

# Davison Van Cleve PC

Attorneys at Law

TEL (503) 241-7242 • FAX (503) 241-8160 • [nmm@dvclaw.com](mailto:nmm@dvclaw.com)  
107 SE Washington St., Suite 430  
Portland, OR 97214

July 3, 2024

***Via Electronic Filing***

Jeff Killip  
Executive Director and Secretary  
Washington Utilities & Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

Re: In the Matter of WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.  
2022 Power Cost Adjustment Mechanism.  
**Docket UE-230482**

Dear Executive Director Killip:

Please find enclosed the Post Hearing Brief of the Alliance of Western Energy Consumers (“AWEC”) in the above-referenced docket.

Please note that the Post Hearing Brief contains information that has been designated as confidential per the Protective Order in this proceeding. Accordingly, AWEC has designated this information as confidential pursuant to WAC 480-07-160 and the Protective Order in WUTC Docket UE-230482. The confidential version of the Post Hearing Brief has been password protected and encrypted with 7-zip software which will be transmitted via electronically to the Commission and qualified persons on the service list.

Thank you for your assistance. Please do not hesitate to contact me if you have any questions.

Sincerely,

/s/ Nannette M. Moller  
Nannette M. Moller

Enclosures  
cc: Service List

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of	)	
	)	
PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY,	)	DOCKET UE- 230482
	)	
2022 Power Cost Adjustment Mechanism.	)	
_____	)	

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

**(REDACTED)**

**July 3, 2024**

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## I. INTRODUCTION

1 Pursuant to the Washington Utilities and Transportation Commission’s (“Commission”) Order 03 in the above-referenced docket, the Alliance of Western Energy Consumers (“AWEC”) files this Opening Brief. As discussed below, AWEC recommends that the Commission reduce PacifiCorp’s (or “Company”) 2022 net power cost (“NPC”) deferral in its power cost adjustment mechanism (“PCAM”) by between \$ [REDACTED] and \$ [REDACTED] subject to an update to capture additional interest accruals. These amounts represent the low and high ends of AWEC’s adjustments proposed in testimony and are necessary to ensure that customers do not bear excess costs as a consequence of PacifiCorp’s imprudent decisions not to account for Washington’s unique position in PacifiCorp’s system when it hedged its natural gas and power requirements for 2022.

2 PacifiCorp does not dispute that it did not account for Washington in its hedging activities, despite clear Commission statements that it should. These statements include concerns raised by the Commission regarding PacifiCorp’s market exposure since at least 2011.<sup>1</sup> In spite of these concerns, and in spite of its knowledge that Washington customers are more exposed to spot market variation under the state’s specific allocation methodology, the Company has taken no actions to specifically protect Washington customers and has steadfastly maintained that it has no such obligation. In 2022, the consequence of the Company’s position was substantially higher power costs for Washington customers than are assumed in rates (which were, in fact, set during the deferral period and, thus, were established with the greatest possible certainty of their

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<sup>1</sup> *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-210402, Order 06 ¶ 142 (Mar. 29, 2022 (citing *In re Pacific Power & Light Co.*, Docket UE-111418, Order 01 (Oct. 14, 2011))).

accuracy for that deferral period).<sup>2</sup> AWEC recommends that the Commission find that PacifiCorp’s decision to do nothing to protect Washington customers from excessive exposure to market prices in 2022 was imprudent and therefore hold customers harmless from this inaction.

## II. BACKGROUND

3 This case is about whether PacifiCorp should be allowed to recover \$71.5 million in excess net power costs (“NPC”) the Company incurred above the baseline amount included in rates in 2022. The total PacifiCorp requests include application of the dead bands and sharing bands in the Company’s power cost adjustment mechanism (“PCAM”), and interest as of the date of PacifiCorp’s initial filing.<sup>3</sup> If amortized over two years, as PacifiCorp has requested, the average annual rate impact to customers is 9.5%,<sup>4</sup> equivalent to a one-year total of 18.2%.<sup>5</sup>

4 The primary drivers of the excess NPC above forecasted amounts were increases to purchased power expense and natural gas expense.<sup>6</sup> As PacifiCorp describes it, these increases were driven primarily by severe weather events and low hydro conditions.<sup>7</sup> These circumstances drove up market prices and required greater reliance on the Company’s natural gas-fired resources.<sup>8</sup> But Washington customers in particular were uniquely vulnerable to these conditions because of the manner in which PacifiCorp hedges its market exposure, both with respect to natural gas and power.

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<sup>2</sup> *Id.* ¶ 214.

<sup>3</sup> Painter, Exh. JP-1T at 4:17-22.

<sup>4</sup> PacifiCorp Petition ¶ 8.

<sup>5</sup> *Id.* ¶ 6.

<sup>6</sup> Painter Exh. JP-1T at 11 (Table 3).

<sup>7</sup> *Id.* at 12:5-19

<sup>8</sup> *Id.* at 12:3-13:4.

5 PacifiCorp’s hedging practices are governed by its Energy Risk Management Policy (“Hedging Policy”).<sup>9</sup> That policy establishes [REDACTED]

[REDACTED]

[REDACTED].<sup>10</sup>

[REDACTED]

[REDACTED]

[REDACTED]<sup>12</sup>

6 Washington is not a full participant in PacifiCorp’s system-wide generation portfolio. Washington’s allocation of system resources is governed by the Washington Interjurisdictional Allocation Methodology (“WIJAM”). Under the WIJAM, Washington is allocated a share of

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<sup>9</sup> Exh. BGM-6C.  
<sup>10</sup> Mullins, Exh. BGM-1CTr at 19 (Confidential Table 3).  
<sup>11</sup> Staples, Exh. DRS-1CT at 14:10-14.  
<sup>12</sup> *Id.* at 15:16-18.

only two of PacifiCorp’s natural gas-fired generation facilities, Hermiston and Chehalis, both of which are located in PacifiCorp’s West Control Area.<sup>13</sup> All of PacifiCorp’s other gas-fired plants are located in its East Control Area.

7

[REDACTED]

[REDACTED] The consequence of this was that Washington customers were “more vulnerable to market purchases”<sup>16</sup> in the deferral period than the rest of PacifiCorp’s system because [REDACTED]

[REDACTED]

[REDACTED].<sup>18</sup> The Company disputes none of these facts.

### III. LEGAL STANDARD

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The primary issue before the Commission is whether the \$71.5 million in incremental NPC PacifiCorp seeks to recover from customers in this proceeding were prudently incurred. The Commission has previously defined the prudence standard to be “what would a reasonable board of directors and company management have decided given what they knew or reasonably should have known to be true at the time they made a decision.”<sup>19</sup> PacifiCorp’s witness

<sup>13</sup> Mullins, Exh. BGM-1CTr at 2:8-10.

<sup>14</sup> *Id.* at 29:13-18.

<sup>15</sup> Staples, TR. 105:25-106:4.

<sup>16</sup> Staples, Exh. DRS-1CT at 22:23-23:3.

<sup>17</sup> Mullins, Exh. BGM-1CTr at 30:4-7.

<sup>18</sup> *Id.* at 51 (Confidential Table 9); Staples, Exh. DRS-1CT at 20:4-6.

<sup>19</sup> *Re Avista Corp., d/b/a Avista Utilities, Puget Sound Energy, and Pacific Power & Light Co Regarding Prudency of Outage and Replacement Power Costs*, Docket No. UE-190882, Order 05 ¶ 42 (Mar. 20, 2020) (citation omitted).

concludes that the Commission cannot find the Company to be imprudent because: (1) AWEC did not challenge the prudence of any specific transaction executed by the Company; (2) AWEC did not challenge the prudence of any specific operational decision made by the Company; and (3) PacifiCorp operated in compliance with its internally approved Hedging Policy.<sup>20</sup>

PacifiCorp's conclusions are incorrect.

9 First, AWEC *does* challenge specific operational decisions made by the Company in 2022; it challenges PacifiCorp's decision not to hedge to the compliance requirements of its Hedging Policy for Washington's unique circumstance. Second, the measure of prudence is not whether PacifiCorp adhered to the requirements of its Hedging Policy, it is whether its actions were reasonable given what it knew at the time it was engaged in hedging its natural gas and power requirements.

10 PacifiCorp knew the following at that time: (1) Washington is generally in a short position under the WIJAM;<sup>21</sup> (2) the Hedging Policy [REDACTED];<sup>22</sup> (3) even if the Hedging Policy did contain such a prohibition, that policy as PacifiCorp applied it in 2022 has never been approved or deemed prudent by the Commission;<sup>23</sup> and (4) the Commission has expressed concern about Washington's exposure to the market in the past.<sup>24</sup> Despite knowing all of these facts in 2022 and before, PacifiCorp did not take action to protect Washington customers from unreasonable market exposure.

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<sup>20</sup> Staples, Exh. DRS-1CT at 10:9-11:5.

<sup>21</sup> *Id.* at 22:23-23:3

<sup>22</sup> *Id.* at 25:8-9.

<sup>23</sup> Staples, TR 12:18.

<sup>24</sup> *Supra* n. 1.



#### IV. ARGUMENT

11 There is no dispute on the primary issue in this case: PacifiCorp’s natural gas and power hedging practices in 2022 [REDACTED]. This left Washington more exposed to the market than would have occurred if PacifiCorp had hedged specifically for Washington, given its unique allocation methodology.

12 PacifiCorp admits that “Washington’s chosen cost allocation methodology ... leaves Washington customers more vulnerable to market purchases with all the risks that attend a short position generally.”<sup>25</sup> But as the Commission has previously found, the WIJAM does not dictate the allocation of hedges:<sup>26</sup>

In fact, there is no evidence that WIJAM, or the associated 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol, prevents the Company from performing more comprehensive market risk reliance assessments or from prudently managing the risks of its Washington-allocated power costs. Because WIJAM does not specifically address the Company’s hedging practices, it is not persuasive for PacifiCorp to defend the prudence of its risk management and hedging practices by pointing to this cost allocation methodology.<sup>27</sup>

Nevertheless, PacifiCorp maintains its position in this case that it has no obligation to consider Washington specifically under the WIJAM in its hedging practices and that the state’s market exposed position is entirely of its own doing.<sup>28</sup>

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<sup>25</sup> Staples, Exh. DRS-1CT at 22:23-23:3.

<sup>26</sup> Docket No. UE-210402, Order 06 ¶ 150 (Mar. 29, 2022).

<sup>27</sup> *Id.* ¶ 151.

<sup>28</sup> *See, e.g.*, Staples, Exh. DRS-1CT at 22:23-23:12; Staples, TR 104:15-21.

13 PacifiCorp also argues that adherence to its Hedging Policy is *de facto* evidence of prudence.<sup>29</sup> Specifically, PacifiCorp argues that the fact that it [REDACTED] [REDACTED] means that its actions were necessarily prudent, regardless of the level of market exposure Washington customers faced as a result of those actions. But PacifiCorp also concedes that its Hedging Policy [REDACTED] [REDACTED],<sup>30</sup> and the Commission has never determined that the Company’s Hedging Policy is prudent,<sup>31</sup> let alone PacifiCorp’s actions [REDACTED] [REDACTED]. Indeed, the Commission has previously stated that “PacifiCorp has not appropriately managed risk for its Washington portfolio.”<sup>32</sup>

14 PacifiCorp’s decision not to account for Washington’s position in its hedging practices left Washington customers exposed to market volatility precisely at a time when an active risk management program would have protected them from significant price increases. This was imprudent behavior. Customers should not be responsible for the full cost of these price increases. AWEC’s testimony identifies several options the Commission could adopt to craft an appropriate disallowance. PacifiCorp, unsurprisingly, quibbles with each of them, but it cannot dispute the fundamental issue discussed above – that PacifiCorp’s hedging practices left Washington customers uniquely exposed to market price increases in a manner that does not comply [REDACTED].

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<sup>29</sup> Staples, Exh. DRS-1CT at 10:15-11:5.

<sup>30</sup> *Id.* at 25:8-9.

<sup>31</sup> Staples, TR 109:12-18.

<sup>32</sup> Docket No. UE-210402, Order 06 ¶ 140 (Mar. 29, 2022).

**A. The Commission should disallow PacifiCorp’s recovery of deferred NPC because of its imprudence in failing to hedge for Washington’s natural gas requirements under the WIJAM.**

15 As noted above, [REDACTED]  
[REDACTED]. AWEC’s testimony describes two methods of estimating the power costs Washington customers would have paid in 2022 had PacifiCorp [REDACTED]  
[REDACTED]. The first is a counterfactual analysis to determine what would have occurred if [REDACTED]  
[REDACTED]. As AWEC Witness Mullins testifies, PacifiCorp’s west-side natural gas plants included in Washington rates, Chehalis and Hermiston, “are fueled through natural gas supplies that are unique and distinct from the supplies that are used to fuel other natural gas power plants on the east side of PacifiCorp’s system.”<sup>33</sup> Thus, [REDACTED] is both reasonable and necessary.

16 The second method is to reallocate the hedges PacifiCorp acquired [REDACTED]  
[REDACTED]. As Mr. Mullins testifies, “[i]f it is reasonable for PacifiCorp to hedge on a total-system basis, then it is also reasonable for PacifiCorp to allocate the benefits of hedging on a total-system basis.”<sup>34</sup> In other words, regardless of whether the Commission agrees with Mr. Mullins that PacifiCorp

<sup>33</sup> Mullins, Exh. BGM-1CTr at 22:1-3.

<sup>34</sup> *Id.* at 43:4-5.

[REDACTED]

[REDACTED], a reduction to NPC is justified.

1. A counterfactual analysis reasonably estimates the cost the Company's customers would have incurred if PacifiCorp had prudently hedged gas requirements [REDACTED].

17 In developing a counterfactual analysis of what Washington customers would have paid had PacifiCorp hedged its natural gas requirements [REDACTED], Mr. Mullins relied on three different data sets. First, he performed the analysis using PacifiCorp's natural gas consumption forecast as of September 30, 2021.<sup>35</sup> This analysis ensured that the counterfactual was based on information PacifiCorp knew at the time it was transacting in order to avoid an analysis based on hindsight review.<sup>36</sup> Second and third, Mr. Mullins performed an evaluation based on PacifiCorp's actual gas consumption at each power plant (provided in response to AWEC DR 14) and actual physical gas purchases by location (provided in response to AWEC DR 27).<sup>37</sup> PacifiCorp argues that these latter two analyses are invalid because they rely on information the Company could not have known at the time it was hedging its position.<sup>38</sup> But these analyses perform an important check on the reasonableness of Mr. Mullins' analysis using the September 30, 2021 position report, which is the one that ultimately informs Mr. Mullins' recommendation.<sup>39</sup> The result of each counterfactual analysis reduces NPC by the following amounts:<sup>40</sup>

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<sup>35</sup> *Id.* at 27:9-11.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.* (Confidential Table 5).

<sup>38</sup> Staples, Exh. DRS-1CT at 36:3-9.

<sup>39</sup> Mullins, Exh. BGM-1CTr at 44:13-17.

<sup>40</sup> *Id.* at 38 (Confidential Table 6).



The NPC impact of each analysis differs by no more than \$1.3 million, indicating that Mr. Mullins’ counterfactual using the September 30, 2021, position report is reasonable.

18 PacifiCorp also argues that AWEC’s position that the Company could have hedged its gas requirements [REDACTED] is flawed because sufficient liquidity does not exist in the [REDACTED].<sup>41</sup> However, the information PacifiCorp relies on to support this claim is fundamentally flawed. PacifiCorp Witness Staples looks at available offers on the Intercontinental Exchange (ICE) platform to conclude that there is significantly less open interest in monthly contracts in [REDACTED] as compared to the [REDACTED] market.<sup>42</sup> On cross-examination, Mr. Staples admitted that [REDACTED]  
[REDACTED].<sup>43</sup> He also admitted that [REDACTED]  
[REDACTED]  
[REDACTED].<sup>44</sup> [REDACTED]  
[REDACTED].<sup>45</sup> Accordingly,

<sup>41</sup> Staples, Exh. DRS-1CT at 26:1-4.  
<sup>42</sup> *Id.* at 25:13-28:3.  
<sup>43</sup> Staples, TR at 83:5-8.  
<sup>44</sup> *Id.* at 84:1-5.  
<sup>45</sup> *Id.* at 84:14-15.

PacifiCorp has provided no relevant evidence to suggest that it is constrained from [REDACTED]

19 The Company also asserts that Mr. Mullins' counterfactual using the September 30, 2021, position report is unreasonable because it would have resulted in a net removal of total hedges from the Company's portfolio during the deferral period.<sup>46</sup> This conclusion, however, suffers from the same infirmity of which PacifiCorp accuses AWEC's analysis when using actual gas consumption – namely, that it relies on hindsight review. It compares the results of what PacifiCorp might have done differently with what it actually did, which is an apples-to-oranges comparison. Had PacifiCorp [REDACTED] [REDACTED]. Since the past cannot be rewritten, how it would have changed is not certain, but Mr. Mullins' analysis shows that, regardless, Washington customers would have been better off by nearly \$ [REDACTED].<sup>47</sup> And that is because they would have been less exposed to the spot market, not more exposed, as the Company suggests.<sup>48</sup>

20 Notably, PacifiCorp does not attempt to correct for what it considers to be the flaws in Mr. Mullins' counterfactual analyses. The Company's appears to object to the concept of a counterfactual analysis on principle because the past cannot be rewritten, and it cannot be known with certainty what precisely PacifiCorp would have done under this alternative scenario. But that is a convenient position for the Company to take, as it effectively precludes an adjustment to

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<sup>46</sup> Staples, Exh. DRS-1CT at 31:10-22.

<sup>47</sup> Mullins, Exh. BGM-1CTr at 44:15.

<sup>48</sup> Staples, Exh. DRS-1CT at 31:19-22.

its NPC based on an estimate of the cost impacts had the Company acted prudently. If the Commission agrees that PacifiCorp did not prudently hedge its natural gas requirements for its Washington customers, then it is no response to claim there is nothing the Commission can do about it because the results of what would have occurred had PacifiCorp acted differently cannot be known with certainty. Mr. Mullins' counterfactual analysis using the September 30, 2021, position report relies on information known to the Company at the time it was hedging for the deferral period, and his results are supported by the actual gas consumption and transaction data during the deferral period. Mr. Mullins' proposed reduction to NPC associated with PacifiCorp's natural gas hedging activities represents a reasonable estimate of what Washington customers would have paid had the Company prudently hedged its gas requirements for Washington under the WIJAM. This represents sufficient evidence on which the Commission may base an NPC reduction.

2. If PacifiCorp should not have [REDACTED]

21 If, however, the Commission agrees with PacifiCorp in its approach to hedging its natural gas requirements [REDACTED], then an adjustment to NPC is still reasonable because PacifiCorp has not properly allocated its gas hedges to Washington. As Mr. Mullins testifies: "It is inconsistent to conduct gas hedging on a total system basis, while allocating hedges based on the specific supplies being hedged."<sup>49</sup> PacifiCorp concedes this, noting that Mr. Mullins has made a "valid point" and that the manner in which PacifiCorp allocates hedges to Washington

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<sup>49</sup> Mullins, Exh. BGM-1CTr at 43:2-4.

“is an issue worth solving.”<sup>50</sup> PacifiCorp characterizes this not as a prudence issue but as a cost allocation issue,<sup>51</sup> but that is not entirely accurate. For one, as noted above, the WIJAM does not dictate the allocation of hedges, nor does PacifiCorp’s Hedging Policy. For this reason, AWEC’s proposed reallocation of hedges is designed to recognize that PacifiCorp did not meet its [REDACTED] for Washington under the WIJAM, which it both could have and should have done. Mr. Mullins’ reallocation of gas hedges gives Washington customers the benefit of the value of hedges that [REDACTED]. This is effectively an alternative method of recognizing PacifiCorp’s imprudence in failing to hedge Washington’s unique requirements and holding Washington customers harmless from this action (or inaction).

22 The method Mr. Mullins uses to reallocate gas hedges is straightforward. First, he takes the total system hedging benefit of \$ [REDACTED] and multiplies it by the west side’s gas supplies as a percentage of the total system supplies, using the September 30, 2021 position report.<sup>52</sup> This provides a total west side allocation of \$ [REDACTED].<sup>53</sup> To allocate this amount to Washington, Mr. Mullins multiplies this number by the CAEW factor of 22.5% and subtracts the amount of the financial gains already allocated to Washington in PacifiCorp’s filing.<sup>54</sup> This leaves a total incremental hedging benefit to Washington of \$ [REDACTED].<sup>55</sup>

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<sup>50</sup> Staples, Exh. DRS-1CT at 35:16-19.

<sup>51</sup> *Id.* at 19-21.

<sup>52</sup> Staples, Exh. DRS-13CX lines 1-2; Staples, TR at 90:21-91:13.

<sup>53</sup> Staples, Exh. DRS-13CX line 3.

<sup>54</sup> *Id.*, lines 4-6; Staples, TR 90:9-16.

<sup>55</sup> *Id.* line 7.



23 Again, PacifiCorp takes issue with Mr. Mullins’ method although it does not dispute any of the calculations Mr. Mullins made.<sup>56</sup> The only number PacifiCorp disputes in Exhibit DRS-13X, in fact, is the west side gas supply percentage of [REDACTED].<sup>57</sup> The Company performed its own re-allocation exercise using a different requirements forecast from the September 30, 2021 position report.<sup>58</sup> Using that forecast, the west side gas supply percentage drops from [REDACTED] to [REDACTED].<sup>59</sup> Using PacifiCorp’s forecast, then, which Mr. Mullins agreed was reasonable,<sup>60</sup> the re-allocation of system hedging benefits to Washington under AWEC’s method drops from \$ [REDACTED] to \$ [REDACTED].<sup>61</sup> This is a notably similar amount to the adjustments Mr. Mullins calculated based on his counterfactual analyses discussed above.<sup>62</sup>

24 PacifiCorp’s reallocation method, however, yields a substantially lower benefit to Washington customers of \$1.9 million.<sup>63</sup> This is due to two flawed decisions PacifiCorp makes.

First, [REDACTED]  
[REDACTED].<sup>64</sup> [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

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<sup>56</sup> Staples, Exh. DRS-1CT at 36:2-37:5; Staples, TR at 89:23-92:15.  
<sup>57</sup> Staples, TR at 91:6-15.  
<sup>58</sup> Staples, Exh. DRS-9X.  
<sup>59</sup> *Id.* at 3.  
<sup>60</sup> Mullins, TR 184:1-4.  
<sup>61</sup> Calculated by replacing [REDACTED] % with [REDACTED] % in Exh. DRS-13CX. Note that numbers may not sum due to rounding. The precise gas percentage is [REDACTED] % and the precise CAEW factor is 22.5916%.  
<sup>62</sup> Mullins, Exh. BGM-1CTr at 38 (Confidential Table 6).  
<sup>63</sup> Staples, Exh. DRS-1CT at 39:8-10.  
<sup>64</sup> Mullins, TR 182:17-25.

[REDACTED]

[REDACTED] .<sup>65</sup> [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED],

a fact that is borne out by the counterfactual analyses Mr. Mullins performed, described above.

Consequently, [REDACTED] artificially reduces the benefit Washington customers would have, and should have, received had PacifiCorp engaged in a more prudent hedging strategy.

25 The second flawed decision PacifiCorp makes in its reallocation proposal is that it

[REDACTED]

[REDACTED] in the Hedging Policy, and then only up to that [REDACTED]. This despite the fact that PacifiCorp as a whole was approximately [REDACTED] hedged for its gas requirements.<sup>67</sup>

Thus, [REDACTED]

[REDACTED]

[REDACTED] that is still

consistent with PacifiCorp's Hedging Policy.

<sup>65</sup> Mullins, Exh. BGM-1CTr at 30:1-10.

<sup>66</sup> *Id.* at 31:16-33:4.

<sup>67</sup> *Id.* at 35 (Confidential Figure 4).

26           Simply put, Mr. Mullins’ method is more principled than PacifiCorp’s. It aligns with a

[REDACTED]

[REDACTED] Mr. Mullins used the September 30, 2021 position report to identify what that percentage is, but AWEC also agrees that the requirements forecast PacifiCorp uses in its reallocation proposal is also reasonable.

27           Mr. Mullins’ method is also easily replicable. If the Commission agrees that PacifiCorp’s hedging strategy does not prudently protect Washington customers from market price risk, then any decision it makes in this case should be carried forward to future PCAM deferrals. AWEC recommends that, with respect to natural gas hedging, Mr. Mullins’ allocation approach be adopted going forward if the Commission agrees that [REDACTED] is the prudent strategy.

**B.     The Commission should disallow PacifiCorp’s recovery of deferred NPC because of its imprudence in failing to hedge for Washington’s power requirements under the WIJAM**

28           Unlike natural gas, [REDACTED]

[REDACTED].<sup>68</sup> However, it hedges [REDACTED]

[REDACTED]<sup>69</sup> Mr. Mullins shows that PacifiCorp was in a [REDACTED]

[REDACTED].<sup>70</sup>

<sup>68</sup> Staples, Exh. DRS-1CT at 15:16-18.

<sup>69</sup> Mullins, Exh. BGM-1CTr at 49:12-14.

<sup>70</sup> *Id.* at 51 (Confidential Table 9).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED], Washington was allocated only 18% of system hedges under the WIJAM, which was insufficient to cover its short position [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].<sup>75</sup>

PacifiCorp raises all sorts of objections to Mr. Mullins’ method,<sup>76</sup> but it does not dispute the fundamental facts – [REDACTED]

[REDACTED]

[REDACTED]. Moreover, most of PacifiCorp’s criticisms are either irrelevant to Mr. Mullins’ analysis or have counterbalancing impacts on the result. For instance, PacifiCorp claims that Mr. Mullins misread the Hedging Policy with respect to the hedging of sales transactions.<sup>77</sup> But this criticism has nothing to do with the actual analysis Mr. Mullins performed.<sup>78</sup> Similarly, PacifiCorp faults Mr. Mullins for using actual data and, thus,

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<sup>71</sup> *Id.* at 51:6-11.  
<sup>72</sup> *Id.* at 51 (Confidential Table 9).  
<sup>73</sup> *Id.* at 55:3-9.  
<sup>74</sup> *Id.* at 56 (Confidential Table 10).  
<sup>75</sup> *Id.* at 57:8-9.  
<sup>76</sup> Staples, Exh. DRS-1CT at 40-45.  
<sup>77</sup> *Id.* at 40:17-41:2.  
<sup>78</sup> Staples, TR at 100:2-15.

incorporating hindsight into the analysis.<sup>79</sup> But Mr. Mullins' analysis is designed to reallocate the actual hedge transactions PacifiCorp made in 2022 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>80</sup>

31 PacifiCorp also argues that Mr. Mullins used the wrong data in his analysis.<sup>81</sup> But as the Company's witness concedes, even if one assumes PacifiCorp is correct, the errors it identifies both increase and decrease the number of hedging transactions that should be considered.<sup>82</sup> PacifiCorp did not attempt to re-create Mr. Mullins' analysis correcting for its alleged errors, so the net impact of these supposed corrections is uncertain, but there is no evidence to suggest they would materially impact Mr. Mullins' result. The Company does purport to perform an illustrative analysis [REDACTED], but this misses the point.<sup>83</sup> [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. Only Mr. Mullins' testimony

provides evidence on this issue. Consequently, Mr. Mullins' allocation analysis provides an

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<sup>79</sup> Staples, Exh. DRS-1CT at 42:5-19.  
<sup>80</sup> Mullins, TR at 169:22-170:23.  
<sup>81</sup> Staples, Exh. DRS-1CT at 41:15-28.  
<sup>82</sup> Staples, TR at 100:20-102:10.  
<sup>83</sup> Staples, Exh. DRS-1CT at 44 (Confidential Table 7).  
<sup>84</sup> Staples, TR 105:25-106:4.

actionable evidentiary basis on which the Commission can determine a reduction to the 2022 NPC deferral.

## V. CONCLUSION

32 For the foregoing reasons, and as more particularly described in AWEC Witness Mullins' testimony, the Commission should reduce PacifiCorp's 2022 NPC recovery under the PCAM by between \$ [REDACTED] and \$ [REDACTED]. The total reduction depends on which method the Commission selects to calculate the proper reduction. The low end uses Mr. Mullins' re-allocation method of natural gas hedges based on PacifiCorp's requirements forecast, added to the power hedging reductions identified by Mr. Mullins. The high end uses Mr. Mullins' re-allocation method of natural gas hedges based on the September 30, 2021, position report, again added to the power hedging reductions identified by Mr. Mullins. Results that use Mr. Mullins' counterfactual analyses would fall between these two bookends. Additionally, any reduction to NPC should be trued-up to account for ongoing interest accruals.

Dated this 3<sup>rd</sup> day of July 2024.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

*/s/ Tyler C. Pepple*

Tyler C. Pepple, WA State Bar No. 50475

Davison Van Cleve, P.C.

107 SE Washington Street, Suite 430

Portland, OR 97214

[tcp@dvclaw.com](mailto:tcp@dvclaw.com)

Telephone: (503) 241-7242

*Of Attorneys for AWEC*

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the enclosed **Redacted Opening Brief of the Alliance of Western Energy Consumers** upon the parties shown below via electronic mail.

DATED this 3<sup>rd</sup> day of July 2024.

Davison Van Cleve, P.C.

/s/ Nannette M. Moller  
Nannette M. Moller

***For Pacific Power:***

Matthew McVee  
Ajay Kumar  
Daniel Teimouri  
PacifiCorp  
825 NE Multnomah, STE 2000  
Portland, OR 97232  
matthew.mcvee@pacificorp.com  
ajay.kumar@pacificorp.com  
Daniel.teimouri@pacificorp.com  
washingtondockets@pacificorp.com  
datarequest@pacificorp.com

***For Commission Staff:***

Jeff Roberson  
Josephine R. K. Strauss  
Jeanne Roth  
Crystal Oliver  
Elizabeth DeMarco  
Washington Utilities & Transportation  
Commission  
PO Box 40128  
Olympia, WA 98504-0128  
jeff.roberson@atg.wa.gov  
josephine.strauss@atg.wa.gov  
jeanne.roth@atg.wa.gov  
crystal.oliver@utc.wa.gov  
elizabeth.demarco@atg.wa.gov

***For Public Counsel:***

Tad Robinson O'Neill  
Corey Dahl  
Stephanie Chase  
Roman Doyannas  
Brice C. Hartman  
Jessica Johanson-Kubin  
Robert Sykes  
Office of the Attorney General  
800 Fifth Avenue STE 2000  
Seattle, WA 98104-3188  
Tad.Oneill@atg.wa.gov  
Corey.Dahl@atg.wa.gov  
Stephanie.Chase@atg.wa.gov  
Roman.Doyannas@atg.wa.gov  
Brice.Hartman@atg.wa.gov  
Jessica.JohansonKubin@atg.wa.gov  
Robert.Sykes@atg.wa.gov  
PCCSeaEF@atg.wa.gov

***McDowell Rackner Gibson P.C.:***

Adam Lowney  
419 SW 11<sup>th</sup> Ave., STE 400  
Portland, OR 97205  
adam@mrg-law.com