BEFORE THE WASHINGTON

UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP d/b/a PACIFIC POWER & LIGHT CO.,

Respondent.

DOCKET UE-230482

CROSS-EXAMINATION OF JACK PAINTER
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT

EXHIBIT JP-__XC

PacifiCorp Response to Public Counsel Data Request No. 1, with Confidential attachment

May 28, 2024

Shaded Information is Designated as Confidential per Protective Order in Docket UE-230482

UE-230482 / PacifiCorp
October 30, 2023
PC Data Request 1

PC Data Request 1

Direct Testimony of Ramon J. Mitchell, Exh. RJM-1T.

(a) Please provide all internal documents and memoranda describing PacifiCorp's hedging policies and procedures in effect between 2018 and 2023, inclusive.

(b) Please provide all presentations or documents submitted or provided to the Washington Utilities and Transportation Commission or Commission Staff in the past five years regarding PacifiCorp's hedging policy.

(c) Please provide in Excel format all hedging positions the Company has held over the last five years including but not limited to the nature of the contract, the underlying commodity (electric power, natural gas, etc.) the strike price if applicable, quantity, the date entered into, the date exited, the price paid, the price received.

(d) Mitchell, Exh. RJM-1T, at 4:7. Please provide evidence from actual Company trading activity over the last 10 years that the Company hedges "ratably over time".

(e) Mitchell, Exh. RJM-1T, at 4:7–9. Please explain the extent to which the Company manages outside the 12-month forward looking period, and why it does not manage more outside the 12-month forward looking period. In your answer, please provide numerical evidence for your answer.

(f) In your response to subpart (e), please provide citations to PacifiCorp's written risk management policy to support your answer.

(g) Mitchell, Exh. RJM-1T, at 5:6–8. Please provide evidence from actual Company trading activity that the Company hedges "for Washington in line with its active risk management policy, ratably over time".

(h) Mitchell, Exh. RJM-1T, at 5:3–8:

1. Please explain what the Company means by "efficient" in this section.

2. Please answer yes or no. Does the Company assert that efficient means that PacifiCorp's Washington ratepayers benefit as much as PacifiCorp ratepayers in other jurisdictions?

3. If the answer to subpart (h) 2. is yes, please provide evidence including any calculations and documentation of your answer.

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4. If the answer to subpart (h) 2. is no, why does the Company's approach maximally benefit Washington ratepayers?

(i) Mitchell, Exh. RJM-1T, at 5:14–6:11:

1. Please explain what is meant by "economically favorable".

2. Please answer yes or no. Does "economically favorable" mean to all of PacifiCorp's ratepayers across all jurisdictions compared to other arrangements?

3. If the answer to subpart (i) 2. is yes, please provide evidence including any calculations and documentation for your answer.

4. If the answer to subpart (i) 2. is no, why is the Company's approach in the interest of Washington ratepayers. Please provide documentation for your answer.

5. Please answer yes or no. Does "economically favorable" mean Pareto optimal?

6. If the answer to subpart (i) 5. is yes, please provide evidence including any calculations and documentation for your answer.

7. If the answer to subpart (i) 5. is no, why is the Company's approach in the interest of Washington ratepayers. Please provide documentation for your answer.

8. PacifiCorp discusses a "hypothetical example" in this section. Please provide a numerical example supporting the "hypothetical example".

9. Please provide an instance for PacifiCorp that actually happened and numerical backup with sources that that supports the "hypothetical example".

(j) Mitchell, Exh. RJM-1T, at 7:7–15. Please provide a numerical example based on an actual situation PacifiCorp has experienced why it would be inefficient for the Company to "purchase market instruments in the real power markets to use physical energy to hedge for Washington's short position". Please provide source data and calculations for your answer.

(k) Mitchell, Exh. RJM-1T, at 9:23–25. Please provide a list of all transactions executed by the Company for which it separately hedged for Washington including but limited to the nature of the contract, the underlying commodity (electric power, natural gas, etc.), the strike price if applicable,

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quantity, date entered into, date exited, price paid, and price received.

(l) Mitchell, Exh. RJM-1T, at 9:23–25. Please provide in Excel format work papers and data supporting Exh. RJM-2.

(m) Mitchell, Exh. RJM-1T, at 12:7–12. Please provide the "assessment of market reliance" along with work papers in Excel format and supporting documentation referenced in the Company's 2023 Integrated Resource Plan.

(n) Mitchell, Exh. RJM-1T, at 13:1–10. Please provide evidence including any calculations and work papers in Excel format to support the statement: "Based upon the seasonality of load wherein a few days during the summer or winter call for high levels of generation to maintain the energy supply/demand balance, it is expected that any strategy which procures enough long-term firm generation to serve all customer load for all hours of the year will result in total Company expense that is higher than a strategy which relies on some market purchases / exposure".

(o) Mitchell, Exh. RJM-1T, at 14:18–15:3:

1. Please describe the current status including any agreements and conclusions reached so far of the Framework Issues Working Group of the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol. Please provide documentation including any presentations to the Framework Issues Working Group to support your answer.

2. Please describe the ways in which Washington "This process allows Washington to better align the ratemaking reliance on the market to a level that is consistent with the operational reality of the rest of the Company's system". Please provide documentation including any presentations to the Framework Issues Working Group to support your answer.

(p) Does PacifiCorp use options or other derivative type instruments other than swaps to hedge?

(q) If the answer to subpart (p) is no, please explain why not including documentation and references to PacifiCorp hedging policy.

(r) Please provide in Excel format all options or other derivative type instruments other than swaps that PacifiCorp has purchased or sold over the last five years including but limited to the nature of the contract, the underlying commodity (electric power, natural gas, etc.), the strike price if applicable, quantity, date entered into, date exited, price paid, and price received.

(s) Please answer yes or no. Do PacifiCorp's hedging practices in actual operations does consider any individual state's regulatory mechanisms? Please explain your answer.

Response to PC Data Request 1

(a) The Company interprets this request as seeking PacifiCorp's hedging policies and procedures documents which are, in of themselves, the Company's internal documentation describing PacifiCorp's hedging policies and procedures. Based on the foregoing interpretation, the Company responds as follows:

Please refer to the Company's responses to AWEC Data Request 002, AWEC Data Request 003, AWEC Data Request 004 and AWEC Data Request 005. These responses relate to PacifiCorp's Energy Risk Management Policy documents, and PacifiCorp's Energy Supply Management (ESM) Front Office Procedures documents.

In addition, please refer to the Company's response to WUTC Data Request 1 subpart (e) with regards to the Company's most recent Semi-Annual Hedging Report documents.

(b) Please refer to the Company's response to AWEC Data Request 006.

(c) Please refer to Confidential Attachment PC 1-1 which provides fixed price hedging transactions data with delivery in the last five years.

(d) Please refer to Confidential Attachment PC 1-2.

(e) PacifiCorp's Energy Risk Management Policy requires hedging of natural gas exposure in three rolling 12-month periods (Year 1 is months 1 through 12, Year 2 is months 13 through 24, and Year 3 is months 25 through 36). Year 1 must be hedged between 50 percent to -80 percent of expected natural gas requirements, Year 2 30 percent to -50 percent, and Year 3 10 percent to -30 percent. Power requires hedging just over six quarters from delivery for quarterly average positions that are short.

(f) Please refer to the Company's response to AWEC Data Request 002 which provides copies of PacifiCorp's Energy Risk Management Policy. Specifically, please refer to PacifiCorp's current Energy Risk Management Policy approved April 17, 2023, Appendix E (Natural Gas Percent Volume Hedge Limits) on page 33, and Appendix F (Power Volume Hedge Limits) on page 34.

(g) The Company does not separately hedge for Washington or any other state, independent of the broader system. PacifiCorp is a multi-state utility serving nearly two million customers across six states. In particular, PacifiCorp manages two balancing authority areas (BAA) as a unified integrated system, adhering to the criteria and requirements set forth by the Western Electricity Coordinating Council (WECC) and the North American Electric Reliability Corporation (NERC). PacifiCorp's systems directly benefit customers by enhancing reliability and cost-efficiency through the utilization and optimization of its system-wide diverse resources within its extensive multi-state generation and transmission network. The referenced section of testimony is clear that hedging for Washington takes place as a part of hedging for the system holistically. Please also refer to the direct testimony of Company witness, Ramon J. Mitchell, Exhibit RJM-1T, at 5:9–13 which states "[T]he Company does not separately hedge for Washington. There is no separate hedge book for transactions allocated to Washington, or any other state, specifically". Please refer to Confidential Attachment PC 1-2 which provides an example of the Company hedging its system over time.

(h) Please refer to the Company's responses to subparts 1. through 4. below:

1. "Efficient" in this context indicates that the Company's dispatch decisions are intended to minimize overall system costs to the greatest extent possible in actual operations (i.e., without the benefit of hindsight).

2. As just stated in the Company's response to subpart (h) 1. above, "efficient" in this context means cost minimizing for the Company's system overall.

3. Not applicable.

4. As noted in Mr. Mitchell's direct testimony, Exhibit RJM-1T, at 5:3–8, Washington is a part of the Company's system, therefore an approach that minimizes system costs will benefit Washington customers as a part of that system.

(i) Please refer to the Company's responses to subparts 1. through 9. below:

1. "Economically favorable" in this context means cost minimizing, to the extent possible in actual hedging decisions (i.e., with only imperfect information available to the Company).

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2. The Company objects to this request as vague and ambiguous. Without waiving the foregoing objection, the Company responds as follows:

   The Company is unclear what "other arrangements" is intended to mean in the context of this question. Accordingly, this request is unanswerable.

3. This subpart cannot be answered because subpart (i) 2 is unanswerable.

4. This subpart cannot be answered because subpart (i) 2 is unanswerable.

5. The Company's understanding is that "Pareto optimality" applies to allocation methodologies not hedging decisions, which is the topic of Mr. Mitchell's direct testimony, Exhibit RJM-1T, at 5:14–6:11.

6. This subpart cannot be answered because subpart (i) 5 is unanswerable.

7. This subpart cannot be answered because subpart (i) 5 is unanswerable.

8. Please refer to Attachment PC 1-3.

9. The Company has not performed the requested analysis. Furthermore, calculating the benefits of geographic diversity would require a hypothetical counterfactual, which is at odds with Public Counsel's request for a scenario that "actually happened".

(j) Please refer to Mr. Mitchell's direct testimony, Exhibit RJM-1T, at 12:1–5 for the numerical example of "a $7.1 million increase to NPC as shown in Exhibit No. RJM-2".

(k) Please refer to Mr. Mitchell's direct testimony, Exhibit RJM-1T, at 5:9–13. "[T]he Company does not separately hedge for Washington. There is no separate hedge book for transactions allocated to Washington, or any other state, specifically".

(l) Please refer to Confidential Attachment PC 1-4.

(m) Please refer to Attachment PC 1-5.

(n) The Company has not prepared the requested analysis, however, the Company advises that the strategy to cover a few peak load days in summer and winter with market purchases is lower than the costs of procuring "long-term firm generation to serve all customer load for all hours of the year", meaning operationally that market purchases, even at high costs, would be cheaper than acquiring a resource where the fixed cost would be incurred all year and would operate at a high capacity factor (CF). The statement implies market purchases are available to buy during peak loads at some price and can be delivered to the Company to meet peak loads. The loads are peaking and do not have a shape.

(o) The Company objects to this request as seeking ongoing confidential settlement information and material outside the scope of this proceeding. Without waiving the foregoing objection, the Company responds as follows:

1. Please refer to Attachment PC 1-6 which provides an update on the status of Multi-State Process (MSP) Framework Issues Workgroup negotiations. Any future agreement of the MSP Framework Issues Workgroup regarding allocation of costs and benefits among the states served by PacifiCorp would be filed with the Washington Utilities and Transportation Commission (WUTC) for review and approval before taking affect. To date, no agreement has been reached. PacifiCorp continues to encourage Public Counsel to join the MSP Framework Issues Workgroup by becoming a party to the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol (2020 Protocol), approved by the WUTC in Docket UE-191024. The 2020 Protocol does not bind any party to agreement of a future allocation methodology.

2. PacifiCorp is a multi-state electric utility that operates as a single system. In particular, PacifiCorp manages two BAAs as a unified integrated system, adhering to the criteria and requirements set forth by the WECC and the NERC. PacifiCorp's systems directly benefit customers by enhancing reliability and cost-efficiency through the utilization and optimization of its system-wide diverse resources within its extensive multi-state generation and transmission network. PacifiCorp has operated as a multi-state utility serving customers in Washington for close to a century. Operationally, PacifiCorp dispatches its system on a least cost basis for all customers. Since 2007, PacifiCorp's rates in Washington have been set using a different allocation methodology than what was used in the other five states served by the Company. PacifiCorp, however, cannot dispatch its system differently for individual states. Accordingly, the allocation methodology used to set rates in Washington does not reflect PacifiCorp's actual operations. The 2020 Protocol, which includes the Washington Inter-Jurisdictional Allocation Methodology (WIJAM), better aligns PacifiCorp's dispatch of non-emitting resources used to serve the Company's customers in Washington. Washington, however, is still expected to need additional capacity to ensure reliable serve to load and that customers are paying for the resources necessary to meet resource adequacy, reliability and other system requirements. The MSP Framework Issues Workgroup is continuing the negotiations that

led to the 2020 Protocol and WIJAM to develop a consensus-driven allocation methodology that will allow for greater flexibility to implement state energy policy while maintaining least cost dispatch to the extent possible under operational

(p) No.

(q) The options market is not liquid enough to transact in.

(r) The Company has not entered into any explicit option derivative contracts over the last five years. In responding to this request, the Company assumes that physical purchases or sales of natural gas, coal and power over the last five years through standard fixed and index priced agreements do not meet Public Counsel's definition of "derivative type instruments".

(s) No, PacifiCorp hedges based on system obligations.

Confidential information is provided subject to a confidentiality agreement executed between PacifiCorp and Public Counsel.

PREPARER: Dan Swan / Ray Zacharia / Doug Staples / Paul Wood / John Fritz / Ramon Mitchell / Matt McVee / David Rubenstein / Cheryle Guest

SPONSOR: To Be Determined

ATTACHMENT TO PACIFICORP'S RESPONSE TO PUBLIC COUNSEL DATA REQUEST NO. 1 IS REDACTED IN WHOLE DUE TO CONFIDENTIALITY AGREEMENT IN DOCKET UE-230482