

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

**POST-HEARING REPLY BRIEF OF THE
ALLIANCE OF WESTERN ENERGY CONSUMERS**

(REDACTED)

February 25, 2022

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I. INTRODUCTION

1 Pursuant to Order 05, Docket UE-210402, the Alliance of Western Energy Consumers (“AWEC”) hereby provides this Reply Brief regarding the Multi-Party Stipulation presented to the Washington Utilities and Transportation Commission (“Commission”). As detailed within AWEC’s Opening Brief, this Power Cost Only Rate Case (“PCORC”) is a result of an agreement within PacifiCorp’s (also “Company”) 2020 General Rate Case, wherein parties agreed that the Net Power Cost (“NPC”) baseline would be “updated based on nodal dispatch through a PCORC filed in 2021.”^{1/}

2 PacifiCorp and Commission Staff do not, and cannot, refute that PacifiCorp has failed to effectuate its own hedging policies to adequately protect Washington customers from substantial power cost increases. They also do not, and cannot, justify the impacts of this failure, which show a material power cost increase for Washington customers while PacifiCorp as a whole projects lower power costs.

3 The Multi-Party Stipulation presented to the Commission, and the arguments in favor presented by PacifiCorp and Staff in opening briefs, are unpersuasive and continue to request that this Commission act beyond its statutory charge and beyond the evidentiary record. Furthermore, PacifiCorp and Staff invite the Commission to speculate, and declare an unknown NPC baseline as just and reasonable. However, this is something Staff simultaneously admits the Commission cannot do.^{2/} AWEC agrees, and recommends the Commission reject the proposed NPC update. The only evidence presented to the Commission to validate a just and

^{1/} WUTC v. PacifiCorp, d/b/a Pacific Power & Light Co., UE-191024 et al., Final Order, Appendix B, Revised and Amended Settlement ¶ 17 (Dec. 14, 2020).

^{2/} Gomez, TR. 10:7-8.

reasonable NPC baseline is contained within the Company’s initial filing.^{3/} AWEC urges the Commission to maintain the integrity of the regulatory process and determine a just and reasonable NPC baseline pursuant to the record before it.

4 Additionally, as detailed herein, attempts by Staff and PacifiCorp to criticize AWEC’s advocacy through references to additional Commission proceedings present incomplete arguments, inaccurate representations of Commission actions, and run counter to commitments made by Staff before the Commission. Moreover, PacifiCorp has failed to carry its burden to demonstrate the Multi-Party Stipulation’s novel, unproven hybrid modeling method will react reasonably and predictably with the Washington Interjurisdictional Allocation Methodology (“WIJAM”). AWEC recommends the Commission modify the Multi-Party Stipulation as outlined below and within AWEC’s Opening Brief. Specifically, the Commission should establish an NPC baseline value at \$113,810,614, as detailed in Table 1 of AWEC’s Opening Brief.^{4/}

II. ARGUMENT

A. PacifiCorp’s Hedging Practices Are Not Prudent For Washington Ratepayers

5 PacifiCorp asserts that its hedging activities are prudent^{5/} and in line with its hedging policy.^{6/} However, evidence in the record demonstrates this claim to be incorrect. While PacifiCorp claims that it does not hedge to “beat the market,”^{7/} a statement AWEC never made,

^{3/} Wilding, TR. 57:15-24, 58:21-23.

^{4/} AWEC Opening Brief at 3.

^{5/} PacifiCorp Post-Hearing Brief ¶¶ 31, 32, 36.

^{6/} PacifiCorp Post-Hearing Brief ¶¶ 28, 31.

^{7/} PacifiCorp Post-Hearing Brief ¶ 29.

it does hedge in an effort to “manage energy cost variability” and to “reduce price volatility.”^{8/} Yet, as PacifiCorp admits,^{9/} its hedging activity has not insulated Washington ratepayers from price volatility resulting from the considerable increase in market prices that has occurred during the course of this case.

6 PacifiCorp’s claim that it has complied with its hedging policy is contradicted by the undisputed evidence that at the time PacifiCorp initiated this case, its internal policy provided for only a ■% change in NPC resulting from hedging activity,^{10/} while the requested NPC update is anticipated to result in an increase of 36.8%.^{11/} These values also contradict PacifiCorp’s contention that AWEC “ignores” or otherwise misunderstands the timing of PacifiCorp’s hedging activity. AWEC’s analysis of PacifiCorp’s hedging activity did not evaluate the wrong planning period. What AWEC’s analysis showed was that PacifiCorp has failed to comply with its two internal hedging policies in effect during this proceeding. Specifically, PacifiCorp’s prior “To-Expiry Value-at-Risk” policy limited the maximum change in NPC to ■% for activity in a forward looking 13-24 month window.^{12/} It is undisputed that the anticipated NPC increase resulting from the proposed update will exceed this maximum threshold multiple times over. Similarly, the minimum amount of hedged position currently allowed by PacifiCorp’s new “Volume Hedge Limit” policy is ■% during this same forward time period. PacifiCorp did not dispute that Washington ratepayers were not protected by at least ■% hedges in the market.^{13/} Moreover, assuming for purposes of argument that PacifiCorp

^{8/} PacifiCorp Post-Hearing Brief ¶ 29.

^{9/} PacifiCorp Post-Hearing Brief ¶ 26.

^{10/} Wilding, Exh. MGW-7CX at 4. See also Wilding, TR. 77:18-22.

^{11/} Joint Testimony, Exh. JT-1CT at 11:18.

^{12/} Wilding, Exh. MGW-7CX at 4.

^{13/} Wilding, TR. at 80:4-81:15.

is correct about the time period, PacifiCorp’s activity is even further out of the bounds of the relative hedging policies, as a more imminent time window requires greater, not fewer, ratepayer protections from PacifiCorp’s hedging activity.^{14/}

7 Contrary to PacifiCorp’s assertion regarding Mullins, Exh. BGM-3C, AWEC never claimed that an “Aurora run supporting the Company’s direct filing”^{15/} was used to establish the total-Company hedging limits, nor used to calculate To-Expiry Value-at-Risk. Rather, the exhibit simply identified the hedging transactions included in Washington-allocated NPC in PacifiCorp’s initial filing, which would otherwise protect Washington ratepayers from increasing market prices in an update. PacifiCorp agreed to the accuracy of the values contained in Mullins, Exh. BGM-3C,^{16/} and the values speak for themselves.

8 Finally, PacifiCorp admits its system-wide NPC has decreased as a result of its hedging practices,^{17/} while the cost to Washington ratepayers, who are “uniquely vulnerable to increases in market prices,”^{18/} is expected to increase by 36.8%. Thus, contrary to PacifiCorp’s assertions regarding the prudence of its hedging policy, Washington ratepayers have not been protected against “dramatically increasing market prices.”^{19/} PacifiCorp admitted that it has not incorporated Washington’s unique exposure and vulnerability to increases in market prices into its hedging policy,^{20/} and therefore, that policy cannot be found to be prudent for Washington customers, regardless of whether PacifiCorp followed it or not. Indeed, while the Company’s

^{14/} Wilding, Exh. MGW-7CX.

^{15/} PacifiCorp Post-Hearing Brief ¶ 27.

^{16/} Wilding, TR. at 81:13-15.

^{17/} PacifiCorp Post-Hearing Brief ¶ 31.

^{18/} Joint Testimony, Exh. JT-1CT at 12:1.

^{19/} PacifiCorp Post-Hearing Brief ¶ 32.

^{20/} Wilding, Exh. MGW-6Tr at 7:2-19.

shareholders are benefitting from a hedging policy that reduces systemwide NPC, Washington ratepayers' burdens increase. While PacifiCorp continues to argue that this "reduction in system-wide NPC shows that the Company's hedging practices are prudent,"^{21/} the Commission has found that the controlling factor in evaluating prudence is not whether actions were prudent on a systemwide basis, but rather whether the PacifiCorp's actions "were prudent for Washington ratepayers."^{22/}

9 PacifiCorp has failed to demonstrate the prudence of its hedging practices in protecting Washington ratepayers from price volatility. Nonetheless, PacifiCorp and Staff propose to update the NPC baseline with further, unknown expenses for Washington ratepayers related to this imprudent hedging activity.^{23/} Accordingly, the proposed post-order update is not in the public interest because it would result in PacifiCorp recovering imprudent costs from Washington ratepayers.

B. The Proposed NPC Model Update is Not Straightforward, Not Consistent with Good Modeling Practices and Not Consistent with Commission Practice.

10 PacifiCorp contends the NPC post-order update is straightforward,^{24/} and Staff contends that the update is consistent with good modeling practice.^{25/} Yet, both parties admit that the proposed modeling update framework has never before been presented or evaluated by the Commission.^{26/} The post-order update would be highly controversial, with inherent complications which are not reasonable to consider in a compliance filing after the Commission

^{21/} PacifiCorp Post-Hearing Brief ¶ 31.

^{22/} WUTC v. PacifiCorp d/b/a Pacific Power & Light Company, Docket No. UE-050684, Order 04 ¶ 205 (Apr. 17, 2006).

^{23/} See, e.g., PacifiCorp Post-Hearing Brief ¶ 28 (citing Gomez, Exh. DCG-1CT at 19: 3-7).

^{24/} PacifiCorp Post-Hearing Brief at 10.

^{25/} Staff Post-Hearing Brief at 11.

^{26/} Settling Parties' Response to Bench Request 2.

submits its final order.^{27/} Therefore, it is not straightforward and not consistent with good modeling practices.

11

In addition to the controversy surrounding the prudence of PacifiCorp’s hedging policy, a fundamental complication in this case is the fact that changes in market prices also change the way that costs are allocated to Washington customers through the WIJAM.^{28/} Market prices and the WIJAM are intrinsically related, resulting in complicated and unforeseeable impacts when an update is performed.^{29/} Contrary to Staff’s argument, AWEC is not requesting the Commission modify the WIJAM.^{30/} Rather, the erratic operation of the WIJAM recognized by Staff simply demonstrates that a post-order update in this docket is by no means straightforward and that it is not reasonable to evaluate the impact of updating the WIJAM allocations in a compliance filing. The post-order update is further complicated through a new hybrid modeling method that uses a blend of actual data and forecast data as an input into AURORA. PacifiCorp claims that using actual indexed prices alongside futures forecasts “simply removes a source of uncertainty....”^{31/} However, PacifiCorp cannot dismiss the fact that modifying the modeling inputs from forecasts to actuals fundamentally alters the purposes behind the modeling. The model is no longer representing NPC based on price forecasts, but rather reporting, in part, NPC based on actual observations. While the AURORA algorithms might not change, the form and method for deriving the inputs into AURORA will change, resulting in a clear change in modeling methods. Staff is unable to identify any example where it

^{27/} See AWEC Post-Hearing Brief ¶¶ 20, 26, 32.

^{28/} Wilding, TR. 61:15-62:23.

^{29/} Wilding, TR. 70:18-71:14.

^{30/} Staff Post-Hearing Brief ¶ 25.

^{31/} PacifiCorp Post-Hearing Brief ¶ 18.

has explored the ramifications of this hybrid modeling approach ^{32/} and, accordingly, neither Staff nor PacifiCorp can reliably demonstrate that it will be straightforward in operation. Unlike Puget Sound Energy’s out-of-box AURORA modeling, where the impact of updating gas prices is “well-established,” an update in this docket would not “be a straightforward, mechanical and non-controversial process.”^{33/}

12 Relatedly, while Staff contends that “the proposed update...is consistent with good modeling practice,”^{34/} Staff has not evaluated the specific modeling approach proposed to be employed for the first time in this extra-record update.^{35/} Accordingly, Staff cannot support its claim that the untested modeling proposal will provide a more accurate power cost estimate.^{36/} Employing an unverified modeling method in a compliance filing after the close of the Commission’s record is a strained definition of “good modeling practice.”

13 Further, while PacifiCorp and Staff contend that the proposed NPC update is consistent with Commission practice,^{37/} none of the cases they cite involved the complicating factors at issue in the record this case. And even if those complicating factors were not at issue, neither PacifiCorp nor Staff can identify an example where the Commission has ordered or allowed what the Multi-Party Stipulation proposes.^{38/} Though Staff and PacifiCorp seek to support their claims of normalcy regarding the post-order model update, both parties omit specific details of their examples that demonstrate the unique and inconsistent treatment

^{32/} Hearing Trans., Vol III, 114:24-115:2

^{33/} WUTC v. Puget Sound Energy, Inc., Docket No. UE-060266, Order 08 ¶ 104 (Jan. 5, 2007).

^{34/} Staff Post-Hearing Brief ¶ 17.

^{35/} Gomez, TR. 114:24-115:2.

^{36/} Staff Post-Hearing Brief ¶ 16.

^{37/} Staff Post-Hearing Brief at 8-11; PacifiCorp Post-Hearing Brief at 6-13.

^{38/} Settling Parties’ Response to Bench Request 2.

requested by the Multi-Party Stipulation.

14 For example, both Staff and PacifiCorp reference Puget Sound Energy's ("PSE") 2005 PCORC for the proposition of an NPC baseline update presented through a compliance filing. This reference is incomplete. In PSE's 2005 PCORC, the Commission approved an NPC baseline based on PSE's filed case, with no update as of November 1, 2005. In conjunction with PSE filing a rate case with a power cost baseline effective January 1, 2007, however, parties agreed to allow PSE to perform a limited NPC update on May 15, 2006 with new rates effective July 1, 2006. Not detailed by either Staff or PacifiCorp, the Commission specifically required the update to be submitted as a "subsequent filing in accordance with WAC 480-07-880(2) and 885."^{39/} That update was also the result of an all-party stipulation, where parties also agreed to waive the statutory suspension period for the subsequent filing.^{40/} No such agreement was reached in the current proceeding.

15 Staff and PacifiCorp also reference Docket UE-060266, PSE's 2006 general rate case,^{41/} with PacifiCorp asserting that "the Commission again required a compliance filing NPC update."^{42/} In that proceeding, the update used average gas prices over the period September 1, 2006, through November 30, 2006.^{43/} Further, no party opposed updating market prices because the impacts were "known to all other parties"^{44/} at the time of the hearing, and the impacts of were known at the time of the Commission's Order.

^{39/} WUTC v. Puget Sound Energy, Inc., Docket No. UE-050870, Order No. 04, Ordering Paragraph 5 (Oct. 20, 2005).

^{40/} Docket No. UE-050870, Order No. 04, Appendix A, Stipulation ¶ 22.

^{41/} PacifiCorp Post-Hearing Brief at 7-8; Staff Post-Hearing Brief at 11.

^{42/} PacifiCorp Post-Hearing Brief at 7-8.

^{43/} WUTC v. Puget Sound Energy, Inc., Docket No. UE- 060266 Order 08 ¶ 104 (Jan. 5, 2007).

^{44/} Docket No. UE- 060266, ICNU Post-Hearing Brief ¶ 7.

16

Referring to the PSE 2011 general rate case, PacifiCorp further alleges that “the Commission approved a post-hearing NPC update filed one week before the Commission issued its final order and 14 days before the rate effective date”^{45/} This characterization, however, is incomplete and misleading. In that case, “Staff expressly recommended that the Commission order a further update as part of [PSE’s] compliance filing *after* the entry of the Final Order”; however, the Commission rejected this framework.^{46/} Rather, with the support of all parties, the updated power cost analysis was performed in response to a bench request prior to the Commission’s final order.

17

Finally, both Staff and PacifiCorp reference the recent PSE 2021 PCORC proceeding.^{47/} As with all examples presented by Staff and PacifiCorp, this reference is troubling given Staff’s commitment that the agreement in that matter “establishes no precedent for future cases, or for any other methodology used in the [settlement],”^{48/} and PacifiCorp’s absence as a party to the agreement. While AWEC intends to maintain the confidentiality of the settlement process related to PSE’s 2021 PCORC,^{49/} the facts and circumstances surrounding that proceeding are distinct from those at issue in this proceeding. Fundamentally, there was no controversy regarding PSE’s modeling framework, as it was an “out of the box” application of AURORA. Moreover, PSE’s hedging activity and its effect on overall NPC values was not a point of controversy, and PSE did not propose an untested hybrid modeling method combining actual and forecast data. Finally, PSE’s NPC was not subject to the erratic and unanticipated

^{45/} PacifiCorp Post-Hearing Brief at 8-9.

^{46/} WUTC v. Puget Sound Energy, Inc., Dockets UE-111048 and UG-111049, consolidated, Order 08, ¶ 224 (May 7, 2012) (*emphasis added*).

^{47/} Staff Post-Hearing Brief at 19-20; PacifiCorp Brief at 9.

^{48/} Docket UE-200980, Order 05, Appendix A ¶ 14 (Jun. 1, 2021).

^{49/} See Docket UE-200980, Order 05, Appendix A ¶ 13.

effects of the WIJAM, which, among other things, increases power costs for Washington customers while decreasing PacifiCorp’s overall system power costs. In sum, the facts and circumstances related to the PSE matter are inapposite to those before the Commission in this docket.

18 The facts, circumstances and consequences of the present evidentiary record are materially different than those proceedings relied upon by Staff and PacifiCorp, and those proceedings do not in and of themselves support the scope of the update that is proposed in this docket. Accordingly, AWEC recommends the Commission to give little weight to those references.

C. The Proposed NPC Model Update is Not Based on the Evidentiary Record and Cannot Accomplish a Goal of a PCORC.

19 Both PacifiCorp and Staff argue that AWEC recommends the Commission establish the baseline NPC using “the most out-of-date information in the record.”^{50/} This argument, however, is confuted by the admission that the model PacifiCorp provided in its initial filing is the only information “in the record” upon which the Commission can make its decision.^{51/} PacifiCorp and Staff argue that the Commission should evaluate the reasonableness of the Multi-Party Stipulation, and in particular the proposed forecasted power cost update, based upon the most up-to-date information available to the Commission.^{52/} However, PacifiCorp and Staff ask the Commission to impermissibly expand the concept of “information available to the Commission” to include information that is not included in the evidentiary record.

20 The Commission has stated that it “must establish rates that are ‘fair, just,

^{50/} Staff Post Hearing Brief ¶ 4; PacifiCorp Post Hearing Brief ¶ 25.

^{51/} Wilding, TR. 59:11-19.

^{52/} See e.g., PacifiCorp Post-Hearing Brief ¶ 2; Staff Post-Hearing Brief ¶ 1.

reasonable and sufficient.”^{53/} In making such a determination, the Commission has further outlined that the just nature of the “rate[is] based solely on the record in [the] case following the principles of due process of law....”^{54/} It is uncontested that the only information in the record to inform the Commission’s decision regarding an NPC baseline was contained in Wilding, Exh. MGW-2Cr in PacifiCorp’s initial filing.^{55/} In seeking to overcome the evidentiary deficiency underlying the request for a post-order update, both PacifiCorp and Staff assert that the proposed update will use the same method as PacifiCorp used in its original filing.^{56/} However, the Commission is charged with setting just and reasonable rates, not approving methods for setting rates. Moreover, as established by the Hope case, cited and relied upon by the Commission as discussed above, “[u]nder the statutory standard of ‘just and reasonable’, it is the result reached not the method employed which is controlling.”^{57/} Thus, Staff’s and PacifiCorp’s attempt to invite the Commission to approve a method for setting the baseline NPC as just and reasonable rather than the actual baseline NPC value is improper and misses the mark of the Commission’s statutory charge under Washington law. The only baseline NPC study presented to the Commission for consideration is the \$114,802,054 value in PacifiCorp’s initial filing.^{58/} Accordingly, under Washington law, that is the only NPC study the Commission may consider to inform a determination of just, fair and reasonable rates.

^{53/} WUTC v. PacifiCorp d/b/a Pacific Power & Light Company, Docket UE-100749, Order 06 ¶ 11 (Mar. 25, 2011) (citing Federal Power Commission v. Hope Natural Gas, 320 U.S. 591 (1944) and Bluefield Water Works & Improvement Company v. Public Service Commission of West Virginia, 262 U.S. 679 (1923)). See also RCW. § 80.28.010(1).

^{54/} Docket UE-100749, Order 06 ¶ 11.

^{55/} Wilding, TR. 59:11-19.

^{56/} See PacifiCorp Post-Hearing Brief ¶ 20; Staff Post-Hearing Brief ¶ 3.

^{57/} Hope, 320 U.S. 591, 602.

^{58/} Wilding, Exh. MGW-2Cr at 4.

21

Arguments by PacifiCorp and Staff regarding the necessity of the proposed update are also contradicted when viewed in the context of the procedure established for this proceeding. PacifiCorp initially proposed the NPC study submitted in its initial filing to be the one and only NPC baseline study evaluated and considered by the Commission, as no modeling update proposal was included within the original application.^{59/} Staff agreed the evaluation of the NPC baseline would be founded upon this initial information, as no additional update proposal was discussed or included within the initial procedural schedule in this proceeding. That is to say, contrary to its current position, Staff had no concerns that the rates, initially proposed to become effective as late as February 1, 2022,^{60/} would be based on “out-of-date information.”

22

A goal of a PCORC is to set a procedure for adjudicating and reviewing an NPC update outside of a general rate case. Central to this goal is a procedure that is consistent with Washington law, including the evidentiary and due process standards that the Commission must follow. Absent such a procedure, it cannot be reasonably said that the post-order update is consistent with the goal of a PCORC.

D. Nodal Pricing Benefits Are Appropriate to Consider in NPC and Not Already Embedded in the AURORA Model.

23

PacifiCorp’s assertions regarding the Nodal Pricing Model (“NPM”) and AWEC’s alleged support for recovery of related expenses are inaccurate and unsupported. AWEC recommends they be given little consideration by the Commission. PacifiCorp is correct that AWEC supported “reasonable and prudent investment of related capital, related operations

^{59/} Wilding, TR. at 60:9-11.

^{60/} Order 03 at 8.

and maintenance expenses, and the related ongoing management charges to develop and implement NPM.”^{61/} However, contrary to PacifiCorp’s assertion, AWEC did not agree to support any and all levels of expenses, including the specific \$4 million or \$8.3 million at issue in this proceeding.^{62/} Indeed, PacifiCorp has not identified and cannot identify any evidence in this proceeding nor in the Nodal Pricing Memorandum of Understanding and the 2020 Inter-Jurisdictional Allocation Protocol (“2020 Protocol”) that supports its claim that AWEC agreed “that these NPM expenses [were] agreed [as] reasonable in the 2020 Protocol....”^{63/} To the contrary, PacifiCorp explicitly agreed that “[t]he prudence of any costs associated with nodal dispatch and modeling nodal dispatch will also be subject to review in the PCORC”,^{64/} which is this proceeding. Accordingly, PacifiCorp’s inference that AWEC has already agreed to the prudence of NPM expenses, whatever they may be, is not accurate.

24 PacifiCorp’s argument that the benefits of nodal pricing are already included in the AURORA model dispatch^{65/} is also invalid. In Supplemental Testimony, PacifiCorp confirmed that “Aurora is not using a nodal topology.”^{66/} Because Aurora is not using a nodal pricing topology, it is impossible for the benefits of nodal pricing to be already considered in the AURORA model, irrespective of PacifiCorp’s comments regarding the foresight possessed by the AURORA model. Further, PacifiCorp argues that “because Aurora does not include costs

^{61/} PacifiCorp Post-Hearing Brief ¶ 37.

^{62/} See Multi-Party Settlement ¶ 11 (PacifiCorp incurs an \$8.3 million annual fee for its Nodal Pricing Model, but erroneously included only \$4 million of this fee within the initially proposed PCROC baseline).

^{63/} PacifiCorp Post-Hearing Brief ¶ 38.

^{64/} WUTC v. PacifiCorp d/b/a Pacific Power & Light Company, Docket UE-191024 et al., Final Order 09, Appx B ¶ 17 (Dec. 14, 2020).

^{65/} PacifiCorp Post-Hearing Brief ¶ 41.

^{66/} Wilding, Exh. MGW-3Tr at 9:21.

associated with the difference between day-ahead schedules and real-time dispatch, there are no costs to remove from the Aurora forecast due to the transition to NPM.” This argument, however, is also invalid because AURORA model does, in fact, include costs associated with the difference between day-ahead schedules and real-time dispatch. Those cost are incorporated through the Day-Ahead/Real-Time (“DA/RT”) adjustment, which was described in detail in PacifiCorp’s Direct Testimony.^{67/}

25 Additionally, PacifiCorp’s attempt to shift the burden of proof to AWEC is improper and serves only to demonstrate and affirm that PacifiCorp has failed to carry its burden to demonstrate NPM-related expenses are prudent and are therefore justifiably recovered in rates. As detailed in AWEC’s Post-Hearing Brief, as the petitioner to the Commission seeking a modification in rates, PacifiCorp bears the burden of proof to justify any requested change.^{68/}

26 In this instance, PacifiCorp bears the burden to demonstrate that the \$300,000 in Washington-allocated costs associated with the NPM provide benefits to ratepayers and are therefore reasonable. PacifiCorp admits that it cannot carry this burden because “the benefits are impossible to track....”^{69/} While claiming impossibility at quantifying any NPM benefit received for invested ratepayer funds, PacifiCorp asks ratepayers and the Commission to take on faith that “the benefits [of the NPM] accrue in actual operations,”^{70/} notwithstanding PacifiCorp’s inability to identify them, and therefore PacifiCorp is due up to an additional \$612,000^{71/} in Washington-allocated NPC expense. PacifiCorp has failed to establish the prudence of its NPM expense and,

^{67/} Wilding, Exh. MGW-1CTr at 16:16-20:20.

^{68/} WAC § 480-07-540.

^{69/} PacifiCorp Post-Hearing Brief ¶ 42.

^{70/} PacifiCorp Post-Hearing Brief ¶ 42.

^{71/} \$300,000 included in initial request and \$312,000 initially omitted but reserved to be collected in a future proceeding.

accordingly, AWEC recommends the Commission either: 1) disallow recovery of the requested \$300,000, or 2) impute a level of benefits equivalent to the \$312,000 PacifiCorp failed to include in its initial filing.

E. Fly Ash Revenues Can Be Reasonably Addressed in Docket UE 210852

27 While AWEC does not necessarily agree with PacifiCorp’s assertion that fly ash revenues are outside of the scope of this proceeding, AWEC does not oppose considering fly ash revenues outside of this proceeding in Docket UE-210852.

F. The 2020 Protocol Requires Non-Firm Wheeling Expense Be Allocated Using the System Energy Factor

28 As discussed in AWEC’s Post-Hearing Brief, AWEC recommended a \$45,104 reduction to Washington-allocated NPC to correct the allocation of non-firm wheeling expenses. No party has opposed this adjustment in testimony or briefing. Accordingly, AWEC recommends the Commission approve this uncontested modification.

III. CONCLUSION

29 For the reasons outlined above, AWEC recommends the Commission modify the Multi-Party Stipulation by rejecting the NPC model update proposed to occur outside of the evidentiary record of this proceeding. Such an update is not lawful; is not supported by an appropriate record; and is not consistent with the public interest. Instead, AWEC recommends the Commission approve an NPC baseline of \$113,810,614,^{72/} based on the NPC study included in PacifiCorp’s initial filing, subject to additional modifications identified within the Multi-Party Stipulation and those outlined above.

^{72/} AWEC Post-Hearing Brief at 3, Table 1.

Dated this 25th day of February, 2022.

Respectfully submitted,

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