think I would
16 just maybe point out that that 20 percent is of
17 Washington's load. So Washington's load is still a
18 pretty small piece of PacifiCorp's load.

19 So Washington's load is about 8 percent of
20 PacifiCorp's load, even less. I think it's like 7 and
21 a half percent, and so of that 7 and a half percent,
22 20 percent of it is exposed to market because of the
23 load and resources that are -- that make up Washington
24 rates and that are in -- Washington participates in.

25 And so when we -- so when we look at our total

1 hedging, our total hedging that we are required to
2 hedge does fulfill Washington's -- so there's not an
3 unhedged portion of Washington because of that
4 20 percent. You know, if Washington was a much larger
5 load on our system, I think that would maybe be a
6 concern. But because Washington is only 20 percent,
7 it's 20 percent of that 8 percent that we're looking
8 at.

9 CHAIR DANNER: I don't think I have any
10 further questions at this point.

11 COMMISSIONER RENDAHL: And neither do
12 I.

13 JUDGE HOWARD: Are there any further
14 questions from Commissioner Balasbas?

15 COMMISSIONER BALABAS: No, Judge
16 Howard, not at this time.

17 JUDGE HOWARD: Okay. I'd like to thank
18 the witnesses on our panel for their testimony today.
19 You may turn off your cameras, and we will proceed now
20 to calling AWEC's witness Bradley Mullins.

21 Mr. Mullins, are you on the line and can you
22 hear me?

23 MR. MULLINS: I can hear you. Can you
24 hear me?

25 JUDGE HOWARD: Yes. Great. Would you

1 please identify yourself and the party you're
2 appearing for.

3 MR. MULLINS: My name is Bradley
4 Mullins. I'm here on behalf of the Alliance of
5 Western Energy Consumers.

6 JUDGE HOWARD: Would you please raise
7 your right hand, and I will swear you in.

8 BRADLEY MULLINS, witness herein, having been
9 first duly sworn on oath,
10 was examined and testified
11 as follows:

12
13 JUDGE HOWARD: Thank you. PacifiCorp
14 planned to do a cross-examination of Mr. Mullins, and
15 you may proceed.

16 E X A M I N A T I O N

17 MR. LONEY: Thank you, Your Honor.

18 For the record, this is Adam Loney on behalf
19 of PacifiCorp. Given the admission of the
20 Cross-Examination Exhibit BGM-6X into the record,
21 PacifiCorp is willing to waive cross-examination at
22 this time.

23 JUDGE HOWARD: Okay. Well, in that --
24 in light of that, do we have any questions from the
25 bench for Mr. Mullins?

1 COMMISSIONER RENDAHL: I do not.

2 COMMISSIONER BALABAS: I have no
3 questions either.

4 CHAIR DANNER: No. I'm good. Thank
5 you, Judge.

6 JUDGE HOWARD: All right. Well, in
7 that case, I'd like to thank all of our witnesses and
8 the parties for participating in our hearing today.
9 We appreciate all the witnesses' testimony.

10 Is there anything further that we should
11 address before we adjourn?

12 MR. KUMAR: Your Honor, just -- I think
13 we -- it was already covered, but I just wanted to
14 double check. I think there were a couple of bench
15 requests. My understanding is that those are going to
16 be crafted and that we will be expecting those from
17 the commission at some point?

18 JUDGE HOWARD: That's right. I think
19 rather than read them into the record, we'll work on
20 the wording and send those out in the next couple of
21 days most likely.

22 CHAIR DANNER: That's two bench
23 requests; right, Judge?

24 JUDGE HOWARD: Yes. That's what I have
25 in my notes.

1 MR. KUMAR: Thank you, Your Honor.

2 JUDGE HOWARD: All right. Is there
3 anything else we should address?

4 All right. Hearing nothing, that concludes
5 our hearing today, and we are off the record.

6 (The proceedings concluded at
7 2:03 p.m.)

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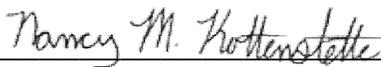
STATE OF WASHINGTON

COUNTY OF KING

I, Nancy M. Kottenstette, a Certified Shorthand Reporter in and for the State of Washington, do hereby certify that the foregoing transcript of the proceedings is true and accurate to the best of my knowledge, skill, and ability.

I do further certify that I am a disinterested person in this cause of action; that I am not a relative of the attorneys for any of the parties.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 28th day of January 2022.


Nancy M. Kottenstette, RPR, CCR 3377

