

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba  
PACIFIC POWER & LIGHT COMPANY,

Respondent.

Docket No. UE-230482

**PACIFICORP'S POST-HEARING BRIEF**

**REDACTED**

**July 3, 2024**

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## I. INTRODUCTION

1 PacifiCorp dba Pacific Power and Light Company (PacifiCorp or Company) respectfully submits this Post-Hearing Brief to the Washington Utilities and Transportation Commission (Commission). The Company requests approval to recover \$69.6 million in excess net power costs (NPC) that were prudently incurred in 2022 in order to provide Washington customers with safe and reliable electric service.<sup>1</sup> The \$69.6 million represents the incremental costs over and above the baseline NPC established in the Company's 2021 rate case and 2022 Power Cost Only Rate Case (PCORC).

2 The increased NPC in 2022 were the result of a confluence of events, including several extreme and unforeseeable weather events during the summer, ongoing drought conditions that reduced hydro generation, and, most importantly, a winter cyclone event in December 2022 that impacted the majority of the country and caused a precipitous spike in gas and electric market prices.<sup>2</sup>

3 Disputes in this case focus on the Company's hedging practices, implementation of the Washington Inter Jurisdictional Allocation Methodology (WIJAM), gas plant dispatch practices, and resource procurement activities for Washington customers.

4 First, the Company's hedging policy reasonably protected Washington customers from volatility in market prices and the Company complied with its hedging policy during the entirety of the relevant time period leading up to and including 2022. Opposition to the Company's hedging practices relies almost entirely on impermissible hindsight review using information that was not available to the Company when it was hedging for 2022.

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<sup>1</sup> The ending balance in the 2022 PCAM deferred balancing account was a \$71.5 million surcharge. Painter, Exh. JP-1T at 3:23-4:1. PacifiCorp proposed a \$1.9 million downward adjustment to reallocate additional gas hedging benefits to Washington customers. Staples, Exh. DRS-1CT at 39:7-10. This calculation does not reflect the interest that has accrued on the PCAM balance after January 1, 2024.

<sup>2</sup> Painter, Exh. JP-1T at 12:5-23.

**REDACTED**

Based on what was known when the hedges were made, the Company was prudent in complying with its hedging policy to reduce price volatility for Washington customers.

5           Parties argue that the Company [REDACTED] for Washington or that the Company failed to consider Washington customers when hedging for 2022. But the evidence says otherwise. The Company allocates additional hedges to Washington through the WIJAM, which provides further price stabilization for Washington customers. And [REDACTED] for Washington would increase Washington rates.

6           To address concerns that Washington customers are receiving insufficient hedging benefits, the Company proposed a reasonable reallocation of gas hedging benefits [REDACTED] [REDACTED]. This reallocation reduces Washington-allocated NPC by \$1.9 million. The Company's allocation proposal is designed to apply to this and future Power Cost Adjustment Mechanism (PCAM) proceedings and provides a reasonable and durable resolution of the issue.

7           Second, parties seek to modify how the WIJAM is implemented in this NPC true-up docket. But consistency requires that the same allocation methodology used to set the 2022 NPC baseline be used to true-up that baseline for actually incurred NPC. Modifying the WIJAM is therefore outside the scope of this case and unreasonable for a PCAM.

8           Third, Staff recommends that the Commission direct PacifiCorp to participate in a shareholder-funded full third-party audit of the dispatch of Chehalis and Hermiston for 2022. Staff's recommendation, however, is based on a fundamental misunderstanding of how the Company economically dispatches its plants and therefore Staff has not demonstrated that such an audit is necessary. PacifiCorp will fully cooperate with an audit

if the Commission so orders. However, because Staff has not shown the need for the audit, any costs for the audit should not be borne by the Company.

9           Finally, the Alliance of Western Energy Consumers (AWEC) and Public Counsel assert that the Company’s long-term resource planning has not prudently addressed Washington customers’ exposure to market prices resulting from the WIJAM. However, PacifiCorp has obtained significant additional resources to benefit Washington customers and will continue to bring additional resources online in the near future to reduce the inherent energy deficit produced by the WIJAM.

## II. ARGUMENT

### A. The Company’s hedging for 2022 was prudent.

10           To determine prudence, the Commission reviews whether the utility made a reasonable business decision in light of the facts and circumstances that were known or that reasonably should have been known.<sup>3</sup> Reasonableness is objectively measured based on industry norms.<sup>4</sup> As generally understood, this reflects deference to utility expertise, and in the absence of a showing of inefficiency or improvidence, a commission will not substitute its own judgment for that of the utility.<sup>5</sup> Prudence does not require a single, optimum decision; rather, a utility can make a reasonable business decision “among several alternatives, any one of which the Commission might find prudent.”<sup>6</sup>

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<sup>3</sup> *WUTC v. Puget Sound Energy, Inc.*, Docket UE-031725, Order 12 at ¶ 19 (Apr. 7, 2004).

<sup>4</sup> S. Hempling, *Regulating Public Utility Performance* 237 (ABA 2013).

<sup>5</sup> *W. Ohio Gas Co. v. Pub. Utils. Comm’n*, 294 U.S. 63, 72 (1935) (“In the absence of a showing of inefficiency or improvidence, a court will not substitute its judgment for theirs as to the measure of a prudent outlay.”); *State ex rel. Pac. Tel. & Tel. Co. v. Dep’t of Pub. Serv.*, 19 Wash. 2d 200, 259 (1943) (approving changes to telephone company pension plan because “the officers responsible for the conduct of a business exercise a broad discretion in directing and controlling the operations thereof. In the absence of any showing that such officers have abused their discretion or acted arbitrarily, illegally, or beyond their lawful authority, courts will seldom interfere in the financial arrangements or methods of management of a business.”).

<sup>6</sup> *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-090704 and UG-090705 (Consolidated), Order 11 at ¶ 337 (Apr. 2, 2010).

11 Prudence reviews cannot rely on hindsight and the Commission has specifically rejected disallowances calculated using information that was not available to the utility at the time a decision was made.<sup>7</sup> The relevant question when analyzing hedging decisions is whether PacifiCorp was reasonable based on what was known (or reasonably should have been known) when the hedge was executed, and that the Company maintained compliance with all policies, procedures, and governance limits in effect at the time of hedge execution.<sup>8</sup> The Company cannot know commodity prices months or years in advance and cannot know its precise loads and available resources months or years in advance.<sup>9</sup> Reliance on this type of information is impermissible because knowledge of what happened after the hedging decision colors the evaluation of the hedging decision itself.

12 A hedging policy should be written in a manner that offers flexibility to traders because it is preferable to have subject matter experts managing risk dynamically.<sup>10</sup> To achieve this flexibility, policies should define minimum acceptable limits and points beyond which the utility does not wish to go under most conditions, normally leaving the remainder of the decisions around hedging to be managed by front office personnel. Consistent with that intent, the Company's policy dictates that front office adhere to the percentage hedge limit ranges memorialized in the policy document itself but leaves personnel with flexibility to hedge within those ranges.<sup>11</sup>

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<sup>7</sup> *WUTC v. Pac. Power & Light Co.*, Docket UE-152253, Order 12 at ¶ 94 (Sept. 1, 2016) (stating that the Commission “may not use the benefit of hindsight in our evaluation” of a utility’s actions).

<sup>8</sup> *WUTC v. Puget Sound Power & Light Co.*, Cause No. U-83-54, Fourth Suppl. Order at \*65-66 (Sept. 28, 1984) (“The test this Commission applies to measure prudence is 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.”); Staples, Exh. DRS-1CT at 8:14-18.

<sup>9</sup> Staples, Exh. DRS-1CT at 9:1-4.

<sup>10</sup> *Id.* at 3:9-17.

<sup>11</sup> *Id.* at 3:9-12; Mullins, Exh. BGM-6C at 2 of 3.



13 Here, the Company complied with its risk management policy and every hedging decision was reasonable based on what was known at the time.<sup>12</sup> Staff testified PacifiCorp’s risk management policy is “risk responsive,” and “a risk responsive energy hedging program is a prudent approach to balance the risk of future market volatility against the premium cost of price certainty.”<sup>13</sup> Staff concluded, “PacifiCorp’s energy risk management program is prudent, reasonable, and effective” and the requirements of PacifiCorp’s hedging program are prudently executed in daily operations.”<sup>14</sup>

14 The Company follows similar but distinct policies when hedging its natural gas and power requirements. Because parties in this docket have raised challenges to both the Company’s gas and power hedging decisions, both hedge programs are discussed below.

**1. PacifiCorp’s gas hedging was prudent.**

**a. PacifiCorp’s gas hedging policy protects customers from price volatility.**

15 PacifiCorp’s gas hedging limits are designed to [REDACTED]  
[REDACTED]  
[REDACTED].<sup>15</sup> The Company’s gas hedging program is [REDACTED], meaning that the Company stabilizes gas prices [REDACTED].<sup>16</sup> The Company settles its [REDACTED]. For gas plants in the [REDACTED] [REDACTED], the Company primarily hedges its requirements at the [REDACTED] market.<sup>17</sup> In [REDACTED], the Company hedges primarily at the [REDACTED] market.<sup>18</sup>

<sup>12</sup> Staples, Exh. DRS-1CT at 10:15-19.

<sup>13</sup> Yeomans, Exh. WY-1CT at 9:10-15.

<sup>14</sup> *Id.* at 5:4-7, 14:1-5.

<sup>15</sup> Staples, Exh. DRS-1CT at 13:10-13.

<sup>16</sup> *Id.* at 14:17-19.

<sup>17</sup> *Id.* at 26:3-4.

<sup>18</sup> *Id.* at 28:7-10.

16 For gas hedges, PacifiCorp applies the limits in its hedging policy [REDACTED], meaning the Company hedges [REDACTED].<sup>19</sup> The Company does so largely because there can be [REDACTED] between the markets. For example, [REDACTED], due to the limited number of counterparties.<sup>20</sup> Due to this [REDACTED], securing hedges at [REDACTED].<sup>21</sup> As a result of these [REDACTED], the Company's risk management policy requires adherence to [REDACTED].<sup>22</sup> This allows the company to hedge at the [REDACTED] and cost effective market for customers, which was [REDACTED] during the PCAM period.<sup>23</sup> The Company's [REDACTED] allow the Company to stabilize natural gas expense for all customers [REDACTED].

17 Because of the difficulty in securing [REDACTED], the Company sometimes secures hedges [REDACTED] location.<sup>24</sup> Importantly, there is a reasonably high correlation between the daily prices at [REDACTED],<sup>25</sup> which enables the Company to stabilize gas costs [REDACTED].<sup>26</sup> Such [REDACTED] is a widely accepted risk management practice.<sup>27</sup>

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<sup>19</sup> *Id.* at 13:16-19.

<sup>20</sup> *Id.* at 26:2-8.

<sup>21</sup> *Id.* at 26:10-27:2.

<sup>22</sup> *Id.* at 25:4-12.

<sup>23</sup> *Id.* at 27:9-28:3.

<sup>24</sup> *Id.* at 27:2-4.

<sup>25</sup> *Id.* at 28:21-29:20.

<sup>26</sup> *Id.* at 28:6-11.

<sup>27</sup> *Id.* at 28:6-7.

**b. PacifiCorp complied with its gas hedging policy and reasonably responded to increased price volatility.**

18 The Company's hedging for 2022 complied with its gas hedging policy.<sup>28</sup> In response to increasing risks, the Company [REDACTED] [REDACTED] throughout 2022; the Company hedged its [REDACTED] at approximately [REDACTED] during 2022.<sup>29</sup> This level of hedging provided reasonable protections for Washington customers from impacts of price volatility.

19 The fact NPC increased in 2022 relative to the baseline forecast does not demonstrate that the Company's hedging was imprudent. PacifiCorp is obligated to serve load and it is not possible to perfectly hedge risk—rising market prices will increase NPC even when a utility reasonably hedges.<sup>30</sup>

**c. AWEC's criticisms of gas hedging lack merit.**

20 AWEC argues PacifiCorp's hedging policy did not require the Company to hedge its gas purchases [REDACTED] and that [REDACTED] justifies a disallowance or a reallocation of hedges from [REDACTED].<sup>31</sup> AWEC is wrong. Due to the [REDACTED] at [REDACTED], applying a uniform hedging policy for [REDACTED] and [REDACTED] would [REDACTED] [REDACTED], because [REDACTED] demand large premiums given the lack of participants and the relative uncertainty introduced by the lower frequency of price discovery.<sup>32</sup>

<sup>28</sup> *Id.* at 10:17-11:5.

<sup>29</sup> *Id.* at 30:13-15, 31:10-13. PacifiCorp's policy requires hedging [REDACTED] [REDACTED]. *Id.* at 14, Confidential Table 1.

<sup>30</sup> *See id.* at 22:19-21 ("Hedging removes exposure to spot market volatility, but it does not retroactively insulate customers from the effects of all price changes[.]").

<sup>31</sup> Mullins, Exh. BGM-1CT at 22:10-23:9.

<sup>32</sup> Staples, Exh. DRS-1CT at 26:9-27:6.

21 In addition, while the Company’s hedging policy does not specifically require that PacifiCorp hedge natural gas [REDACTED], its policy plainly states that the [REDACTED] [REDACTED].<sup>33</sup> AWEC is correct that the policy [REDACTED] [REDACTED], but if one of the fundamental duties of risk management is to assess the hedge program to ensure limit compliance, it must make that assessment at the [REDACTED] because that is how the limit is structured.<sup>34</sup> Staff explained PacifiCorp’s [REDACTED] gas hedging policy will enable the Company “to recognize all possible, least cost gas hedging opportunities for customers.”<sup>35</sup>

22 AWEC also argues that the Company’s hedging at Sumas was [REDACTED] because the Company [REDACTED].<sup>36</sup> This claim not only fails to account for the [REDACTED], but it is also contrary to AWEC witness Mullins’ prior testimony from mid-2018 where he argued gas prices were expected to decline and that the Company was over-hedging to the detriment of customers.<sup>37</sup> With the benefit of hindsight AWEC has now changed its story, but its own prior testimony undercuts its credibility here.

**d. AWEC’s counterfactuals do not demonstrate imprudence.**

23 AWEC tries to demonstrate imprudence using three counterfactual hedging scenarios modeling the benefits that AWEC believes customers would have received [REDACTED] [REDACTED] [REDACTED].<sup>38</sup> Based on this analysis, AWEC recommends

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<sup>33</sup> *Id.* at 25:7-8.

<sup>34</sup> *Id.* at 25:8-12.

<sup>35</sup> Yeomans, Exh. WY-8T at 12:16-18.

<sup>36</sup> Mullins, Exh. BGM-1CT at 31:16-17.

<sup>37</sup> Exh. BGM-15X at 20:7-22:10; Mullins, TR. 156:2-162:12.

<sup>38</sup> Mullins, Exh. BGM-1CT at 36:6-37:3.

reducing the NPC recoverable in the PCAM by \$ [REDACTED].<sup>39</sup> Public Counsel subsequently supported AWEC’s recommended adjustment.<sup>40</sup>

24 AWEC’s primary counterfactual used a hedging position report from September 30, 2021, that reflected what PacifiCorp knew as of that day when it was executing hedges for 2022.<sup>41</sup> However, AWEC conceded that if PacifiCorp had actually hedged in accordance with AWEC’s counterfactual, total-system NPC would have increased, which is not something a prudent utility would have done.<sup>42</sup> Staff agreed that “hedging natural gas fuel costs [REDACTED] is reasonable because PacifiCorp optimizes costs [REDACTED].”<sup>43</sup>

25 AWEC’s counterfactual also unreasonably [REDACTED] [REDACTED], which requires assumptions of [REDACTED] that are unsupported by reality.<sup>44</sup> AWEC specifically fails to consider the [REDACTED] [REDACTED], which is the primary location at which the Company hedges its [REDACTED] [REDACTED].<sup>45</sup> [REDACTED] is also contrary to the substantively identical counterfactual AWEC witness Mullins produced in September 2023 in a Wyoming proceeding, where AWEC witness Mullins’ counterfactual generally increased [REDACTED].<sup>46</sup>

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<sup>39</sup> *Id.* at 44:14-15.

<sup>40</sup> Earle, Exh. RLE-7CT at 4:3-7.

<sup>41</sup> Mullins, Exh. BGM-1CT at 29:9-11. A copy of this hedging position report is included in the record as Mullins, Exh. BGM-9C.

<sup>42</sup> Mullins, TR. 155:12-19.

<sup>43</sup> Yeomans, Exh. WY-8T at 4:22-5:2. Staff recommended that PacifiCorp adopt minimum gas hedging limits specifically for the Company’s western BAA. This recommendation is addressed below in Section II(f).

<sup>44</sup> Staples, Exh. DRS-1CT at 36:16-20.

<sup>45</sup> *Id.* at 26:2-4.

<sup>46</sup> Exh. DRS-15CX at 40. In the Wyoming proceeding, witness Mullins’ counterfactual also relied on an inaccurate assumption of [REDACTED] and hindsight analysis considering actual gas consumption.

26 AWEC’s counterfactual also reduced the Company’s overall hedges, despite AWEC’s criticism that the Company was hedging [REDACTED].<sup>47</sup> This result is consistent with AWEC’s prior advocacy, where it argued that the Company is insufficiently hedging, while simultaneously recommending the removal of hedges from Washington rates.<sup>48</sup>

27 AWEC conceded that its other two counterfactuals (based on AWEC DR 14 and AWEC DR 27) rely on hindsight by calculating what AWEC asserts the Company would have hedged if the Company had perfect knowledge of the actual gas purchased and consumed during 2022.<sup>49</sup> The Commission previously rejected prudence disallowances based on “information not available to the Company at the time of its decision”<sup>50</sup> and the Commission should give no weight to AWEC’s other two counterfactuals for that same reason.

28 Staff also rejected AWEC’s fundamental premise that Washington’s position within the Company’s overall system should drive its hedging practices.<sup>51</sup> Staff concluded that “[i]f PacifiCorp were to optimize fuel costs [REDACTED] [REDACTED], this would miss opportunities for overall system cost efficiencies, likely to the detriment of customers in all parts of its system.”<sup>52</sup>

**e. The Company proposes a reasonable adjustment to the allocation of hedge benefits.**

29 The Company assigns hedging benefits to the specific gas supply being hedged, meaning that hedges at [REDACTED] are allocated to the Company’s [REDACTED].<sup>53</sup>

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<sup>47</sup> Staples, Exh. DRS-1CT at 36:20-37:4.

<sup>48</sup> See, e.g., Exh. BGM-16X at 14 (AWEC testimony in PCORC docket opposing inclusion of “latest electric and gas hedging”).

<sup>49</sup> Mullins, TR. 163:19-164:9.

<sup>50</sup> Docket UE-152253, Order 12 at ¶ 111 (rejecting Sierra Club disallowance).

<sup>51</sup> Wilson, Exh. JDW-15CT at 5:7-9.

<sup>52</sup> *Id.* at 5:11-14.

<sup>53</sup> Mullins, Exh. BGM-4 at 25 (PacifiCorp Response to AWEC Data Request 57).

Because the gas plants on the Company's east side are not allocated to Washington,<sup>54</sup> the hedges secured at [REDACTED] are similarly not allocated to Washington customers.

30 AWEC argued that it was inconsistent for the Company to conduct gas hedging [REDACTED].<sup>55</sup> While the Company's gas hedging for 2022 was prudent and reasonably protected customers from price variability, the Company proposes an allocation of hedging benefits and costs that would reallocate [REDACTED] such that the total volume of [REDACTED] reach the [REDACTED] level in the Company's hedging policy.<sup>56</sup> This proposed adjustment is more reflective of the way that the Company manages its positions when it is actually trading.<sup>57</sup> As explained at the hearing, [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED].<sup>58</sup> This approach contrasts with AWEC's counterfactual, which unreasonably forced hedges up to the [REDACTED] by the policy.<sup>59</sup> AWEC's adjustment also conflates hedges [REDACTED] and then reallocates all the hedges [REDACTED] [REDACTED]. The Company's own analysis indicates that [REDACTED] [REDACTED] are not equivalent, but do share a meaningful statistical relationship,<sup>60</sup> making a limited reallocation reasonable because it acknowledges the [REDACTED]

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<sup>54</sup> Mitchell, TR. 57:4-7.

<sup>55</sup> Mullins, Exh. BGM-1CT at 43:2-5.

<sup>56</sup> Staples, Exh. DRS-1CT at 37:16-38:11.

<sup>57</sup> Staples, TR. 94:13-15.

<sup>58</sup> *Id.* at 94:12-95:2.

<sup>59</sup> Mullins, Exh. BGM-1CT at 44:14-15.

<sup>60</sup> Staples, Exh. DRS-1CT at 28:22-29:20.

██████████ while providing benefits to Washington customers and correctly preserving the benefits ██████████.

31 PacifiCorp's proposed adjustment reduces Washington-allocated NPC by \$1.9 million.<sup>61</sup> This allocation reasonably reflects how the Company would have hedged its ██████████ gas plants ██████████, and setting aside the ██████████.<sup>62</sup> PacifiCorp also agrees that this allocation adjustment can be applied to future PCAMs to the extent there is any future year that the Company's ██████████.<sup>63</sup>

32 While Staff agrees that the Company's hedging was prudent, Staff recommends an alternative allocation of hedging benefits that uses the ratio of actual gas consumed at ██████████ to directly allocate the actual 2022 hedging benefits.<sup>64</sup> Staff's adjustment results in a decrease to NPC of approximately ██████████.<sup>65</sup> Staff's adjustment is unreasonable for several reasons. First, Staff conflates ██████████ ██████████ without accounting for the for critical ██████████ ██████████ present when the Company was hedging for 2022.<sup>66</sup> If the ██████████ gas markets that Washington relies on are ██████████, Washington rates should appropriately reflect that fact. Second, it results in ██████████ and

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<sup>61</sup> *Id.* at 39:7-10.

<sup>62</sup> Staples, TR. 94:4-11.

<sup>63</sup> *Id.* at 133:22-134:12.

<sup>64</sup> Wilson, Exh. JDW-15CT at 6:6-12.

<sup>65</sup> Staff recommended that ██████████ in system hedging benefits should be allocated to Washington customers. *Id.* at 6:9-12. However, Staff subsequently changed its recommendation to use a lower allocation factor and reduced the recommended allocation to \$██████████. Exh. JDW-17CX at 1-2. After accounting for the approximately \$██████████ in hedging benefits that are already included in the PCAM balance, Staff's recommendation is to allocate approximately \$██████████ in additional hedging benefits to Washington.

<sup>66</sup> Staples, Exh. DRS-1CT at 36:16-20.



therefore over-allocates [REDACTED] for plants that are not in Washington rates.<sup>67</sup>

Third, Staff's adjustment implicitly presumes that the Company would [REDACTED] [REDACTED] identically, even though there is no evidence that doing so is reasonable.

Indeed, Staff's own testimony acknowledges that it is reasonable to [REDACTED] [REDACTED].<sup>68</sup> Finally, like AWEC's recommended adjustment discussed above, Staff's recommended adjustment does not reflect how PacifiCorp [REDACTED], where the Company [REDACTED] [REDACTED], which is effectively the result of Staff's adjustment.<sup>69</sup>

**f. Staff's recommended change to the Company's gas hedging policy should not be adopted here.**

33 Staff recommends that in the future the Company incorporate a minimum hedging limit for the Company's west side gas plants.<sup>70</sup> While this recommendation should not be adopted here, PacifiCorp continues to review and update its policies when necessary to respond to evolving market dynamics.

**2. PacifiCorp's power hedging was prudent.**

**a. The Company's power hedging policy is prudent and reasonably protects customers from market price volatility.**

34 Like PacifiCorp's gas hedging, the Company hedges its forecast power requirements consistent with the [REDACTED] in its risk management policy, which are applied [REDACTED] of the Company's system.<sup>71</sup> In 2021, the Company updated its power hedging limits to account for increasing reliability concerns

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<sup>67</sup> Staples, TR. 94:5-11.

<sup>68</sup> Yeomans, Exh. WY-8T at 4:13-15.

<sup>69</sup> Staples, TR. 94:12-95:2.

<sup>70</sup> Yeomans, Exh. WY-8T at 12.

<sup>71</sup> Staples, Exh. DRS-1CT at 15:11-17:6.

and increasing instances of scarcity pricing in the Western energy markets with the objective that the Company should be less short, and short with decreasing frequency.<sup>72</sup>

PacifiCorp's power hedging policy requires the Company to hedge above a [REDACTED]

[REDACTED].<sup>73</sup> For example, the [REDACTED]

[REDACTED].<sup>74</sup> The Company applies this [REDACTED]

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

35 The Company's power hedging limits are intended to [REDACTED]

which serves the dual goals of [REDACTED]

[REDACTED].<sup>76</sup> One important factor in the Company's decision to [REDACTED]

[REDACTED] is that, [REDACTED], the

Company hedges its power exposure using [REDACTED].<sup>77</sup>

36 Like gas hedging, the Company cannot perfectly hedge its power market risk because the Company will never have perfect foresight of future loads, resource availability, variable energy production, and all other factors impacting the load and resource balance.<sup>78</sup> For this reason, the hedging ratio used to measure compliance with the Company's hedging policy is [REDACTED].

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<sup>72</sup> *Id.* at 7:2-4.

<sup>73</sup> *Id.* at 15:11-18.

<sup>74</sup> *Id.* at 16, Confidential Table 2.

<sup>75</sup> Staples, Exh. DRS-4CT at 4:3-6.

<sup>76</sup> Staples, Exh. DRS-1CT at 15:11-15.

<sup>77</sup> *Id.* at 15:16-18, 17:1-2.

<sup>78</sup> *Id.* at 4:5-8.

**b. PacifiCorp hedged in accordance with its power hedging policy.**

37 At all times affecting 2022, the Company hedged its power requirements in accordance with the minimum limits in the Company's risk management policy.<sup>79</sup> In fact, in 2022, the Company was [REDACTED]

[REDACTED]

[REDACTED].<sup>80</sup> Between 2020 and 2022, the Company's

[REDACTED]

[REDACTED].<sup>81</sup> [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].<sup>82</sup>

**c. PacifiCorp should not separately hedge for Washington.**

38 While PacifiCorp applies its power hedging [REDACTED] to its [REDACTED] [REDACTED], the Company does not [REDACTED].<sup>83</sup>

Public Counsel and AWEC argue that PacifiCorp's power hedging focused on minimizing overall system costs but did not appropriately consider costs to Washington customers.<sup>84</sup>

To the contrary, hedging [REDACTED] allows PacifiCorp to take advantage of its service area's geographical diversity, which drives economic benefit to customers in each state.<sup>85</sup> Expanding the geographical footprint of the

<sup>79</sup> *Id.* at 10:17-11:5.

<sup>80</sup> *Id.* at 18:15-20; *see also id.* at 19-20, Confidential Tables 3-5.

<sup>81</sup> *Id.* at 17:18-20.

<sup>82</sup> *Id.* at 17:21-18:1.

<sup>83</sup> Mitchell, Exh. RJM-1T at 5:10-13.

<sup>84</sup> Earle, Exh. RLE-1T at 15:3-16; Mullins, Exh. BGM-1CT at 49:10-18.

<sup>85</sup> Mitchell, Exh. RJM-1T at 5:16-6:11.

system to encompass multiple states across multiple geographic regions limits the risks of state-specific unfavorable shocks and this diversity is in and of itself a type of hedge.<sup>86</sup>

39 Staff agrees that it is unreasonable to hedge specifically for Washington because “there are synergy savings opportunities for customers by executing a system hedging program across a larger system basis.”<sup>87</sup> Hedging specifically for Washington could actually *increase* Washington-allocated NPC because doing so “would likely result in a more expensive long-term hedging cost for Washington customers because this approach would not consider the least cost nature of dispatching and transferring east power to the Washington area and would not consider the synergy and diversity benefits of a larger system.”<sup>88</sup> To ensure that Washington consumers continue to benefit from the synergy and diversity benefits of PacifiCorp’s system, the Commission should not require the Company to hedge specifically for Washington customers and should reject adjustments premised on Washington-only hedging.<sup>89</sup>

**d. The WIJAM extends additional hedging benefits to Washington.**

40 While the Company does not execute additional hedges for Washington, PacifiCorp allocates additional hedges to Washington through the WIJAM balancing adjustment.<sup>90</sup> The WIJAM was part of a multi-party stipulation submitted in the Company’s 2020 rate case and approved by the Commission.<sup>91</sup> Under the WIJAM, the resources allocated to Washington [REDACTED],

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<sup>86</sup> *Id.* at 6:5-8.

<sup>87</sup> Yeomans, Exh. WY-8T at 12:5-8.

<sup>88</sup> *Id.* at 8:6-10.

<sup>89</sup> Public Counsel also recommends that, if the Company does not hedge specifically for Washington customers, the Commission should order that an independent entity secure these hedges. Earle, Exh. RLE 1T at 4:21-5:2. This recommendation should be rejected for the same reasons discussed above.

<sup>90</sup> Staples, TR. 98:18-99:3.

<sup>91</sup> See *WUTC v. PacifiCorp, dba Pac. Power & Light Co.*, Dockets UE-191024 *et al.*, Final Order 09/07/12 at ¶ 65 (Dec. 14, 2020).

primarily because Washington does not include in rates the thermal generation resources on the east side of the Company's system. This creates an inherent energy deficit for serving Washington load (for purposes of cost allocation, not actual operations).<sup>92</sup>

41           The WIJAM's energy deficit is eliminated with modeled market transactions; through a combination of a reduction of market sales and increase in market purchase, in the event of a short position prior to the balancing step.<sup>93</sup> The use of market transactions to close Washington's energy deficit was used without controversy in the 2020 rate case and the 2021 PCORC. In the Company's most recent rate case, AWEC initially objected to the use of market transactions to close the energy deficit but then dropped its objection in briefing.<sup>94</sup>

42           The WIJAM balancing adjustment effectively extends the Company's total-system hedges beyond the amounts that would otherwise be allocated to Washington, imparting the stabilizing benefits of hedging activities to the portion of Washington's load that is accounted for in this balancing step.<sup>95</sup> The sales revenue and purchase expense included in the WIJAM balancing adjustment are calculated based on all short-term firm (STF) transactions delivered during the deferral period, and as a result includes the price-stabilizing effects of any hedges that were executed, as well as any other non-hedge fixed price transactions.<sup>96</sup> Therefore, so long as PacifiCorp complies with its hedging policy throughout its system, the WIJAM balancing adjustment will ensure that Washington customers receive the same proportional power hedges as all other customers,

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<sup>92</sup> Mitchell, Exh. RJM-3CT at 2:14-15.

<sup>93</sup> *Id.* at 4:3-6.

<sup>94</sup> *WUTC v. PacifiCorp, dba Pac. Power & Light Co.*, Dockets UE-230172, UE-210852, Order 08/06 at ¶ 292 (Mar. 19, 2024).

<sup>95</sup> Staples, Exh. DRS-1CT at 21:13-16.

<sup>96</sup> *Id.* at 21:2-3.

notwithstanding the fact that Washington has an inherent energy deficit because of the WIJAM.<sup>97</sup> This effectively allocates more hedges and more fixed price transactions to Washington, including many hedges from the east side of the Company's system.<sup>98</sup>

43 Not only does the WIJAM allocate additional hedges to Washington customers through the balancing adjustment, it allocates those benefits at a lower cost than separately hedging for Washington through additional market purchases. The WIJAM balancing adjustment locks in a price for additional allocations to Washington first at STF *sales* prices and then at *purchase* prices.<sup>99</sup> PacifiCorp's sales prices are lower than purchase prices.<sup>100</sup> If PacifiCorp were to separately hedge for Washington, however, then the WIJAM open position would be closed with *purchases* only, which are higher price than a composite price based on purchases and lower-priced sales.<sup>101</sup> In this case, Washington-allocated NPC would be \$7.1 million higher if the Company closed the WIJAM open position exclusively with additional hedged market purchases.<sup>102</sup>

**e. AWEC's and Public Counsel's recommended adjustments to the Company's power hedging benefits improperly rely on hindsight analysis.**

44 AWEC proposes a disallowance of [REDACTED] based on its assertion that the Company did not hedge its open position up to the [REDACTED] in the Company's policy.<sup>103</sup> Public Counsel agreed with the basis for AWEC's adjustment but recommends a reduction of [REDACTED] because, according to Public Counsel, AWEC's recommended reallocation of hedges for Washington would not reach the [REDACTED]

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<sup>97</sup> Staples, TR. 105:4-12.

<sup>98</sup> *Id.* at 94:7-11.

<sup>99</sup> Mitchell, Exh. RJM-1T at 11:12-15.

<sup>100</sup> Mitchell, Exh. RJM-3CT at 4:3-12.

<sup>101</sup> *Id.* at 12:9-14.

<sup>102</sup> Mitchell, Exh. RJM-1T at 12:4-5.

<sup>103</sup> Mullins, Exh. BGM-1CT at 54:1-2, 57:8-9.

██████████ in the Company's policy.<sup>104</sup> Public Counsel alternatively recommends that the Commission disallow the entirety of the PCAM balance.<sup>105</sup> The Commission should reject these adjustments.

45 First, the analysis underlying AWEC's and Public Counsel's adjustment incorrectly calculates the hedging limits because both parties rely on *actual* transactional data to measure the ██████████ limit.<sup>106</sup> But that actual data was not available to the Company when it was executing hedges.<sup>107</sup> Hedging percentages are calculated ██████████ ██████████—a fact AWEC concedes.<sup>108</sup> AWEC and Public Counsel have therefore presented no evidence that the Company was not in compliance with its hedging policy based on what the Company knew when it was executing hedges. To the contrary, the September 2021 hedging report AWEC relied on for its gas hedging analysis—which AWEC used because it did not require impermissible hindsight review<sup>109</sup>—shows that the Company was in compliance with its hedging policy, a fact that AWEC does not dispute.<sup>110</sup> AWEC's and Public Counsel's disallowance relies on information that would not have been available to the Company, it must be rejected.<sup>111</sup>

46 Second, calculating a hedging ratio based on actual, after-the-fact transactional data—as AWEC and Public Counsel have done—creates an impossible standard. If the Company is hedged ██████████, and then in actual operations purchasing additional energy in the market becomes a lower-cost option, the

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<sup>104</sup> Earle, Exh. RLE-7CT at 6:13-15, 8:15-9:2.

<sup>105</sup> *Id.* at 3:13-14.

<sup>106</sup> Staples, Exh. DRS-1CT at 42:5-7.

<sup>107</sup> Mullins, TR. 170:11-15.

<sup>108</sup> Staples, Exh. DRS-1CT at 42:10-12; Mullins, Exh. BGM-1CT at 18:12-13 (hedging ratio is ██████████).

<sup>109</sup> Mullins, Exh. BGM-1CT at 27:9-11.

<sup>110</sup> Mullins, TR. 172:16-25.

<sup>111</sup> Docket UE-152253, Order 12 at ¶ 111.

Company would be faced with the catch-22 of either purchasing lower-cost energy in the market and thereby creating a situation where it was now underhedged based on actual transactional data or foregoing the lower-cost market purchase to remain in compliance with its hedging policy, while increasing NPC.<sup>112</sup>

47 Third, Public Counsel took its hindsight analysis one step further by suggesting that the [REDACTED].<sup>113</sup> A [REDACTED] ratio would require perfect foresight of future system conditions when executing hedging decisions, which would create an impossible standard for assessing a utility's hedging.<sup>114</sup> The Commission has never required such an impossible standard and instead assesses whether a utility's actions, including its hedging decisions, were *reasonable* based on what was known or reasonably should have been known.<sup>115</sup>

48 Fourth, Public Counsel's recommendation also misapplies PacifiCorp's risk management policy because Public Counsel incorrectly assumes [REDACTED]

[REDACTED]  
[REDACTED].<sup>117</sup>

49 Fifth, to the extent that the adjustment purports to model hedges based on the WIJAM open position, PacifiCorp does not hedge to the WIJAM open position,<sup>118</sup> and doing so would be imprudent, as discussed above.<sup>119</sup>

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<sup>112</sup> Staples, TR. 104:5-14.

<sup>113</sup> Earle, Exh. RLE-7CT at 7:19-20.

<sup>114</sup> Staples, Exh. DRS-1CT at 4:5-11.

<sup>115</sup> *In the Matter of the Investigation of Avista Corp., d/b/a Avista Utils., Puget Sound Energy, and Pac. Power & Light Co. Regarding Prudence of Outage and Replacement Power Costs*, Docket UE-190882, Final Order 05 at ¶ 42 (Mar. 20, 2022).

<sup>116</sup> Earle, Exh. RLE-7CT at 7:12-14.

<sup>117</sup> Staples, Exh. DRS-4CT at 2:22-3:2.

<sup>118</sup> Staples, TR. 104:15-20.

<sup>119</sup> Wilson, Exh. JDW-15CT at 5:9 (“I don’t think the WIJAM should drive hedging practices.”).



**f. Two of Staff's recommended modifications to PacifiCorp's power hedging should not be adopted.**

50 Staff recommends four updates to PacifiCorp's power hedging programs, two of which the Company has agreed to incorporate.<sup>120</sup> However, Staff's other recommendations should not be adopted.

51 Staff recommends that PacifiCorp "review and mitigate the causes of production errors reported in the quarterly physical position workbooks[.]"<sup>121</sup> PacifiCorp does not agree that this is an appropriate condition because it would be infeasible to resolve each production error before preparing each report [REDACTED] and these production errors do not materially impact the long-term hedging program.<sup>122</sup>

52 Staff's final recommendation is that the Company "carefully review the performance of the physical hedges as the hedging strategy evolves to utilize higher proportions of physical hedges over financial hedges."<sup>123</sup> PacifiCorp does not support this recommendation because it [REDACTED]

[REDACTED]  
[REDACTED].<sup>124</sup>

**B. PacifiCorp's implementation of the WIJAM balancing adjustment is reasonable.**

53 The next disputed power cost issue relates to the Washington balancing adjustment included as part of the WIJAM. While PacifiCorp used the same balancing adjustment in this proceeding that the Commission used when calculating the NPC

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<sup>120</sup> Yeomans, Exh. WY-1CT at 14:10-15:12; Fritz Exh. JMF-1CT 3:17-4:5 (agreeing to provide minutes of monthly meetings between power and natural gas traders and other energy supply management personnel to discuss [REDACTED]); *id.* at 7:4-8 (agreeing to provide copies of the Company's comprehensive semi-annual hedging reports to Commission Staff).

<sup>121</sup> Yeomans, Exh. WY-1CT at 14:17-20.

<sup>122</sup> Fritz, Exh. JMF-1CT at 4:9-17.

<sup>123</sup> Yeomans, Exh. WY-1CT at 15:1-3.

<sup>124</sup> Fritz, Exh. JMF-1CT at 6:7-7:3.

baseline, Staff recommends modifying the balancing adjustment. The Commission should reject Staff's recommended modifications.

**1. The WIJAM used here must be consistent with the WIJAM used to set baseline NPC.**

54 For purposes of cost allocation (as opposed to actual operations), there is an inherent energy deficit for serving Washington load under the WIJAM.<sup>125</sup> This deficit is closed using modeled market transactions through a combination of a reduction of market sales and increase in market purchase.<sup>126</sup> The modeled market transactions are priced at the system average STF purchase and sales price.<sup>127</sup> As discussed above, this means that the market transactions used in the balancing adjustment include the same proportion of hedges to spot market transactions as the system as a whole.

55 The Commission-approved NPC baseline for 2022 was calculated using the balancing adjustment described above.<sup>128</sup> The purpose of the PCAM is to account for differences between forecast NPC and actual NPC.<sup>129</sup> Consistency therefore requires that the same allocation methodology used to set the 2022 NPC baseline be used to true-up that baseline for actually incurred NPC.<sup>130</sup> To ensure consistent comparison of baseline and actual NPC, modifications of the WIJAM balancing adjustment should not be considered in this PCAM proceeding.

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<sup>125</sup> Mitchell, Exh. RJM-3T at 11:9-12.

<sup>126</sup> Mitchell, Exh. RJM-1CT at 11:12-15.

<sup>127</sup> Mitchell, Exh. RJM-3CT at 2:14-20.

<sup>128</sup> See Dockets UE-191024, *et al.*, Final Order 09/07/12 at ¶ 65 (acknowledging that PacifiCorp's NPC modeling will be affected by the Commission's approval of the WIJAM).

<sup>129</sup> See Docket UE-230172, Order 08/06 at ¶¶ 368, 389.

<sup>130</sup> See *WUTC v. Pac. Power & Light Co.*, Dockets UE-140762 *et al.*, Order 09 at ¶ 39 (May 26, 2015) (Staff stated: "It is not only appropriate, but essential, that both base and actual Net Power Costs (NPC) in Pacific Power's PCAM be calculated from the basis of the [West Control Area Inter-Jurisdictional Allocation Methodology].").

**2. Staff’s recommendation to modify the balancing adjustment would leave Washington customers more exposed to market volatility.**

56 While Staff “generally support[s] PacifiCorp’s approach to calculating the Washington net position as being reasonably determined based on the WIJAM” Memorandum of Understanding, Staff recommends three modifications to the balancing adjustment mechanism.<sup>131</sup> Staff’s recommendations would modify the balancing adjustment so that it relies exclusively on spot market data, thereby reducing hedging benefits included in Washington rates. Such an approach is both contrary to Commission guidance and is likely to increase Washington rates and introduce price volatility.<sup>132</sup>

**a. Using Mid-Columbia spot pricing would not benefit Washington customers.**

57 Staff recommends that the Commission require the use of the day-ahead power price benchmark at Mid-Columbia (Mid-C) to value the WIJAM balancing adjustment.<sup>133</sup> However, use of the day-ahead Mid-C power price benchmark would value the balancing adjustment relying solely on spot market prices, which would further expose Washington customers to market fluctuations.<sup>134</sup> Using such spot market prices would leave Washington customers more exposed to market fluctuations as compared to the use of monthly STF prices used when the Commission set the 2022 NPC baseline.

58 Staff asserts that Mid-C pricing “is recognized as the best pricing benchmark for Washington power customers” and would be the most reasonable price to use for the WIJAM adjustment.<sup>135</sup> However, Staff is not correct. After the implementation of Washington’s Cap and Invest program in 2023, the Mid-C spot market price is now, on

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<sup>131</sup> Wilson, Exh. JDW-1CT at 16:13-14.

<sup>132</sup> Mitchell, Exh. RJM-3CT at 5:8-9.

<sup>133</sup> Wilson, Exh. JDW-1CT at 42:5-9.

<sup>134</sup> Mitchell, Exh. RJM-3CT at 6:4-8.

<sup>135</sup> Wilson, Exh. JDW-1CT at 40:15-18.

average, the highest among the region, and requiring use of the Mid-C day-ahead benchmark would increase Washington-allocated NPC in years following 2022.<sup>136</sup>

59           Staff also references the California Independent System Operator (CAISO) Electric Region Definitions, asserting that CAISO identifies Mid-C as “the default electric pricing hub for PacifiCorp.”<sup>137</sup> But Staff’s reliance on CAISO’s definition is misplaced, because CAISO identifies Mid-C as the default pricing hub for the limited purpose of calculating hydroelectric generators’ energy bids in the Energy Imbalance Market (EIM) for the Company’s western BAA during periods of market power mitigation, which is unrelated to the WIJAM balancing adjustment.<sup>138</sup> Rather than adopt Staff’s recommendation, the Commission should continue to allow use of system prices in the WIJAM, which recognizes all system transmission benefits and costs.

**b. Staff’s allegation of uneconomic dispatch from Chehalis and Hermiston fails to consider benefits and costs of regional dispatch.**

60           Staff recommends valuing a portion of the WIJAM’s open position with increased or decreased dispatch at the Chehalis and Hermiston gas plants, thereby capturing natural gas fuel costs in the valuation of the WIJAM open position.<sup>139</sup> Staff bases this recommendation on its assertion that Chehalis and Hermiston do not appear to be dispatched in response to market prices and that there is uneconomic dispatch from the perspective of Washington customers occurring at these gas plants.<sup>140</sup>

61           However, Staff’s premises are not aligned with how resources are economically dispatched in actual operations. Staff’s allegation of uneconomic dispatch is based solely

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<sup>136</sup> Mitchell, Exh. RJM-3CT at 6:18-7:5.

<sup>137</sup> Wilson, Exh. JDW-1CT at 41:5-7.

<sup>138</sup> Mitchell, Exh. RJM-3CT at 6:9-17.

<sup>139</sup> Wilson, Exh. JDW-1CT at 43:5-8.

<sup>140</sup> *Id.* at 44:19-45:11.

on an assessment of the unit costs for operating Chehalis and Hermiston compared to the Mid-C day-ahead price.<sup>141</sup> But both Chehalis and Hermiston are gas plants that participate in and are economically dispatched by the EIM.<sup>142</sup> One of the foundational principles of the EIM is that the entire EIM footprint is dispatched as one regional entity.<sup>143</sup> With this regional dispatch in mind, any excess capacity observed on Washington's gas plants is due to the EIM importing cheaper energy from elsewhere and therefore the prevailing market price is lower than the dispatch price of those gas plants during those hours.<sup>144</sup> This means that, contrary to Staff's analysis, it would be uneconomic to choose the dispatch price of the gas plant over the lower market price.

62            Additionally, Staff's claim that Washington's gas plants are often ramped down in favor of non-Washington plants fails to consider the fact that non-Washington plants are ramped down to hold capacity which supports the integration of Washington's allocated portion of the system's wind and solar plants.<sup>145</sup> Staff purports to calculate benefits from re-dispatching Washington plants to serve Washington load, but fails to calculate the commensurate costs of re-dispatching non-Washington plants to not serve Washington's wind and solar integration needs.<sup>146</sup> The re-dispatching costs would involve re-dispatching Washington gas plants to serve the totality of Washington's regulation reserve requirements for wind and solar resource integration service, which would result in substantial costs directly allocated to Washington customers.

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<sup>141</sup> *Id.* at 46, Figure 4.

<sup>142</sup> Mitchell, Exh. RJM-3CT at 7:16-17.

<sup>143</sup> *Id.* at 7:17-20.

<sup>144</sup> *Id.* at 8:21-9:4.

<sup>145</sup> *Id.* at 10:9-13.

<sup>146</sup> *Id.* at 11:1-7.

**c. Using hourly data would increase exposure to spot market volatility and the burden of doing so would outweigh any benefits.**

63 Staff asserts that it is more reasonable to value the system power supplied to Washington customers on an hourly basis rather than using system monthly average pricing as PacifiCorp currently does.<sup>147</sup> While Staff’s recommendation would result in a slight increase in the WIJAM balancing adjustment for 2022, Staff argues that the adjustment is important in order “to align the hourly net position with an appropriate hourly valuation[.]”<sup>148</sup>

64 As an initial matter, the hourly prices Staff recommends using are all spot market prices, which would increase market exposure, as discussed above.<sup>149</sup> Moreover, Staff acknowledges that there “are not significant differences” in 2022 using hourly prices as compared to monthly prices.<sup>150</sup> The increased administrative burden in reviewing an hourly WIJAM balancing adjustment is not justified given the limited impact to the overall balancing adjustment.

**C. An audit of dispatch from Chehalis and Hermiston is not needed and, if required, should not be borne by PacifiCorp.**

65 Related to its proposed modifications to the WIJAM balancing adjustment, Staff recommends that the Commission direct PacifiCorp to participate in a full third-party audit of the dispatch of Chehalis and Hermiston for 2022, with an auditor jointly selected by Staff and PacifiCorp and the costs of which should be borne by PacifiCorp as an operating expense.<sup>151</sup> However, Staff has not provided any evidence that such an audit is necessary. Staff bases its request for an audit on its observation that in certain hours the Mid-C day-

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<sup>147</sup> Wilson, Exh. JDW-1CT at 32:18-20.

<sup>148</sup> *Id.* at 33:5-34:2.

<sup>149</sup> Mitchell, Exh. RJM-3CT at 5:6-12.

<sup>150</sup> Wilson, Exh. JDW-1CT at 33:7-9.

<sup>151</sup> *Id.* at 55:2-8.

ahead price is higher than the gas-plant dispatch price and yet the gas plants do not dispatch.<sup>152</sup> As discussed above, however, the Company does not dispatch its plants based on Mid-C prices; the plants are dispatched by the EIM based on the wider EIM footprint, and based on the prices at the EIM node.<sup>153</sup> Additionally, Staff's analysis fails to consider that the plants are dispatched to serve all system load, hold regulation reserves, and integrate renewable resources across the system and not specifically for Washington. As a result, it is not appropriate to redispatch only Washington gas plants as Staff recommends; it would also be necessary to remove the benefits of non-Washington-allocated generation that is used to integrate Washington-allocated wind and solar generation, and redispatch Washington-allocated thermal generation to hold the required regulation reserves.<sup>154</sup> Holistically implementing Staff's proposal would increase Washington-allocated NPC. Because Staff failed to consider the EIM, it provided no evidence of uneconomic dispatch that would warrant the burden of its proposed audit.

66           Because Staff has not demonstrated the necessity of such an audit, PacifiCorp believes the Commission should not require an audit in this proceeding. However, if the Commission agrees with Staff's recommendation, PacifiCorp will fully cooperate with any audit the Commission orders. That said, given the lack of evidence for an audit, it would be inappropriate to assign the audit costs to PacifiCorp. If the Commission orders an audit, the Company should be allowed to recover audit costs through rates.

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<sup>152</sup> *Id.* at 45:5-11.

<sup>153</sup> Mitchell, Exh. RJM-3CT at 8:21-9:4.

<sup>154</sup> *Id.* at 10:6-11:7.

**D. PacifiCorp prudently procures resources to benefit Washington customers.**

67 PacifiCorp prudently maintains a diverse resource mix across its service area enabling the Company to serve its customers in Washington.<sup>155</sup> Since 2020, the Company added significant new resources and transmission that benefit Washington customers.<sup>156</sup> Even while obtaining additional resources, the Company has maintained Washington rates that are relatively consistent with, if not lower than, the rates that Washington customers pay when they are served by other investor-owned utilities.<sup>157</sup>

68 Public Counsel argues that the Company has not prudently addressed Washington customers' modeled market exposure through its long-term resource planning and recommends that the Commission disallow recovery of the PCAM balance.<sup>158</sup> This argument cannot be squared with the facts. First, adoption of the WIJAM reduced Washington's modeled market exposure compared to the previous allocation methodology by including in Washington rates significant transmission resources and the benefits of all the Company's non-emitting resources.<sup>159</sup> Second, since 2020, PacifiCorp added significant new wind resources that resulted in 329,418 MWh of additional wind generation for Washington customers than would have been previously available in 2020.<sup>160</sup> On a total megawatt-hour basis, the 2022 wind generation allocated to Washington was 233 percent higher than the generation in rates in 2020.<sup>161</sup>

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<sup>155</sup> Wilding, Exh. MGW-1T at 3:4-21.

<sup>156</sup> *Id.* at 7:21-8:6. The 2020 general rate case included the Energy Vision 2020 projects and transmission, which added 1,150 MW of new wind resources in Wyoming and a new, 140-mile 500-kV transmission line. The 2023 general rate cases included the Rock Creek, Rock River I, Foote Creek II-IV and Gateway South and Gateway West transmission projects.

<sup>157</sup> *Id.* at 11:3-5.

<sup>158</sup> Earle, Exh. RLE-1T at 9-10.

<sup>159</sup> Wilding, Exh. MGW-1T at 15:2-7.

<sup>160</sup> *Id.* at 10:4-7.

<sup>161</sup> *Id.* at 11 (total megawatt-hour production allocated to Washington increased from 247,004 to 576,422).



69 Public Counsel also suggests that PacifiCorp could have obtained additional resources for the sole benefit of Washington customers and assigned the costs of those resources to Washington.<sup>162</sup> Public Counsel, however, did not provide any price comparison of a resource acquisition solely borne by PacifiCorp's Washington customers compared to market prices or the risk that the addition of state-specific resources would pose to system operations.<sup>163</sup> Moreover, a state-specific resource situs-assigned to Washington would, by definition, be more expensive than the least-cost, least-risk solution identified through PacifiCorp's Integrated Resource Plan (IRP).<sup>164</sup>

70 Public Counsel also asserts that the Company has not sought to address Washington's market exposure in the years following 2022, citing specifically to the Company's 2023 IRP.<sup>165</sup> Relatedly, AWEC argues PacifiCorp's suspension of its 2022 All Resource Request for Proposals (RFP) removed an opportunity to address part of Washington's net short position.<sup>166</sup> While PacifiCorp's IRP and the RFP are outside the scope of this proceeding, the Company demonstrated that it is procuring 1,950 to 2,700 MW of additional wind, solar, and battery resources between 2024 and 2026, which will all benefit Washington customers by virtue of the WIJAM.<sup>167</sup> Moreover, the 2022 RFP did not impact the NPC in 2022 because any resources procured through the RFP would not have been placed in service until at least 2026.<sup>168</sup>

71 Finally, AWEC's criticism of the Company for purportedly relying too heavily on the market instead of procuring additional resources is undercut by witness Mullins' prior

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<sup>162</sup> Earle, Exh. RLE-1T at 11:19-23.

<sup>163</sup> Wilding, Exh. MGW-1T at 14:1-7.

<sup>164</sup> Wilding, TR. 213:3-12.

<sup>165</sup> Earle, Exh. RLE-1T at 8:16-18, 13:7-9.

<sup>166</sup> Mullins, Exh. BGM-1CT at 4:19-5:3.

<sup>167</sup> Wilding, TR. 199:22-200:13.

<sup>168</sup> Wilding, Exh. MGW-1T at 19:17-20.

testimony before the Utah Public Service Commission (Utah PSC) opposing the acquisition of the 1,150-MW Energy Vision 2020 wind resources.<sup>169</sup> When opposing the new wind resources that significantly reduced the WIJAM energy deficit, witness Mullins argued that market purchases have no “capital risk” and are therefore preferable to “making significantly more risky capital investments.”<sup>170</sup> Witness Mullins makes the exact opposite argument here. Had the Utah PSC agreed with witness Mullins, Washington customers would be worse off today.

### III. CONCLUSION

72 For the foregoing reasons, the Commission should approve the Company’s requested PCAM recovery.

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<sup>169</sup> Exh. BGM-17X at 17:4-5.

<sup>170</sup> *Id.* at 17:15-17; Mullins TR. 175:20-177:25.