Exh. RTL-3T
Docket UE-250224
Witness: Rick T. Link

BEFORE THE WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP dba PACIFIC POWER & LIGHT COMPANY Respondent.	Docket UE-250224

PACIFICORP

REBUTTAL TESTIMONY OF RICK T. LINK

September 2025

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ATTACHED EXHIBITS

Q. Are you the same Rick T. Link who previously submitted direct testimony in this proceeding on behalf of PacifiCorp dba Pacific Power & Light Company (PacifiCorp or Company)?

A. Yes. I am submitting this rebuttal testimony before the Washington Utilities and Transportation Commission (Commission) on behalf of PacifiCorp.

I. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your rebuttal testimony?

A. I respond to the direct testimonies of witness John D. Wilson on behalf of Staff of the Commission (Staff),[1] witness Dr. Robert L. Earle on behalf of the Public Counsel Unit of the Washington State Office of the Attorney General (Public Counsel),[2] and witness Bradley G. Mullins on behalf of the Alliance of Western Energy Consumers (AWEC)[3] (collectively referred to as Parties) regarding PacifiCorp's proposal for a new inter-jurisdictional cost allocation methodology, the Washington 2026 Protocol. In particular, I will respond to Staff's, Public Counsel's, and AWEC's claims that resources assigned to Washington are too expensive (or PacifiCorp has over-recovered for plants reassigned to Washington customers) and that, therefore, the Commission should reduce the costs to customers from these resources; Staff's recommendations regarding PacifiCorp's fixed allocation factors (SG-F) and weighting of the SG-F; and Public Counsel's questions whether PacifiCorp's proposal has sufficiently narrowed the gap between the Company's power cost forecasts and

[1] Exhibit (Exh.) JDW-1T.
[2] Exh. RLE-1CT.
[3] Exh. BGM-1CT.

actual power costs to justify the transition to PacifiCorp's proposed Washington generation portfolio.

Q. Are you sponsoring any exhibits as part of your rebuttal testimony?

A. Yes. I am sponsoring Exhibit Nos. [RTL-4] through [RTL-6], which have been prepared by me or under my direct supervision.

Q. Please explain how your rebuttal testimony is organized.

A. The remainder of my rebuttal testimony is organized as follows:

- Section II responds to Staff's, Public Counsel's, and AWEC's recommendations regarding allocation of the costs and benefits of Chehalis, Jim Bridger Gas Units 1 & 2, and the Rolling Hills Wind Plant to Washington customers. I explain why PacifiCorp's allocation proposals are justified and that it would be inappropriate to discount or refund costs to Washington customers for certain of these resources.

- Section III addresses Staff's claims that the weighting of the SG-F allocation factor is arbitrary and lacking justification. Furthermore, this section responds to Staff's recommendations that the SG-F allocation factor not be fixed indefinitely, and that the Commission should direct PacifiCorp to update the SG-F allocation factor in each general rate case or Power Cost Only Rate Case (PCORC), unless the general rate case or PCORC is filed within 30 months of the most recent update of the SG-F allocation factor.

- Section IV explains how the Washington 2026 Protocol has substantially narrowed the gap between PacifiCorp's power cost forecasts and actuals. Therefore, contrary to Public Counsel's claims, the Washington 2026 Protocol will allow the Company to better avoid the need to purchase market-priced resources.

Q. Is there a specific recommendation from Staff that the Company supports with regards to the Washington 2026 Protocol?

A. Staff recommended that the Company adopt the language that PacifiCorp has proposed in the 2026 Protocol for other states with regard to new large load customers.[4] PacifiCorp supports the adoption of this language for Washington.

[4] Exh. JDW-1T at 33-34.

II. RECOVERY AND ALLOCATION OF COSTS AND BENEFITS OF RESOURCES TO WASHINGTON CUSTOMERS

Q. How does the Commission determine whether a resource, or a share of a resource, may be allocated to Washington customers?

A. The Commission may include only resources or shares of resources in rates that are used and useful for service to Washington.[5] This standard, which formed the basis for the West Control Area Inter-Jurisdictional Allocation Methodology (WCA) and the Washington Inter-Jurisdictional Allocation Methodology (WIJAM), requires a utility to demonstrate that a resource "provides quantifiable direct or indirect benefits to Washington commensurate with its cost."[6]

Q. What is the WCA?

A. The WCA was the inter-jurisdictional cost allocation methodology adopted by the Commission in 2006 to allocate costs and benefits of PacifiCorp's system to Washington. The WCA isolated the costs and revenues associated with assets electrically interconnected to PacifiCorp's West Balancing Authority Area (PACW) and allocated to Washington a proportionate share of the costs and benefits based primarily on Washington's relative contribution to demand and energy requirements within PACW. The WCA included loads, generation and transmission assets, and wholesale contracts for facilities located in California, Oregon, and Washington. It also included transmission and generation assets located outside of California, Oregon, and Washington that were electrically interconnected to PACW, such as

[5] RCW 80.04.250; *Wash. Utils. & Transp. Comm'n v. PacifiCorp, d/b/a Pacific Power & Light Co*., Docket Nos. UE-191024 *at al.*, Final Order 09/07/12 at 37, ¶ 95 (Dec. 14, 2020); *Wash. Utils. & Transp. Comm'n v. PacifiCorp, d/b/a Pacific Power & Light Co*., Docket Nos. UE-050684 and UE-050412 (Consolidated), Order 04/03 at 27-28, ¶ 68 (Apr. 17, 2006).

[6] Docket Nos. UE-191024 *at al.*, Final Order 09/07/12 at 37, ¶ 95 (citing Docket Nos. UE-050684 and UE-050412 (Consolidated), Order 04/03 at 27-28, ¶ 68).

Jim Bridger, which is physically located in PacifiCorp's East Balancing Authority Area, and Colstrip, located in Montana.

Q. Did PacifiCorp propose the WIJAM to refine the WCA methodology?

A. Yes. The Company sought approval of the WIJAM as part of the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol (2020 Protocol) in its general rate case in docket UE-191024. In December 2020, the Commission approved the WIJAM and 2020 Protocol.[7]

Q. What factors did the Commission rely on in finding that there were quantifiable direct and indirect benefits from the WIJAM that were commensurate with its costs to Washington customers?

A. There were several factors the Commission considered in finding that there were quantifiable direct and indirect benefits from the WIJAM that were commensurate with costs to Washington customers.[8] In particular, the Commission noted the quantifiable direct and indirect benefits of decreased net power costs (NPC), greater renewable portfolio standard (RPS) benefits,[9] greater flexibility for compliance with the Clean Energy Transformation Act (CETA) during 2030-2033,[10] increased production tax credits (PTCs), increased wheeling revenues, and increased system diversity commensurate with the costs of the resources included in Washington rates by application of the WIJAM.[11] The Commission also found that the WIJAM

[7] Docket Nos. UE-191024 *at al.*, Final Order 09/07/12 at 41, ¶¶ 102-103.
[8] Docket Nos. UE-191024 *at al.*, Final Order 09/07/12 at 40-41, ¶ 101.
[9] The Commission found it encouraging that approval of the WIJAM would improve PacifiCorp's renewable energy credit (REC) position for future compliance with the RPS and may likely reduce the future need for one-time purchases. Docket Nos. UE-191024 *at al.*, Final Order 09/07/12 at 51, ¶ 132.
[10] Note that the Commission reviewed the entirety of the record and found sufficient testimony and evidence supporting approval of the WIJAM, even without considering benefits that may be premature for compliance with CETA. Docket Nos. UE-191024 *at al.*, Final Order 09/07/12 at 38, ¶ 95.
[11] Docket Nos. UE-191024 *at al.*, Final Order 09/07/12 at 39, ¶ 98.

appropriately excluded resources that had no benefit to Washington, such as the transmission-voltage, radial lines that do not connect PacifiCorp's transmission system to resources included in Washington rates.[12]

Q. Do many of the same factors above also apply to PacifiCorp's proposed Washington generation portfolio under the Washington 2026 Protocol?

A. Yes. When compared to the WIJAM, the Washington generation portfolio under the Washington 2026 Protocol provides an increase in CETA-compliant energy for compliance purposes,[13] increased PTCs, and increased resource adequacy and decreased reliance on market purchases to serve Washington load.[14] All of the resources in the Washington generation portfolio under the Washington 2026 Protocol are those that are connected to PacifiCorp's transmission system and are currently providing benefits to Washington customers.

Q. In PacifiCorp's 2022 Power Cost Adjustment Mechanism filing, the Commission directed PacifiCorp to build Washington situs resources solely to serve Washington customers.[15] Does the Washington 2026 Protocol further facilitate compliance with this directive?

A. Yes. Creating a fixed Washington-specific resource portfolio and tailoring hedging and operations to management of that portfolio allows for situs resource development as directed by the Commission. The Commission has approved a Washington situs RFP.[16] Consistent with that approval, the Company issued that RFP to the market on

[12] Docket Nos. UE-191024 *at al.*, Final Order 09/07/12 at 40-41, ¶ 101.
[13] Ghosh, Exh. RG-1T at 6, Table 1.
[14] Wilding, Exh. MGW-1CT at 3:4-10:13.
[15] *In the Matter of the Petition of PacifiCorp d/b/a Pacific Power & Light Company, 2022 Power Cost Adjustment Mechanism Annual Report,* Docket No. UE-230482, Order 07 at 36, ¶ 135 (Oct 30, 2024).
[16] *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-250460, Order 02 at 7, ¶ 29 (Sept. 2, 2025).

September 2, 2025.

Q. Do Parties raise any arguments that support changes to the Washington 2026 Protocol?

A. No, none of the Parties' arguments suggest a change to the Washington 2026 Protocol is either necessary or appropriate. First, I appreciate that Staff recognizes the advantages of the Washington 2026 Protocol for the Company's Washington customers.[17] PacifiCorp has been in discussions with interested parties for a number of years and developed the Washington 2026 Protocol based on input from those discussions. The clear deficiencies in the Parties' proposed alternatives speak to the comprehensive thought PacifiCorp has put into designing an allocation methodology for Washington that complies with state law and Commission directives.

A. Response to Staff

1. Rolling Hills Wind Plant

Q. Does Staff support allocation of Oregon's share of the Rolling Hills Wind Plant to Washington customers?

A. Yes, in part; however, Staff has concerns with the treatment of the Rolling Hills Wind Plant in the Washington 2026 Protocol.[18] While Staff agrees that PacifiCorp's proposed energy allocation of the Rolling Hills Wind Plant to Washington customers is beneficial, Staff seems to suggest that because the Rolling Hills Wind Plant is an "expensive" and an often "curtailed" resource, cost reduction is warranted.[19] Staff's argument is presumably based on an assumption that the benefits of an

[17] Wilson, Exh. JDW-1T at 11:3-8.
[18] Wilson, Exh. JDW-1T at 5:11-20.
[19] Wilson, Exh. JDW-1T at 24:1-8.

increased share in the Rolling Hills Wind Plant are not commensurate with its costs.

Q. Staff witness Wilson specifically expressed concern over the allocation of Rolling Hills because he claimed, "Rolling Hills is a relatively expensive resource, costing $145 per [megawatt hour (MWh)]."[20] Do you agree with Staff's assessment of the cost of Rolling Hills?

A. No. As an initial matter, the Commission has already found the Rolling Hills Wind Plant prudent, including the decision to repower the facility, and the resource is included in Washington rates. All that is proposed here is to allocate a greater percentage of the resource to Washington customers.

Q. Do you agree with Staff's calculation of $145 per MWh?

A. No. Staff appears to have calculated its cost by taking the annual revenue requirement for the Rolling Hills Wind Plant and dividing it by the forecasted generation in 2026. That calculation, however, is not a reasonable methodology to assess a resource's cost because it examines a single year and omits significant benefits provided by the resource, including the value of PTCs.

When the Company chose to repower the Rolling Hills Wind Plant in late 2019, it did so after conducting a comprehensive multi-year analysis over the entire remaining life of the resource. That analysis found that the nominal levelized net benefits per MWh of the incremental energy output after repowering was $19 per MWh (2017$) in the scenario that used medium natural gas and medium CO_2 price assumptions. This metric captured the specific repowering cost for each facility net of the specific benefits of each facility per incremental MWh of energy expected after

[20] Wilson, Exh. JDW-1T at 24:5-6.

the facility is repowered. The $19 per MWh figure was also conservative because it did not account for the incremental value of renewable energy credits (RECs) generated by the repowered facility.

Q. What customer benefits were omitted from the $145 per MWh calculation relied on by Staff?

A. Staff left out the significant PTC benefits produced as a result of repowering the facility, which is one of the primary benefits associated with energy production from this facility. Staff also did not account for the fact that resource planning and procurement in Washington is now required to consider the social cost of greenhouse gas emissions (SCGHG) as the appropriate proxy for carbon pricing.[21] The SCGHG is substantially larger than the CO_2 pricing assumptions used in the repowering analysis. Assuming the Rolling Hills Wind Plant displaces market purchases at an average emissions rate of 0.428 metric tons of CO_2 equivalent per MWh and a SCGHG cost of $106 per metric ton, the avoided emissions value alone is over $45 per MWh. This value grows to nearly $111 per MWh when the Rolling Hills Wind Plant displaces coal generation (assuming an emissions rate of 1.05 metric tons of carbon dioxide equivalent per MWh).

Q. Does the Rolling Hills Wind Plant also advance PacifiCorp's CETA compliance efforts?

A. Yes, Staff witness Wilson acknowledges that the Rolling Hills Wind Plant is "immediately available" for CETA compliance purposes and "PacifiCorp's proposal is advantageous."[22] As background, parties to the WIJAM were intentional in

[21] RCW 19.280.030(3)(a).
[22] Wilson, Exh. JDW-1T at 24:12-13.

allocating non-emitting resources physically located in the PacifiCorp East Balancing Authority Area, including the Rolling Hills Wind Plant, to Washington with the understanding that these resources would be CETA compliant and provide benefits to Washington customers through the RECs provided to PacifiCorp, thereby reducing Washington's exposure to market-priced purchases.[23] In the case of the Washington 2026 Protocol, the Rolling Hills Wind Plant is the *only* CETA-compliant facility on PacifiCorp's system that had an unallocated share of generation that the Company could allocate to Washington, and the benefits of allocating this CETA-compliant resource to Washington *immediately* provides tangible benefits to Washington customers.

Q. Staff witness Wilson also claims that PacifiCorp is requesting a higher cost recovery for the Rolling Hills Wind Plant than the Company was recovering from Washington customers or, collectively, from its entire system.[24] Please respond.

A. Staff's argument is misleading. The incremental increase in the allocated share of the Rolling Hills Wind Plant to Washington does increase the allocated costs of that resource to Washington customers, but that is commensurate with the increased benefits of an immediately available, zero-fuel cost, non-emitting resource with PTCs that offset the costs. That incremental increase to a 34.873 percent share, however, would not result in Washington's allocation of the Rolling Hills Wind Plant being greater than the rest of the system.[25]

[23] Docket Nos. UE-191024 *et al.*, Wilding, Tr. 161:14-162:6; Docket Nos. UE-191024 *et al*, Ball, Tr. 163:18-164:12; Docket Nos. UE-191024 *et al*, Pepple, Tr. 215:20-217:10.
[24] Wilson, Exh. JDW-1T at 24:17-25:2.
[25] Link, Exh. RTL-1T at 8:8-13.

Q. Does the curtailment rate of the Rolling Hills Wind Plant result in any benefits to Washington customers?

A. Yes, the Rolling Hills Wind Plant is preferentially curtailed because doing so results in the loss of fewer PTCs relative to the loss of PTCs resulting from curtailment of other Washington-allocated wind resources, the benefits of which are passed on to Washington customers while maintaining system reliability.[26]

Q. Staff argues that, based on the "relatively high cost and curtailment rate" of the Rolling Hills Wind Plant, an increased allocation of the facility will be only reasonable if Washington customers receive "some cost consideration."[27] How do you respond?

A. I do not agree. As discussed above, the Commission already has found the Rolling Hills Wind Plant to be prudent, including the decision to repower the facility, and the resource is included in Washington rates. Additionally, Staff failed to take into account significant benefits of the facility, including PTC benefits and the SCGHG value along with the added benefit of contributing to CETA compliance at a time when new wind resources are not likely to qualify for tax credits. Staff has not provided any justification why an increased share in the Rolling Hills Wind Plant, which both the Commission and Staff previously found provided quantifiable benefits commensurate with its costs in the WIJAM, now warrants a discount to Washington customers.

[26] *See* Wilson, Exh. JDW-19 (PacifiCorp's response to Staff Data Request No. 50).
[27] Wilson, Exh. JDW-1T at 25:3-20.

Q. Does the Rolling Hills Wind Plant provide a unique opportunity to benefit Washington customers?

A. Yes, it does. The unallocated share of the resource provides a unique opportunity to advance CETA compliance with an existing resource that qualifies for PTCs without the risk of REC double-counting. Absent the increased allocation, PacifiCorp would need to procure additional CETA-compliant resources, incurring incremental costs at a time when these resources are not likely to qualify for tax credits. As discussed by Company witness Michael G. Wilding, immediately available CETA-compliant energy is extremely expensive and has a much higher cost than the Rolling Hills Wind Plant.

Q. What does Staff recommend so that Washington customers receive "cost consideration" for the Rolling Hills Wind Plant?

A. Staff proposes three timing options for the non-NPC costs so that customers can receive "cost consideration" for the Rolling Hills Wind Plant, including: (1) waiting until PacifiCorp's next general rate case to include the unallocated share of the resource; (2) setting a date certain on which PacifiCorp could begin accumulating costs for the Rolling Hills Wind Plant in the proposed deferral account, such as in two years; or (3) allowing proportionate cost increases as other jurisdictions adopt updated protocols.[28]

[28] Wilson, Exh. JDW-1T at 26:3-27:17.

Q. Is Staff recommending that the costs and benefits of the Rolling Hills Wind Plant be aligned?

A. No. Staff specifically states that "[f]or purposes of the PCORC, it is reasonable to assign the previously-unassigned Oregon share of Rolling Hills generation to Washington for purposes of net position balancing calculations as part of PacifiCorp's 2026 Protocol proposals."[29] Staff's recommendations only contest the costs of the resource, while accepting all the benefits.

Q. Does PacifiCorp agree with any of these options?

A. No. All three inappropriately fail to align costs and benefits in a timely manner and increase financial and resource planning risks for PacifiCorp. The first option creates significant uncertainty for PacifiCorp and its resource planning for Washington. Under Staff's proposal, customers would receive the benefits of the zero-fuel cost resource and the RECs to meet CETA targets, but PacifiCorp would not recover any of the associated costs until after the Commission issues a decision in a future general rate case. PacifiCorp would not know if the increased allocation would be even allowed in that future general rate case, given the risk of hindsight review if the Commission were to accept Staff's arguments. Furthermore, Staff does not propose any offsetting deferral, or other mechanism, to track the benefits to customers in the event that the Commission were to disallow the resource in the future to ensure that the costs are commensurate with the benefits. This proposal also creates unnecessary uncertainty for resource planning, with the Company not knowing if it can count the RECs towards its CETA targets until after that subsequent general rate case.

[29] Wilson, Exh. JDW-1T at 26:6-9.

Q. Do you have concerns with Staff's second proposed option suggesting that the Commission not allow PacifiCorp to begin deferring costs for the increased allocation of the Rolling Hills Wind Plant for two years?[30]

A. Yes. This would be an unprecedented regulatory action. Staff appears to be proposing that not only would customers receive the benefits, but the commensurate costs could not even be deferred for a two-year period. This would impose a two-year penalty for adding incremental renewable generation to serve Washington customers. I am not aware of any Commission precedent finding a resource to be prudent but imposing a penalty like this; this would be contrary to fundamental regulatory principles of aligning costs and benefits, and ensuring rates are just, fair, reasonable, and sufficient.[31]

Q. Staff's third option is allowing proportionate cost increases as other jurisdictions adopt updated protocols.[32] Does that option align with any cost causation or other regulatory principles?

A. No. Staff appears to be suggesting that PacifiCorp be allowed to recover some amount of the cost of the resource only after other states adopt a new allocation methodology. The unallocated share of the Rolling Hills Wind Plant is not currently in rate base in any other state, so that adoption of an allocation methodology in any other state has no impact on the allocation of a larger share of the Rolling Hills Wind Plant to Washington. This only relates to costs as Staff proposes that Washington customers receive the benefits during this time.[33] So again, this is a penalty that has

[30] Wilson, Exh. JDW-1T at 26:16-18.
[31] RCW 80.28.010(1).
[32] Wilson, Exh. JDW-1T at 26:19-23.
[33] Wilson, Exh. JDW-1T at 27:12-15.

no basis in Commission precedent or policy.

Q. Does Staff have any other recommendations regarding the recovery of costs for the Rolling Hills Wind Plant?

A. Yes. Staff witness Wilson suggests the Commission could simply disallow cost recovery either by the two years suggested in option 2 or by some percentage the Commission deems appropriate over the lifetime of the plant.[34]

Q. Does Staff present any specific support or reference Commission precedent for why two years of costs or a percentage of costs is an appropriate level of disallowance?

A. No. There does not appear to be any rationale or precedent for these proposals. Staff witness Wilson provides no justification as to why two years of costs correlates with a level of imprudence and leaves it to the Commission to determine a percentage disallowance over the life of the resource as an alternative. Staff witness Wilson also provides no citation to Commission policy supporting this proposal.[35] This lack of specificity means that the Commission has nothing in the record to support a proportional disallowance.

The Commission already has reviewed the Rolling Hills Wind Plant for inclusion in rates, finding that it was prudent to allocate to Washington under the WIJAM. It is now prudent to increase that allocation because of the advantages of immediate quantifiable benefits from the increased allocation of the Rolling Hills Wind Plant, a point conceded by Staff.[36]

[34] Wilson, Exh. JDW-1T at 27:4-6.
[35] Link, Exh. RTL-4.
[36] Wilson, Exh. JDW-1T at 24:12-13.

2. Chehalis

Q. Does PacifiCorp's proposal to allocate the non-NPC costs associated with Chehalis raise any concerns for Staff?

A. Yes. Staff is concerned that if the non-NPC costs associated with Chehalis are placed in Washington rates but not removed from rates of other jurisdictions at a similar time, PacifiCorp will double recover on the costs for the resource.[37]

Q. How do you respond to Staff's concerns regarding double recovery?

A. As explained in the rebuttal testimonies of Company witnesses Joelle R. Steward and Sherona L. Cheung, PacifiCorp has identified that issue and plans to file deferrals to remove the cost of Chehalis from rates in the other states. PacifiCorp is not seeking to over collect its costs. PacifiCorp has proposed the Washington 2026 Protocol to remove the cost allocation issues created by differences between the WIJAM and the allocation methodologies approved in other states, which resulted in both under allocation for some resources and over allocation of others.

B. Response to Public Counsel

1. Rolling Hills Wind Plant

Q. Does Public Counsel make any recommendations regarding the Rolling Hills Wind Plant?

A. Yes. Public Counsel recommends the additional allocation of Rolling Hills Wind Plant to Washington customers *on the condition* that costs to Washington customers are reduced by 60.1 percent (or $4.1 million in 2026) "to reflect the outsized costs of the Rolling Hills facility."[38]

[37] Wilson, Exh. JDW-1T at 16:17-19.
[38] Earle, Exh. RLE-1CT at 22:18-23:2.

Q. How did Public Counsel come to this recommendation?

A. Public Counsel argues that the additional allocation of the Rolling Hills Wind Plant is unreasonable in relation to the costs for the facility.[39] In particular, Public Counsel calculates that the additional allocation of Rolling Hills Wind Plant to Washington customers is $102.29 per MWh assuming a capacity factor of 31 percent.[40] Public Counsel asserts that this figure is unreasonably high in contrast to the average cost of building a new wind facility from 2017 to 2025, which Public Counsel calculates to be $40.85 per MWh.[41]

Q. Do you agree with Public Counsel's calculation?

A. No. Although Public Counsel uses the costs for Rolling Hills Wind Plant from PacifiCorp's integrated resource plans (IRP) over several years to estimate the average cost per MWh for the facility,[42] it is not a comprehensive multi-year analysis over the entire remaining life of the resource. Moreover, as discussed above with respect to Staff's analysis, Public Counsel's assessment fails to take into account significant benefits provided by the facility, does not account for the fact that new wind projects are not likely to qualify for tax credits, and does not provide a comprehensive net cost-benefit value.

2. Chehalis and Jim Bridger Gas Units 1 & 2

Q. Please summarize Public Counsel's recommendations regarding the allocation of Chehalis and Jim Bridger Gas Units 1 & 2 to Washington.

A. Public Counsel proposes to reduce the allocation of all coal and natural gas-fired

[39] Earle, Exh. RLE-1CT at 22:5.
[40] Earle, Exh. RLE-1CT at 22:10-16.
[41] *Id*.
[42] Earle, Exh. RLE-11 at 2.

plants to zero for Washington, removing all natural gas plants from Washington's resource portfolio as of January 1, 2026, in addition to the coal plants which must be removed under CETA. To meet CETA compliance obligations, Public Counsel suggests allocating an additional 32 percent of PacifiCorp-owned wind generation to Washington.[43]

Alternatively, Public Counsel proposes that allocation of Chehalis and Jim Bridger Gas Units 1 & 2 be ended as of December 31, 2029. As a result, Chehalis and Jim Bridger Gas Units 1 & 2 would be removed from Washington rate base except for retirement costs.[44] Public Counsel also contends that "any retirement or remediation costs of Chehalis and Jim Bridger should be based on historic usage/allocations, including those prior to implementation of the Company's 2026 Protocol."[45]

Finally, Public Counsel recommends that the Commission impose a disallowance of 15 percent of the non-NPC costs of Chehalis for 2026 and going forward as Public Counsel alleges that PacifiCorp failed to perform an alternatives analysis to meet the prudency standard for the resource.[46]

Q. How does PacifiCorp respond to Public Counsel's proposals?

A. PacifiCorp is deeply concerned by Public Counsel's proposals because they put Washington customers and the Company at increased risk by not considering resource adequacy, reliability, reserves, and other requirements to support system operations. Public Counsel witness Earle fundamentally misunderstands the costs

[43] Earle, Exh. RLE-1CT at 14:17-15:4.
[44] Earle, Exh. RLE-1CT at 16:21-24.
[45] Earle, Exh. RLE-1CT at 17:5-7.
[46] Earle, Exh. RLE-1CT at 19:6-20.

currently included in PacifiCorp's Washington rates and what is addressed by WIJAM.

Q. What are your concerns with Public Counsel's proposal to remove all natural gas-fired resources starting January 1, 2026?

A. Public Counsel's proposal to remove all natural gas-fired resources from Washington as of January 1, 2026, threatens resource adequacy and reliability for customers. It would make PacifiCorp more dependent on the market and require procurement at any cost, harming customers. As discussed in the rebuttal testimony of Company witness Michael G. Wilding, Public Counsel's proposal is infeasible from a system operations standpoint. Public Counsel's proposal would either remove PacifiCorp's ability to reliably operate its system or require reliance on resources not included in rates to provide the necessary support for system operations.[47]

Q. Did PacifiCorp seek clarification from Public Counsel regarding the impacts of its proposal on reliability and support for transmission operations?

A. Yes. PacifiCorp sought clarification through discovery regarding whether Public Counsel witness Earle analyzed the reliability implications of the recommendations and how PacifiCorp would be able to provide the required ancillary services to support the transmission system under Public Counsel's recommendations. The responses, provided as Exhibit RTL-5 and Exhibit RTL-6, show that Public Counsel witness Earle's recommendations do not reflect the reality of system operations or fundamental principles of rate making. In Exhibit RTL-5, Public Counsel stated that there would be no reliability impacts because Chehalis and Jim Bridger Units 1 and 2

[47] Link, Exh. RTL-5; and Exh. RTL-6.

would continue to operate. The response is telling in that it both admits that the resources are necessary for reliability and that Public Counsel witness Earle's recommendation inherently and knowingly ignores actual costs to provide service to customers in Washington.

In Exhibit RTL-6, Public Counsel states that "power plants and ancillary services are not part of cost allocation under either WIJAM or the Washington 2026 Protocol."[48] This is fundamentally untrue. The WIJAM and Washington 2026 Protocol do not especially mention these resource uses, but neither do they mention any number of other operational requirements provided by generation resources. The cost of providing ancillary services are captured by the costs of the resources that provide these services. PacifiCorp's multi-state operations are not a basis for disallowing costs needed to reliably operate the system that would be allowed for other utilities in Washington.

Q. Public Counsel recommends that PacifiCorp over allocate the Company's wind resources to Washington,[49] would that improve PacifiCorp's CETA targets?

A. No. Public Counsel's suggestion that PacifiCorp could increase Washington's allocation of wind resources by 400 percent—increasing from less than 7 percent to 32 percent—would not be possible given the NPC benefits for all states and need to comply with renewable energy targets in other states. Public Counsel's assertion that this is possible because PacifiCorp has proposed to over allocate Chehalis under the Washington 2026 Protocol[50] is flawed for two reasons. First, PacifiCorp will file

[48] Link, Exh RTL-6 at 1.
[49] Earle, Exh. RLE-1CT at 14:21-15:4.
[50] Earle, Exh. RLE-1CT at 15:1, n.20.

deferrals in the other states to remove the costs and benefits of Chehalis from rates. Thus, only PacifiCorp's Washington customers will pay the costs of Chehalis and receive the benefits on January 1, 2026. More importantly, however, PacifiCorp is either subject to compliance obligations in other states or requirements to maximize revenue from REC sales for the benefit of customers. Any overallocation of RECs would result in double counting RECs, in violation of Washington law,[51] because other states likely would require that PacifiCorp maintain current allocations of non-emitting, zero-fuel cost resources for their NPC benefits or to meet state energy policy. Washington's prohibition against double counting RECs means that PacifiCorp would not be able to use the RECs from the over allocation to meet CETA targets, so it would not improve PacifiCorp's compliance position.

Q. Would Public Counsel's recommendation that the Commission order PacifiCorp to remove Chehalis and Jim Bridger Units 1 & 2 on December 31, 2029, protect customers?[52]

A. No, it increases the likelihood of unintended consequences by restricting the utility and the Commission from adapting to future conditions. Mandating an end to the allocation of Chehalis and Jim Bridger on December 31, 2029, would put customers at substantial risk of changed circumstances. PacifiCorp would have to plan for replacing those units with resources that would meet all reliability and resource adequacy requirements, rather than manage those resources to effectuate the clean energy transition without adversely impacting customer reliability or rates. This would be simply reckless given resource adequacy requirements in the West and the

[51] *See, e.g.*, RCW 19.405.040(1)(b)(ii).
[52] Earle, Exh. RLE-1CT at 16:21-23.

current economic environment (*e.g.*, current inflationary pressures and concerns over continuation of renewable tax credit programs).

Q. Public Counsel proposes a 15 percent disallowance penalty for PacifiCorp allegedly failing to perform an alternative analysis.[53] Is this appropriate or reflective of actual circumstances?

A. No. Public Counsel's proposed penalty for PacifiCorp allegedly failing to perform an alternatives analysis is simply without merit and undermined by the completely unworkable alternative presented by Public Counsel. A 15 percent disallowance penalty is not supported by Public Counsel's proposed alternatives, which would result in double-counting RECs, reduced resource adequacy and reliability, failure to support utility operations including transmission service, and increased costs to customers through added market exposure and risk of future resource costs.

Q. Are Public Counsel's unworkable alternatives an appropriate basis for the suggested disallowance penalty?

A. No. Parties should not be encouraged to present completely unworkable and reckless options as viable alternatives, then claim the Commission should apply an arbitrary disallowance for failure to analyze those options.

Q. Does Public Counsel find any other issues with PacifiCorp's allocation of these resources to Washington?

A. Yes. Public Counsel argues that PacifiCorp's Washington 2026 Protocol would result in PacifiCorp being over-reliant on Chehalis, which "makes up approximately 57.9 percent of the resources not purchased in the short-term market."[54] Public Counsel

[53] Earle, Exh. RLE-1CT at 19:6-13.
[54] Earle, Exh. RLE-1CT at 13:17-14:2.

contends if Chehalis were to suffer a prolonged outage, Washington customers would be significantly short and exposed to high market prices.[55]

Q. Does PacifiCorp agree with Public Counsel that the Company over relies on Chehalis to meet Washington customers' needs in the Washington 2026 Protocol?

A. No. As addressed by Company witness Wilding, PacifiCorp's proposal aligns with Washington energy policy while enhancing resource adequacy and reducing exposure to market volatility.[56] The combination of Chehalis and Jim Bridger Units 1 & 2 mitigates against these concerns. More importantly, Public Counsel raises this concern while presenting a preferred alternative that would leave Washington customers more exposed to market volatility and short on resource adequacy.

C. Response to AWEC

1. Rolling Hills Wind Plant

Q. What is AWEC's suggestion for the Rolling Hills Wind Plant?

A. AWEC argues that because the Rolling Hills Wind Plant results in net costs for Washington customers, the Commission should not assume Oregon's share of the resource for Washington customers. Alternatively, AWEC recommends accepting reassignment of Rolling Hills Wind Plant if PacifiCorp removes AWEC's alleged wind production penalty.[57]

Q. Does PacifiCorp agree with AWEC's proposal?

A. No. As discussed above, the increased costs are commensurate with the benefits.

[55] Earle, Exh. RLE-1CT at 13:17-14:4.
[56] Wilding, Exh. MGW-1CT at 5:10-10:13.
[57] Mullins, Exh. BGM-1CT at 5:17-21; *see also id.* at 70:13-71:18.

AWEC witness Mullins fails to consider benefits other than the impact to net revenue requirement. There are few opportunities to secure operational CETA-compliant generation, and it is unlikely that any alternative CETA-compliant resources actually would reduce revenue requirement given current planning conditions. Company witness Ramon J. Mitchell addresses the issue of wind production calculations.

2. Jim Bridger Gas Units 1 & 2

Q. Please summarize AWEC's recommendation with respect to Jim Bridger Gas Units 1 & 2.

A. AWEC recommends that, in conjunction with Washington assuming a larger share of Chehalis, allocation of Jim Bridger Gas Units 1 & 2 should be reduced to zero and removed from rates. AWEC argues that the costs and emissions from Jim Bridger Gas Units 1 & 2 are very high, and the continued operating costs of these plants exceeds the NPC benefit being allocated to Washington rates.[58]

Additionally, AWEC argues that PacifiCorp's proposal to reduce allocation of Jim Bridger Gas Units 1 & 2 without addressing what AWEC alleges to be an overpayment of plant balance results in the Company retaining the difference for shareholders. AWEC therefore proposes that Washington customers receive a rate credit over a three-year period to address Washington's overpayment for Jim Bridger Gas Units 1 & 2.[59]

Q. How does PacifiCorp respond to AWEC's recommendations regarding Jim Bridger Gas Units 1 & 2?

A. As discussed by Company witness Wilding, Jim Bridger Gas Units 1 & 2 provide a

[58] Mullins, Exh. BGM-1CT at 68:7-15.
[59] Mullins, Exh. BGM-1CT at 69:16-20.

critical system reliability function. While the Washington 2026 Protocol creates a Washington-specific resource portfolio, that portfolio still must contribute to the broader system operations and reliability, and support the delivery of renewable energy from east to west. Company witnesses Steward and Cheung address the alleged overpayment of plant balances raised by AWEC witness Mullins.

3. Transmission

Q. AWEC argues that because Washington will be using less generation resources than other states, Washington should assume a lesser share of system transmission costs.[60] Is that how transmission costs are generally assessed?

A. No, it is not. The number of resources is not a generally accepted factor to determine transmission allocation. PacifiCorp historically has used the same ratio of demand to energy used for generation to determine the allocation of transmission costs. This is appropriate given the fact that transmission allows for the distribution of generation resources to allow for geographic diversity. The truly important consideration is the benefit of the transmission system to Washington customers. PacifiCorp's transmission system provides access to the Company's extensive portfolio of renewable energy resources and access to numerous market hubs to lower net power costs. There is simply no basis for AWEC's claim that this should be deferred for later consideration.[61]

[60] Mullins, Exh. BGM-1CT at 13:19-21.
[61] Mullins, Exh. BGM-1CT at 13:21-23.

III. SG-F ALLOCATION FACTOR

Q. Please summarize Staff's position on PacifiCorp's proposal to move from SG to SG-F.

A. While Staff agrees with PacifiCorp's proposal to move to fixed allocation factors or SG-F, Staff argues that, without periodic adjustments, the SG-F will not reflect future changes to PacifiCorp's system and will be inequitable when compared with changes in other jurisdictions. Specifically, Staff argues that indefinitely fixing the SG-F in Washington is "inconsistent with the approach proposed for PacifiCorp's other five jurisdictions, where both non-fuel and NPC costs will be allocated using a dynamic system generation factor (SG5)," and with the Company's proposal to allocate costs associated with new large loads (greater than 50 MW) to the jurisdiction in which the customer load is located.[62] Staff contends that fixing Washington's SG-F while system and generation costs shift in other jurisdictions is inequitable. Accordingly, Staff recommends that the Commission direct PacifiCorp to update the SG-F allocation factor in each general rate case or PCORC, unless the general rate case or PCORC is filed within 30 months of the most recent update of the SG-F allocation factor.[63]

Additionally, Staff claims that the SG-F allocation factor weighting by PacifiCorp (system capacity by 75 percent and system energy by 25 percent) appears to be arbitrary and not supported by evidence. Instead, Staff recommends that the system load factor method be used, and based on PacifiCorp's load factor of approximately 65 percent, 67 percent of the SG-F factor would be determined by

[62] Wilson, Exh. JDW-1T at 32:17-33:8.
[63] Wilson, Exh. JDW-1T at 31:18-34:10.

Washington's share of system energy (rather than 25 percent).[64]

Q. Does PacifiCorp agree with Staff's proposal to periodically update the SG-F?

A. No. The fixed allocation to create a Washington-specific resource portfolio is central to PacifiCorp's allocation proposal and ability to move towards CETA renewable targets. A fixed resource portfolio provides a known foundation for planning and operations. Adjusting the SG-F periodically would require adjusting the allocation methodology in all states, and, more importantly, could result in a lower allocation of renewable resources to Washington. It simply does not make sense to increase uncertainty, and the associated risks to costs and reliability.

Q. Why is PacifiCorp's SG-F proposal for Washington inconsistent with the approach proposed for PacifiCorp's other five jurisdictions, where both non-fuel and NPC costs will be allocated using a SG5?

A. Through a combination of factors, there is a more immediate need to create a Washington-specific resource portfolio. In Washington, PacifiCorp is required to plan using the SCGHG and remove coal-fired resources on or before December 31, 2025.[65] The Commission has also encouraged PacifiCorp to address the market exposure under the WCA/WIJAM and to address hedging.[66] These issues and the need to procure CETA-eligible resources create an immediate need for a fixed Washington-specific resource portfolio for operations and planning and to allow for Washington-specific hedging and resource adequacy.[67] The other states do not have

[64] Wilson, Exh. JDW-1T at 34:16-35:8.
[65] RCW 19.405.030(1)(a).
[66] Docket No. UE-230482, Order 07 at 34, ¶ 128; *id.* at 34-35, ¶ 131.
[67] Wilding, MGW-1CT at 11:19-12:3.

the same immediate regulatory requirements so they are differently situated at this time.[68]

Q. How does the Company respond to Staff's assertion that the weighting of the SG-F is arbitrary and lacks justification?[69]

A. The weighting is the same as in the previously approved WIJAM and 2020 Protocol. While that was a negotiated weighting, it is the weighting that has been used for the past five years. Modifying the weighting from the current methodology would be arbitrary and potentially would cause unintended consequences. The SG-F allocation factor weighting is dealt with in more detail by Company witness Cheung.

Q. Does the Company view a weighting of 65 percent system energy to be unreasonable in determining the SG-F?

A. Yes. Changing the weighting in Washington would, as discussed by Company witness Cheung, reduce Washington's allocation of non-emitting resources. It also creates a mismatch with historical treatment and allocations in other states. PacifiCorp proposes to keep the current weighting to provide an appropriate transition in allocations and aligns with past resource allocations to Washington customers.

Q. Staff also recommends that the Commission direct PacifiCorp to revise the Washington 2026 Protocol to default future non-emitting resources to situs if they are procured to serve load of a specific jurisdiction or SG-F if procured for system benefit. How do you respond?

A. This recommendation is overly restrictive and problematic. Section 7 of the

[68] PacifiCorp has proposed a second phase of the transition in allocations in the other states in advance of 2030, when Oregon law requires that coal be removed from rates for customers in that state.
[69] Wilson, Exh. JDW-1T at 8:4-6.

Washington 2026 Protocol better matches the current planning environment among the states served by the company by providing additional optionality. Section 7 provides:

> New Resources…acquired for Washington after April 1, 2025, will be assigned on a situs basis to Washington unless circumstances justify a cost-sharing proposal with other states. If circumstances allow, then PacifiCorp may propose an alternative allocation at or before a prudence review occurs for a new resource.[70]

Staff's 'either or' proposal would not allow PacifiCorp to split a resource between, for example, Washington and Oregon to avoid competition for non-emitting resources.

IV. POWER COST FORECASTS

Q. Do any Parties agree that the Washington 2026 Protocol narrows the gap between PacifiCorp's power cost forecasts and actuals relative to the WIJAM?

A. Yes. Staff agrees with PacifiCorp that the Company's proposal "substantially" narrows the gap between PacifiCorp's power cost forecasts and actuals relative to the WIJAM, and it recommends that PacifiCorp should continue to strive to minimize the gap where feasible. Importantly, however, Staff recognizes that "there should not be an unreasonable expectation that the gap will be zero" because "the forecast power resources and system requirements will always vary at least somewhat from the forecast[.]"Accordingly, Staff acknowledges that in each power forecast, Washington will end up as either net short or net long,[71] which requires the gap to be valued at market-prices.

[70] Link, Exh. RTL-2 at 3.
[71] Wilson, Exh. JDW-1T at 12:6-15.

Q. What is Public Counsel's position on Washington's market exposure under the Washington 2026 Protocol?

A. Public Counsel argues that PacifiCorp's claim that "the 2026 Protocol eliminates market exposure for Washington" is inaccurate. In particular, Public Counsel argues that because PacifiCorp fails to include short term firm purchases and system balancing purchases, Washington remains short on an annual basis under the Washington 2026 Protocol.[72]

Q. Does PacifiCorp agree with Public Counsel's claim that Washington falls net short under the Washington 2026 Protocol and therefore the Company's proposal does not sufficiently improve Washington's market exposure?

A. No. As addressed by Company witness Wilding, the Washington 2026 Protocol puts Washington customers in a better position with less market exposure starting January 1, 2026.[73] No alternative proposal before the Commission provides a better market position, and all parties' alternative proposals would put PacifiCorp, and Washington customers, in a worse position on reliability, resource adequacy, and legal compliance.

Q. Does this conclude your rebuttal testimony?

A. Yes.

[72] Earle, Exh. RLE-1CT at 14:5-12.
[73] Wilding, MGW-1CT at 5:10-10:13.