

Evidentiary Hearing - Docket No. UE-230482

In the Matter of the Petition of: PacifiCorp / 2022 Power Cost Adjustment

June 4, 2024



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A P P E A R A N C E S

BEFORE ADMINISTRATIVE LAW JUDGES:

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(Appearances continued on next page.)

1
2
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4
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8
9
10
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16
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19
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A P P E A R A N C E S (cont'd)

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12
13
14
15
16
17
18
19
20
21
22
23
24
25

INDEX OF EXAMINATION

(**Confidential portion from page 68 through 187**)

PAGE

RAMON J. MITCHELL:

Cross-Examination by Atty. Strauss	22
Cross-Examination by Atty. O'Neill	39
Redirect Examination by Atty. Lowney	73

DOUGLAS R. STAPLES

Cross-Examination by Atty. Pepple	79
Cross-Examination by Atty. O'Neill	110
Redirect Examination by Atty. Lowney	131
Questions by Commissioner Rendahl	133

JOHN M. FRITZ

Cross-Examination by Atty. O'Neill	136
--	-----

BRADLEY G. MULLINS

Cross-Examination by Atty. Lowney	148
Redirect Examination by Atty. Pepple	178
Questions by Commissioner Rendahl	181

JACK PAINTER

Cross-Examination by Atty. O'Neill	187
--	-----

(Examination index cont'd on next page.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

INDEX OF EXAMINATION (cont'd)

PAGE

MICHAEL G. WILDING

Cross-Examination by Atty. O'Neill192

Redirect Examination by Atty. Kumar212

Questions by Commissioner Rendahl214

Questions by Chair Danner216

JOHN D. WILSON

Questions by Commissioner Rendahl221

ROBERT L. EARLE

Questions by Commissioner Rendahl225

* * * * *

INDEX OF EXHIBITS

(**Denotes confidential exhibits highlighted on agency-provided exhibit list.)

NUM.	DESCRIPTION	PAGE
1		
2		
3		
4		
5	JP-1T Direct Testimony of Jack Painter	19
6	JP-2 2022 PCAM Deferral Calculation	19
7	JP-3 2022 PTC Tracker Calculation	19
8	JP-4XC **Confidential PacifiCorp's Response to Public Counsel DR 1 with attachment	19
9		
10	JP-5XC **Confidential PacifiCorp's Response to Public Counsel DR 1 with attachment	19
11	JP-6XC **Confidential PacifiCorp's Response to Public Counsel DR 22 with attachment	19
12		
13	RJM-1T Direct Testimony of Ramon J. Mitchell	19
14	RJM-2 NPC Impact - Hedging with Purchases	19
15	RJM-3TC **Confidential Rebuttal Testimony of Ramon J. Mitchell	19
16	RJM-4X PacifiCorp Response to UTC Staff DR 39	19
17	RJM-5X PacifiCorp Response to UTC Staff DR 40	19
18	RJM-6X PacifiCorp's Response to Public Counsel DR 6	19
19		
20	RJM-7X PacifiCorp's Response to Public Counsel DR 7	19
21	RJM-8X PacifiCorp's Response to Public Counsel DR 10	19
22		
23	RJM-9X PacifiCorp's Response to Public Counsel DR 13	19
24	RJM-10X PacifiCorp's Response to Public Counsel DR 14	19
25		

(Exhibits cont'd on next page.)

1	INDEX OF EXHIBITS (cont'd)		
2	DRS-1TC	**Confidential Testimony of Douglas R. Staples	19
3	DRS-2C	Appendix E from PAC's Energy Risk Management Policy	19
4			
5	DRS-3C	Appendix F from PAC's Energy Risk Management Policy	19
6	DRS-4TC	**Confidential Supplemental Rebuttal Testimony	19
7			
8	DRS-5X	PacifiCorp Response to UTC Staff DR 36	19
9	DRS-7CX	PacifiCorp Response to AWEC DR 64 with PacifiCorp rebuttal workpaper	19
10	DRS-8X	PacifiCorp Response to AWEC DR 65	19
11	DRS-9CX	PacifiCorp Response to AWEC DR 71 with Confidential AWEC Attachment 71	19
12			
13	DRS-10CX	PacifiCorp Response to Confidential AWEC DR 75	19
14	DRS-11X	PacifiCorp Response to AWEC DR 78	19
15	DRS-12CX	PacifiCorp Response to AWEC DR 79	19
16	DRS-13CX	AWEC Hedging Adjustment Table	19
17	DRS-14CX	**Rocky Mountain Power Confidential Rebuttal Testimony of Douglas R. Staples Exhibit 6.0	19
18			
19	DRS-15CX	**Wyoming Industrial Energy Consumers Exhibit 200 Mullins CONFIDENTIAL Direct Testimony	19
20			
21	JMF-1TC	**Confidential Rebuttal of John M. Fritz	19
22	JMF-2C	**Confidential Staff Response to AWEC DR 9	19
23	JMF-3X	PacifiCorp's Response to AWEC Data Request 6	19
24			
25		(Exhibits cont'd on next page.)	

1	INDEX OF EXHIBITS (cont'd)		
2	JMF-4CX	**Confidential WA New Power & Gas Limits Program PowerPoint Presentation	19
3	MGW-IT	Rebuttal Testimony of Michael G. Wilding (errata redlined)	19
4			
5	MGW-2X	Recessed Open Meeting March 22, 2024, Transcript (Docket UE-210829)	19
6			
7	MGW-3X	PacifiCorp's Response to Public Counsel DR 6	19
8	MGW-4X	PacifiCorp's Response to Public Counsel DR 7	19
9			
10	JDW-1CT	**Confidential Testimony of John D. Wilson	19
11	JDW-2	Background and Experience Profile	19
12	JDW-3C	**Confidential PAC Response to Staff Data Request No. 4	19
13	JDW-4C	**Confidential PAC Response to Staff Data Request No. 27 - 1st Supplemental	19
14			
15	JDW-5C	**Confidential PAC Response to Staff Data Request No. 16	19
16	JDW-6	PAC Response to Staff Data Request No. 24	19
17	JDW-7	PAC Response to Staff Data Request No. 25	19
18	JDW-8C	**Confidential PAC Response to Staff Data Request No. 16 - 2nd supplemental, including attachment	19
19			
20	JDW-9C	**Confidential PAC Response to Staff Data Request No. 16 - 1st supplemental, including attachment	19
21			
22	JDW-10C	**Confidential PAC Response to Staff Data Request No. 16 - 3rd supplemental, including attachment	19
23			
24	JDW-11C	**Confidential PAC Response to AWEC Data Request No. 16	19
25		(Exhibits cont'd on next page.)	

	INDEX OF EXHIBITS (cont'd)		
1			
2	JDW-12	PAC Response to Staff Data Request No. 27	19
3	JDW-13	CAISO Gas Price Index Fuel Region and Electric Region Document (Dec. 27, 2023)	19
4	JDW-14C	**Confidential PAC Response to Staff Data Request No. 30	19
5			
6	JDW-15C	**Confidential Cross-Answering Testimony of John D. Wilson	19
7	JDW-16	PacifiCorp Response to UTC Staff DR 33	19
8	JDW-17CX	Staff Response to PacifiCorp DR 2-5	19
9	WY-1CT	**Confidential Testimony of Wesley Yeomans	19
10	WY-2	Background and Experience Profile	19
11	WY-3C	**Confidential PAC Response to AWEC Data Request No. 2, including attachment	19
12			
13	WY-4C	**Confidential PAC Response to AWEC Data Request No. 3, including attachment	19
14	WY-5C	**Confidential PAC Response to AWEC Data Request No. 8, including attachment	19
15			
16	WY-6C	**Confidential PAC Response to AWEC Data Request No. 6, including attachment	19
17	WY-7C	**Confidential PAC Response to Staff Data Request No. 1e	19
18			
19	WY-8	Cross-Answering Testimony of Wesley Yeomans	19
20	WY-9X	Staff Response to Public Counsel DR 1	19
21	WY-10X	Staff Response to Public Counsel DR 2	19
22	WY-11XC	Staff Response to Public Counsel DR 3	19
23	WY-12XC	Staff Response to Public Counsel DR 4	19
24	WY-13XC	Staff Response to Public Counsel DR 5	19
25		(Exhibits cont'd on next page.)	

1	INDEX OF EXHIBITS (cont'd)		
2	WY-14XC	Staff Response to Public Counsel DR 6	19
3	WY-15X	Staff Response to Public Counsel DR 7	19
4	WY-16X	Staff Response to Public Counsel DR 8	19
5	WY-17X	Staff Response to Public Counsel DR 9	19
6	WY-18X	Staff Response to Public Counsel DR 10	19
7	RLE-1T	Response Testimony of Robert L. Earle	19
8	RLE-2	CV of Robert L. Earle	19
9	RLE-3	PAC Response to Public Counsel Data Request No. 1	19
10	RLE-4	Dockets UE-220066 and UG-220067, PSE Response to Public Counsel Data Request 193	19
11	RLE-5	Dockets UE-220066 and UG-220067, PSE Response to Public Counsel Data Request 196	19
12	RLE-6	Dockets UE-220053 and UG-220054, Avista Response to Public Counsel Data Request 14	19
13	RLE-7CT	**Confidential Cross-Answering Testimony of Robert L. Earle	19
14	RLE-8	Wyo. PSC Docket No. 20000-642-EM-23, Rocky Mountain Power Stipulation and Settlement Agreement	19
15	RLE-9	Berkshire Hathaway 2023 Annual Report	19
16	RLE-10	PAC Response to Public Counsel Data Request No. 10	19
17	BGM-1CT	Response Testimony of Bradley G. Mullins	19
18	BGM-2	Regulatory Appearances	19
19	BGM-3C	Natural Gas Hedging Counterfactual Analysis	19
20	BGM-4	Non-Confidential Responses to Data Request	19
21	(Exhibits cont'd on next page.)		
22			
23			
24			
25			

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

INDEX OF EXHIBITS (cont'd)

BGM-5C	**Confidential Responses to Data Request	19
BGM-6C	PAC's Currently Effective Hedging Policy	19
BGM-7C	PAC's Hedging Policy as of Jan. 7, 2021	19
BGM-8C	Hedging Presentation to Commission	19
BGM-9C	Sep. 30, 2021 Hedging Position Report	19
BGM-10C	Power Hedging Percentage Analysis	19
BGM-11T	Cross-Answering Testimony of Bradley G. Mullins	19
BGM-12	Staff's Non-Confidential Responses to DRs	19
BGM-13CX	20000-642-EM-23 Testimony	19
BGM-14X	UAEU-17-035-40-Supplemental Rebuttal Testimony	19
BGM-15X	UE-399 Mullins Open Testimony	19
BGM-16X	UE-210402 Opp. Testimony	19
BGM-17X	UAEU-17-035-40 Direct Testimony	19
BGM-18	BGM CV	20

* * * * *

1
2
3
4
5
6
7
8
9
10
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REMOTE; TUESDAY, JUNE 4, 2024

9:10 A.M.

--oOo--

JUDGE BROWN: Good morning.

I'm sorry. Good morning. Today is Tuesday, June 4th, 2024. The time is approximately 9:10. My name is James E. Brown II, I'm an Administrative Law Judge with the Washington Utilities and Transportation Commission, and I am presiding in this matter along with the Commissioners and Administrative Law Judge to my right, Connor Thompson.

We're here today for an evidentiary hearing in the Docket UE-230482, which is captioned respectively WUTC versus PacifiCorp d/b/a Pacific Power and Light Company, in the matter of the petition of PacifiCorp and Power and Light -- I'm sorry, Pacific Power and Light Company for approval of the 2022 power cost adjustment mechanism.

And if parties are willing, can they please make their appearances, starting with the Company?

ATTY. LOWNEY: Good morning, Judge Brown. My name is Adam Lowney of McDowell Rackner & Gibson, appearing today on behalf of PacifiCorp. With me is Ajay Kumar and Dan Teimouri.

1 JUDGE BROWN: And now Staff, please.

2 ATTY. STRAUSS: Good morning, your
3 honor. This is Josephine Strauss, representing Staff
4 today, along with Jeff Roberson.

5 JUDGE BROWN: And Public Counsel?

6 ATTY. O'NEILL: Good morning, your
7 Honor. This is Tad Robinson O'Neill on behalf of
8 Public Counsel.

9 JUDGE BROWN: And the Alliance of
10 Western Energy Consumers, AWEC.

11 ATTY. PEPPLER: Good morning, your Honor.
12 This is Tyler Pepple, with Davison Van Cleve,
13 representing the Alliance of Western Energy Consumers.

14 JUDGE BROWN: All right. Good morning
15 to everyone present. And really, I'm sorry, briefly,
16 let's talk about our plans for the hearing this
17 morning.

18 First, we'll address Staff's motion in
19 limine, and in its motion, Staff seeks to strike No. 1,
20 Section 4, page 5, line 6 through page 7, line 10, of
21 the testimony of PacifiCorp witness Stables; and they
22 also seek to strike Section 6, page 14, line 7 through
23 page 15, line 18; and section 6, page 17, line 14
24 through page 18; and finally, Section 8, page 34,
25 line 10, through page 35, line 13.

1 Well, upon review of the briefs and
2 supporting documents in the record, we were not
3 persuaded by the arguments raised by Staff's motion,
4 and therefore will deny Staff's motion in limine.

5 So as the next matter, we will now turn
6 to the admission of prefiled exhibits and testimony.
7 We will then allow for brief opening statements,
8 limited to 10 minutes each, before we turn to the
9 cross-examination of witnesses, following the parties'
10 agreed order of presentation.

11 We will be taking all of the witnesses
12 individually. And if necessary, we will take a break
13 at approximately 10:00 a.m.; and also if necessary, a
14 lunch break around 12:00 noon.

15 I also want to remind the parties to
16 keep their microphones muted unless they are speaking,
17 and also to only use video for those portions of the
18 hearing when they have a speaking role, and that, I
19 think, we've already covered.

20 If you are all ready -- I'm sorry. If
21 you are having any technical issues or you observe that
22 a party or representative has dropped off the online
23 meeting, please mention that in the chat. The chat
24 should be reserved for technical issues and requests
25 for breaks only.

1 Are there any questions from the parties
2 at this point?

3 All right. At this point, we're going
4 to turn to the exhibits themselves. The parties
5 stipulate to the admission of all of the prefiled
6 exhibits and testimony, including cross-examination
7 exhibits.

8 ATTY. KUMAR: Um --

9 JUDGE BROWN: Yeah? I'm sorry.

10 ATTY. KUMAR: I think we stipulate to
11 the admission of all the prefiled exhibits and
12 cross-exhibits, with the exception of one
13 cross-exhibit. I believe it hasn't been marked, but it
14 was a cross-exhibit identified for Mr. Staples from
15 Public Counsel.

16 THE COURT REPORTER: And, I'm sorry,
17 could the speaker please turn on their video or
18 identify themselves?

19 ATTY. KUMAR: I apologize. This is Ajay
20 Kumar for the Company.

21 Yeah, I believe we -- so the Company can
22 stipulate to all the -- the admission of all the
23 prefiled exhibits and testimony with the exception of
24 Public Counsel, I believe -- what's the title of this?
25 Sorry. Yeah, sorry. The "Power Hedging Adjustments

1 from PacifiCorp Critique (with attachment)."

2 The Company at this time would not
3 stipulate to the admission of that exhibit. We would
4 wait until a proper foundation is laid to the witness
5 to determine whether or not it is appropriate to object
6 at that time. That's --

7 JUDGE BROWN: So noted. So at that
8 point, when the witness that is testifying about that
9 exhibit actually is presented for testimony, then we'll
10 address that issue at that time.

11 ATTY. KUMAR: Yes. My understanding is
12 it's a cross-exhibit; so when Public Counsel, you know,
13 cross-examines Mr. Staples on that exhibit, you know,
14 we can address that after the -- when he moves that
15 exhibit for admission at that time.

16 JUDGE BROWN: Okay. Thank you. Duly
17 noted.

18 Is there anything else from any of the
19 parties? Ms. Strauss?

20 ATTY. STRAUSS: Yes, your Honor. Just
21 wondering if you'll be circulating a final exhibit list
22 to the parties.

23 JUDGE BROWN: Sure. I can do that. I
24 will do that.

25 ATTY. STRAUSS: Thank you.

1 JUDGE BROWN: At the -- after the
2 hearing? Is that acceptable? Or during the hearing?
3 Would you like me to circulate it at this time?

4 ATTY. O'NEILL: To the extent that we're
5 going to ask questions about them, I think we can refer
6 to them by their description and then get a number
7 later. Or if we want, number them now.

8 I don't know -- like, for example, with
9 Mr. Staples's cross-examination, it's the only exhibit,
10 so that's pretty easy. But if we're going to refer to
11 any of the others, there's multiple exhibits
12 designated, it might be useful to have numbers to refer
13 to them.

14 THE COURT REPORTER: And, I'm sorry, who
15 is speaking, please?

16 ATTY. O'NEILL: I apologize. I turned
17 off my video.

18 So I mean, for me, as long as we know
19 what the numbers are and I know what to refer to them
20 as, that's kind of what I would hope to have.

21 JUDGE BROWN: Okay. Give me one second.

22 ATTY. KUMAR: The things that -- I mean,
23 in other commissions, sometimes we're able to number as
24 we go. That might be helpful or. Or --

25 ATTY. O'NEILL: I mean, that's fine too.

1 If we could just number as we go, the first exhibit I
2 mention will be Exhibit 1.

3 ATTY. KUMAR: That could make it
4 difficult to track.

5 ATTY. O'NEILL: Correct.

6 ATTY. KUMAR: We don't have a strong
7 preference, just whatever works best.

8 ATTY. STRAUSS: Just really quickly,
9 just for clarification.

10 JUDGE BROWN: Yeah.

11 ATTY. STRAUSS: The exhibit numbers --
12 would we then start at the next number after the
13 exhibits that have already been filed in testimony?

14 JUDGE BROWN: It seems that way.

15 ATTY. STRAUSS: Just want to make sure.

16 JUDGE BROWN: That is actually what we
17 were discussing up front.

18 So what we will do is we will number
19 them as they're presented, and then I will circulate
20 the list according to the email list that we have for
21 the -- according to the email list that I already have.

22 So the group email, as it exists, I will
23 send it to the email in which you, I believe Mr. Kumar,
24 and Mr. Pepple are -- I'm sorry, are all on that list.
25 So we will number them and then circulate them during

1 the proceeding.

2 (Exhibits JP-1T through JP-3, JP-4XC through
3 JP-6XC, RJM-1T through RJM-3TC, RJM-4X through
4 RJM-10X, DRS-1TC through DRS-4TC, DRS-5X,
5 DRS-7CX through DRS-15CX, JMF-1TC through
6 JMF-2C, JMF-3X through JMF-4CX, MGW-1T, MGW-2X
7 through MGW-4X, JDW-1CT through JDW-17CX,
8 WY-1CT through WY-8, WY-9X through WY-18X,
9 RLE-1T through RLE-10, BGM-1CT through BGM-18,
10 and BGM-13CX through BGM-17X were admitted.)

11 JUDGE BROWN: Is there any other
12 question? Are there any other questions? Mr. Pepple?

13 ATTY. PEPPLER: Thank you, Judge Brown.
14 Just really quickly, when we were preparing for the
15 hearing, we noted that Mr. Mullins's Exhibit 2, which
16 is his CV, was not filed with his testimony. We filed
17 it yesterday late, and I was hoping to just make an
18 oral motion to admit that exhibit. My understanding
19 from the other parties is there's no objection, but
20 other parties are happy, of course, to -- welcome to
21 weigh in on that.

22 JUDGE BROWN: No objection from the
23 other parties? All right. Then Mister -- I'm sorry,
24 Mr. Mullins's?

25 ATTY. PEPPLER: Mr. Mullins is the

1 witness.

2 JUDGE BROWN: CV?

3 ATTY. PEPPLER: Yes, it's his CV, yes.

4 JUDGE BROWN: Yeah, his CV is now
5 admitted -- or deemed admitted.

6 (Exhibit BGM-18 was admitted.)

7 ATTY. PEPPLER: Thank you.

8 JUDGE BROWN: Thank you. And is there
9 anything else from the parties at this time?

10 ATTY. LONEY: I think we're ready to
11 move to opening statements. I'll turn on my camera.
12 If we're ready to move on to opening statements, the
13 Company would offer that we're willing to waive opening
14 statements in the interest of time management, but we
15 will do so only if the other parties waive as well, and
16 we can precede directly to the cross-examination phase
17 of the hearing.

18 JUDGE BROWN: So are the other parties
19 also willing to waive opening statements as well?

20 ATTY. STRAUSS: Yes, your honor. Or
21 Staff is willing to waive, your Honor.

22 JUDGE BROWN: Public Counsel?

23 ATTY. O'NEILL: Public Counsel is
24 willing to waive as well.

25 JUDGE BROWN: AWEC?

1 ATTY. PEPPLER: AWEC is also willing to
2 waive.

3 JUDGE BROWN: All right. Then we'll
4 take a moment and allow for the Commissioners to come
5 in.

6 ATTY. STRAUSS: Your Honor, just really
7 quickly, I was told that the mics aren't necessarily
8 picking up everyone's voice, so if you can move the mic
9 closer to your face when you're speaking, everyone
10 online would appreciate it.

11 JUDGE BROWN: Good morning,
12 Commissioners. We are going to forgo opening
13 statements, the parties have all agreed, and we are now
14 going to move to the first witness. And I believe that
15 is Mr. Fritz from PacifiCorp.

16 ATTY. LOWNEY: Judge Brown, this is Adam
17 Lowney on behalf of PacifiCorp. We actually intended
18 to call Ramon Mitchell first.

19 JUDGE BROWN: That's fine.

20 ATTY. LOWNEY: And with that, we would
21 ask Mr. Mitchell to please take the stand.

22 JUDGE BROWN: Let me know when you're
23 ready, Mr. Mitchell.

24 RAMON MITCHELL: I'm ready, your Honor.

25 JUDGE BROWN: All right. Is your camera

1 on?

2 RAMON MITCHELL: Yes, your Honor.

3 JUDGE BROWN: All right. Will you raise
4 your right hand and I'll swear you in.

5
6 RAMON J. MITCHELL, witness herein, having been
7 first duly sworn on oath,
8 was examined and testified
9 as follows:

10
11 JUDGE BROWN: Proceed. I'm sorry, Staff
12 indicated that they wanted to begin with cross?

13 ATTY. STRAUSS: Yes, your Honor.

14 JUDGE BROWN: Okay. Proceed, please.

15 ATTY. STRAUSS: Thank you, your Honor.

16

17 CROSS-EXAMINATION

18 BY ATTY. STRAUSS:

19 Q. Good morning, Mr. Mitchell. Your testimony
20 concerns PacifiCorp's 2022 power costs; is that
21 correct?

22 A. That's correct.

23 Q. In your rebuttable testimony, at RJM-3T,
24 page 2, license 14 through 20 -- I'll give you a minute
25 to get there.

1 COMMISSIONER RENDAHL: Sorry, what page
2 was that?

3 ATTY. STRAUSS: Page 2.

4 COMMISSIONER RENDAHL: Thank you.

5 ATTY. STRAUSS: Lines 14 to 20.

6 RAMON MITCHELL: I'm there.

7 Q. (BY ATTY. STRAUSS) Thank you. You mentioned
8 PacifiCorp's Washington operations have an open
9 position in certain months; is that correct?

10 A. Yes. I mentioned, "Washington has a
11 supply/demand deficit [...] in a given month."

12 Q. Okay. Did PacifiCorp fail to supply
13 Washington with power sufficient to supply its load at
14 any point in 2022?

15 A. No.

16 Q. Okay. So there were no brown-outs in
17 PacifiCorp's territory in 2022?

18 A. I understand, by brown-outs, you mean
19 transmission-initiated rolling blackouts or similar
20 type of load shedding; in which case, no.

21 Q. And there were no blackouts in 2022?

22 A. No.

23 Q. Okay. So there was sufficient supply to meet
24 Washington demand in 2022?

25 A. Yes.

1 Q. So the deficit that you speak of refers to a
2 deficit in the resources allocated to Washington; is
3 that right?

4 A. Ratemaking cost allocation deficit, yes.

5 Q. Now, the WIJAM is an accounting mechanism
6 that PacifiCorp uses to assign a cost to the power
7 supplied by resources not allocated to Washington for
8 ratemaking purposes; is that correct?

9 A. No. I would more characterize the WIJAM as
10 something much broader, as the cost allocation
11 methodology for Washington. Your definition is narrow,
12 and I did not follow the part about assigning costs to
13 resources that are not allocated to Washington.

14 Q. Okay. But the WIJAM balancing adjustment is
15 not a contract for the sale or delivery of power; is
16 that correct?

17 A. Correct.

18 Q. And it does allocate the costs and benefits
19 of PacifiCorp's system, right?

20 A. Which portion of the WIJAM?

21 Q. The allocation. The allocation method
22 allocates the costs and benefit of PacifiCorp's system;
23 isn't that right?

24 A. Not quite. It allocates the costs and
25 benefits of the portion of PacifiCorp's system that

1 Washington subscribes to.

2 Q. Okay. Thank you. And this allocation occurs
3 after the costs or benefits are incurred or realized;
4 isn't that right?

5 A. Yes.

6 Q. And so prior to the WIJAM adjustment, the
7 power has already been delivered to customers; isn't
8 that correct?

9 A. Yes.

10 Q. The WIJAM puts a dollar amount on the power
11 that was already delivered to Washington?

12 A. No. The WIJAM puts a dollar amount on the
13 ratemaking deficit that results from the WIJAM, which
14 is purely an accounting exercise. The entirety of the
15 power that's served, Washington customer load, and kept
16 the lights on for Washington customers, is separate and
17 concerns the total system, but does not concern the
18 WIJAM in this specific context of the valuation that
19 you're referring to.

20 Q. Okay.

21 THE COURT REPORTER: This is the court
22 reporter speaking. Could the witness please speak up
23 when you are answering the questions? We're getting a
24 little bit of feedback. It might be the microphone
25 quality, but I think speaking up will help.

1 RAMON MITCHELL: Certainly.

2 THE COURT REPORTER: Thank you.

3 Q. (BY ATTY. STRAUSS) So just to clarify,
4 PacifiCorp couldn't go into its system, say, today and
5 apply the WIJAM to hedge for three months from now;
6 isn't that correct?

7 A. The current state of the WIJAM, which -- the
8 current state of the WIJAM in this proceeding, the
9 true-up mechanism which looks back at a calendar year,
10 from that perspective it's not possible to, in actual
11 operations, use the results of the future look-back
12 calculation to inform past actions.

13 Q. (BY ATTY. STRAUSS) So it's an accounting
14 mechanism?

15 A. Yes. The WIJAM is a cost allocation
16 methodology that is functionally accounting.

17 Q. So it does not allocate costs or benefits
18 12 months ahead of time?

19 A. The WIJAM, in general rate cases, does
20 forecast costs and benefits ahead of time. In this
21 proceeding, which is a look-back true-up, it does not.
22 It depends, therefore, on the context in which the
23 WIJAM is used.

24 Q. Now, do you agree that hedging is a practice
25 for protecting customers against energy price

1 volatility?

2 A. It is a practice for protecting customers
3 against energy price volatility, but also a practice
4 for protecting customers against gas price volatility
5 if your definition of energy does not involve national
6 gas fuel.

7 Q. Okay. Thank you. So hedging is a risk
8 management tool used to manage price volatility by
9 locking in a specific energy price ahead of time? And
10 I do include natural gas in the term "energy."

11 A. Yes. That is a simplified definition. For a
12 more complete definition, I would direct you to
13 Witness Fritz.

14 Q. Now, "ahead of time" generally means prior to
15 when the energy is being used; isn't that correct?

16 A. Yes.

17 Q. Okay. So -- because you manage for risks
18 prior to those risks becoming reality?

19 A. Could you please rephrase or restate?

20 Q. Yeah. So you're managing for a risk that
21 hasn't happened yet. It's something that may or may
22 not happen.

23 A. Subject to check, we're managing for risks
24 that are happening in the markets as time proceeds
25 forward and we continue to ensure that we're able to

1 reliably serve load. But I would direct further
2 questions on that and those nuances to Company
3 Witness Fritz.

4 Q. Just to be clear, though, something being a
5 risk does not guarantee that that risk will happen; it
6 just has a probability of happening; isn't that
7 correct?

8 A. The textbook definition, yes. Risk being
9 related to probabilities, risks are not always ensured
10 to occur.

11 Q. Okay. Do you agree that it is impossible to
12 hedge perfectly?

13 A. I believe conceptually there is such a thing
14 as a perfect hedge, but I do not believe it's
15 applicable to the context of this proceeding. I would
16 direct you to Witness Fritz for a more nuanced
17 discussion on hedging.

18 Q. But generally, hedging is done with imperfect
19 information because it is done prior to something
20 happening?

21 A. The Company's hedging practices are done
22 based on forecasts of projected information that will
23 occur at the moment that power is delivered, yes.

24 Q. But no one can see the future?

25 A. No one that I am aware of can see the future,

1 correct.

2 Q. Just making sure.

3 Now, the Company's current hedging, most of
4 these hedges are still made on the eastern power
5 market; isn't that correct?

6 A. No. There is a distinction between our -- I
7 assume you mean, like, electricity purchased and sold
8 on the wholesale markets, and natural gas fuel which is
9 also hedged. And so in the broad context of your
10 question, that is incorrect.

11 Q. Well, looking at power, the power hedges are
12 made on eastern market; isn't that correct?

13 A. They are made on both sides of the system.
14 Hedges are conducted on both sides of the system for
15 power.

16 Q. But they're not made at Mid-C; is that right?

17 A. That is not right. They are made at Mid-C.

18 Q. So in your rebuttal testimony, at page 3,
19 lines 18 to 19 -- I'll give you a minute to get there.
20 And this would be RJM-3CT.

21 You say that a price is similar to what it
22 would be if the Company physically hedged in
23 Washington; isn't that right?

24 A. Yes.

25 Q. However, the price to physically hedge for

1 Washington is not the price PacifiCorp is aiming to use
2 in the balancing adjustment when it hedged for
3 short-term prices; isn't that correct?

4 A. Could you please restate your question?

5 Q. So the price to physically hedge for
6 Washington is not the same price PacifiCorp was using
7 in the balancing adjustment when it hedged for
8 short-term prices.

9 A. This counterfactual that you're describing,
10 where the Company would separately hedge for
11 Washington, the prices in the balancing adjustment,
12 which as you referred to, is an accounting methodology
13 to close an accounting supply/demand deficit.

14 Those prices are functionally similar to what
15 the Company would use, were it actually hedging for
16 Washington. They would not be identical because of the
17 nature of the analysis that I conducted being analysis
18 and effectively a forecast. But they are functionally
19 similar.

20 Q. But, as you said, not the same?

21 A. Not the same in the sense that I cannot
22 guarantee that my analysis will produce the exact same
23 results as if the Company went out and really did hedge
24 for Washington. But from the perspective of the
25 limited perspective of the analysis, they are the same.

1 Q. So -- okay. I want to go on to talk about
2 hedging a little more. So hedging is a risk management
3 tool, as we've discussed.

4 A. Yes.

5 Q. And it manages price volatility?

6 A. Yes.

7 Q. And as far as PacifiCorp is concerned,
8 ratemaking is the calculation of rates charged to
9 customers to recover PacifiCorp's costs and provide an
10 opportunity to earn a reasonable rate of return; isn't
11 that correct?

12 A. That is my high-level understanding, yes.

13 Q. Those two things are not the same thing?

14 A. They're intertwined, by necessity.

15 Q. But they're not the same thing?

16 A. It is factual that ratemaking is not the same
17 thing as hedging, but they are interrelated.

18 Q. And with respect to this proceeding,
19 ratemaking is a retrospective look at PacifiCorp's
20 power costs to set future rates; isn't that right?

21 A. It is a retrospective look at calendar year
22 2022 power costs, and that retrospective look will end
23 up flowing into customer rates, if my understanding of
24 your question is accurate.

25 Q. Thank you. Hedging is a future-looking

1 action taken by a utility, isn't that correct?

2 A. Yes. Hedging, in the context of this
3 testimony -- and I would direct you to Witness Fritz
4 for further detail; so subject to check -- it is
5 future-looking, not backward-looking.

6 Q. Thank you. In your rebuttal testimony,
7 again, RJM-3T at page 5, lines 8 through 9 -- I'll give
8 you a minute to get there. Page 5.

9 A. I'm there.

10 Q. You stated, "Staff's recommendation is to
11 completely expose Washington's open position to the
12 spot market." Is that what you said?

13 A. Yes.

14 Q. Does Staff's recommendation require
15 PacifiCorp to buy power from the spot market and
16 somehow deliver it to 2022-era customers?

17 A. No.

18 Q. Is Staff's adjustment instead -- Staff's
19 adjustment instead assigns a value to power that
20 PacifiCorp has already delivered to Washington
21 customers for resources not assigned to Washington;
22 isn't that right?

23 A. It is -- it is correct that Staff's
24 methodology values the supply/demand deficit that we
25 have discussed, but not in the context of hedging. It

1 is the apposite -- or rather, the opposite. It is in
2 the context of the spot market.

3 Q. But Staff's adjustment is just assigning
4 value to power that has already been delivered; isn't
5 that right?

6 A. Correct. Staff's adjustments assigns a
7 monetary value to a ratemaking calculated supply/demand
8 deficit.

9 Q. And PacifiCorp WIJAM balancing adjustment
10 does this exact same job of assigning a dollar value to
11 power PacifiCorp already delivered to Washington
12 customers from resources not allocated to Washington;
13 isn't that correct?

14 A. Not the exact same job, because we blend in
15 the hedges and the spot market into the valuation;
16 whereas Staff purely uses spot market prices in their
17 valuation.

18 Q. So if the Commission accepts Staff's
19 recommendation and assigns the benefits of PacifiCorp's
20 power hedges on a system basis for ratemaking purposes,
21 Washington customers would not be completely exposed to
22 the market in future years; isn't that correct?

23 A. Exposure to the market for Washington
24 customers, when it comes to actual service of load and
25 delivery of power to customers, is the exposure that is

1 at the total system level and synchronous across all
2 jurisdictions that the Company serves.

3 Exposure, or the term "exposure" as used in
4 the WIJAM, is an accounting phenomenon where you have
5 insufficient supply, and then that -- that amount of
6 insufficiency is valued at a certain amount.

7 Q. But in the context --

8 A. That exposure is not precisely, as you
9 describe it, market exposure.

10 Q. But in the context of this proceeding, which
11 just looks at 2022, which has already happened, if the
12 Commission accepts Staff's recommendation, customers
13 would not be completely exposed to the market, since we
14 already know what has already happened.

15 A. The entire purpose -- the entire valuation of
16 this short position that we're at contention about is
17 valuing at market prices. So however you value,
18 whichever market price you use, whether it be hedge
19 market prices or spot market prices, there will be a
20 valuation at market prices. So, not correct.

21 Q. So if the Commission in the future -- or the
22 if the Commission now assigns hedging benefits on the
23 system basis and PacifiCorp has properly hedged those
24 in future years, Washington customers would be
25 adequately protected from market swings, correct?

1 A. Currently, in the total system look,
2 Washington customers are hedged, and they're allocated
3 their load ratio share of that hedge, which is
4 approximately 8 percent. But this is separate from our
5 discussion here, which is the WIJAM cost allocation
6 methodology.

7 When we value that supply/demand imbalance,
8 that deficit, at the system average price, which
9 includes the historical hedges and spot market
10 transaction and so forth, Washington customers will
11 gain additional hedges -- or rather, gain the benefit
12 of hedge prices and spot market prices, incremental to
13 the benefit that was gained when the total system was
14 used to serve customers' load.

15 And therefore, Washington customers do
16 benefit from the hedges that all jurisdictions benefit
17 from, and then benefit more and also at a lower cost,
18 as I mentioned in my testimony.

19 Q. So I just want to be very clear: So for
20 hedging, if hedging benefits are allocated on a system
21 basis -- this is talking about hedges that have already
22 been made, not any hedging that's applied or any
23 allocations that are applied in the WIJAM -- and
24 PacifiCorp is properly hedged in those future rate
25 years, Washington customers should be adequately

1 protected from any market swings; isn't that correct?

2 A. If I understand your meaning of the phrase
3 "adequately protected from market swings," and if I
4 understand that you're speaking from the perspective of
5 total system load service, of which Washington is a
6 part of, and not referring to the WIJAM cost allocation
7 methodology, then it is true that Washington load is
8 hedged as the other five jurisdictions are, and then
9 hedged again in the WIJAM.

10 Q. I want to turn a little bit to Hermiston and
11 Chehalis. In your testimony, you take issue with
12 Staff's recommendation to use PacifiCorp's Chehalis and
13 Hermiston plants for the WIJAM balancing adjustment;
14 isn't that correct?

15 A. Could you point me to the section of my
16 testimony that you're referring to, please?

17 Q. It's page 7. And it's, I believe, your
18 discussion on the third recommendation, starting at
19 line 6.

20 A. Could you please repeat your question?

21 Q. Yes. You take issue with Staff's
22 recommendation to use PacifiCorp's Chehalis and
23 Hermiston plants for the WIJAM balancing adjustment?

24 A. No. The Hermiston and Chehalis plants are
25 currently used in Washington's -- in the WIJAM. But if

1 you're referring to Staff's proposal to use the
2 balancing adjustment and to tweak the after-the-fact
3 dispatch of Chehalis and Hermiston, then yes, that's
4 what I have objection to.

5 Q. But again, PacifiCorp will not be dispatching
6 either for the purposes of the balancing adjustment,
7 because it can't now dispatch for 2022; isn't that
8 correct?

9 A. Correct. 2022 has passed. We cannot
10 dispatch anything in 2022.

11 Q. Thank you. So turning to your rebuttal
12 testimony, RJM-3T, page 7, lines 17 to 20.

13 You note that the entire WEIM, W-E-I-M,
14 footprint is dispatched as one entity; isn't that
15 correct?

16 Let me know if you need that --

17 A. Yes, that's correct.

18 Q. Thank you. And that dispatch is based on
19 generator bids that have conditions, such as natural
20 gas nominating instructions and regulation
21 instructions, correct?

22 A. No. The bids themselves are for fuel cost,
23 except when they embody fuel cost restrictions. But
24 reliability is -- does not play a factor into the
25 bids -- the fuel prices submitted to the EIM, the fuel

1 costs.

2 But the gas nomination restrictions that you
3 mention can play a factor, because of the nature of how
4 gas is procured on a separate timeline, as compared to
5 the timelines of how the plants are dispatched.

6 Q. But PacifiCorp is the entity that provides
7 the nominating and regulating instructions for those
8 plants; isn't that correct?

9 A. This statement is correct, but the nuance is
10 that they are different timelines involved. A
11 day-ahead basis, gas is procured in the day the plant
12 is dispatched based on forecasts when the gas is
13 procured. If the forecasts change, fuel increases, for
14 example, and you need more gas, there is no intraday
15 gas market to find gas.

16 ATTY. STRAUSS: All right. That is all
17 the questions we have. Thank you.

18 JUDGE BROWN: I'm sorry. Is there any
19 redirect?

20 ATTY. LONEY: Your Honor, I do have a
21 few redirect questions, but I was presuming I would
22 wait until the conclusion of all the cross-examination.

23 JUDGE BROWN: Okay. Public Counsel, you
24 indicated that you had cross as well?

25 ATTY. O'NEILL: Yes, your Honor.

1 JUDGE BROWN: You may proceed.

2 ATTY. O'NEILL: Let me get my camera
3 turned on first.

4
5 CROSS-EXAMINATION

6 BY ATTY. O'NEILL:

7 Q. Good morning, Mr. Mitchell.

8 A. Good morning.

9 Q. Do you have your initial testimony with you
10 as well?

11 A. Yes, I do.

12 Q. Can you turn to page 5 of your initial
13 testimony?

14 A. I am there.

15 Q. I just want to confirm that, in fact,
16 PacifiCorp does not hedge separately for Washington and
17 that there are no separate hedge books for Washington
18 maintained by PacifiCorp.

19 A. Correct.

20 Q. PacifiCorp generates, in terms of forecast
21 for hedging, daily position reports; is that correct?

22 A. Yes.

23 Q. And those position reports are based off of
24 the system or off of the balancing area?

25 A. Yes.

1 Q. Both?

2 A. It depends on which product you're hedging,
3 and I would have to refer you to Company Witness Fritz
4 for details on the Company's hedging policy.

5 Q. But there is no daily position report created
6 for Washington specifically?

7 A. No.

8 Q. The WIJAM does not refer -- the agreement
9 signed by PacifiCorp does not refer to the allocation
10 of hedges, does it?

11 A. Not explicitly. But it is inferred -- based
12 on certain languages, subject to check -- the use of
13 system transmission and the allocation of costs and
14 benefits related to that transmission would pick up
15 hedges indirectly.

16 Q. Okay. So you understand the WIJAM to address
17 hedging or the allocation of hedging as a cost or
18 benefit of the cost/benefit allocation in WIJAM? Is
19 that what your testimony is?

20 A. No. I simply stated that it is not
21 explicitly stated in the WIJAM what you referred to,
22 but it is implicit in the language that structures how
23 costs are allocated to Washington, as a matter of
24 logic.

25 Q. Okay. It's also true that the WIJAM does not

1 require that the Commission deem the allocation
2 prudent, but reserves the right of the parties to
3 challenge that prudence, correct?

4 A. Correct. The Commission is free to deem
5 prudence as it sees fit.

6 Q. Can we turn to page 10 of your testimony,
7 lines 1 through 13, is where I have a question.

8 A. I'm there.

9 Q. The "YCA" you refer to here is -- I don't
10 know what that acronym is. Washington Cost Adjustment,
11 I think; is that right?

12 A. "WCA," I assume you're referring to.

13 Q. Correct.

14 A. The acronym is the "Western Control Area,"
15 subject to check. But it is the cost allocation
16 methodology that preceded the WIJAM.

17 Q. And that was adopted in 2006, correct?

18 A. I do not recall when it was adopted.

19 Q. And the WIJAM was adopted in 2020?

20 A. Correct.

21 Q. Under both the WCA and under the WIJAM,
22 Washington has a higher market exposure for ratemaking
23 purposes; is that correct?

24 A. That is correct.

25 Q. In your testimony, you did not quantify that

1 market exposure in Washington over time; is that
2 correct?

3 A. No. I quantified it for 2022.

4 Q. What was the market exposure that Washington
5 had in 2022, per WIJAM?

6 A. The market exposure that we're referring to,
7 first, it's important to note, is a ratemaking
8 allocation, cost allocation outcome, not a market
9 exposure in actual operations. That market exposure, I
10 provided analysis on to show that the way that it is
11 hedged for in the WIJAM would be cheaper -- is cheaper
12 than if the Company went out into the real market and
13 bought physical energy for Washington. That was my
14 analysis, which quantified the rate-making construct of
15 the market exposure in the WIJAM.

16 Q. Do you have any reason to -- you provided no
17 alternative calculations to Mr. Mullins's calculation
18 that in 2022 Washington was net short by 939,085
19 megawatt hours; is that correct?

20 A. My testimony here is direct testimony.
21 Mr. Mullins's testimony was response testimony. The
22 Company's direct testimony, Company Witness Staples
23 then rebutted Witness Mullins's testimony; so I direct
24 your questions to Witness Staples.

25 Q. Do you know what the -- I mean, in your

1 direct testimony, did you identify the amount of
2 megawatt hours Washington was deemed short through
3 WIJAM?

4 A. The ratemaking construct, yes, my testimony
5 through that analysis where I demonstrated the WIJAM
6 hedge is cheaper than were we to purchase in the real
7 markets. The exposure that you mention is quantified.

8 Q. And to break this down, there's two elements
9 to the price. There's the amount that has to be
10 covered, correct?

11 A. That's not an element of the price, not
12 correct.

13 Q. I'm sorry, of the ultimate -- I mean, it's
14 going to be the amount times the price. That's the way
15 you're going to end up with the WIJAM allocation?

16 A. Megawatt hour multiplied by
17 dollar-per-megawatt-hour dollars, yes.

18 Q. And you said you quantified it in your
19 testimony. Do you know where you did?

20 A. Yes. It was in my --

21 (Technical interruption.)

22 THE COURT REPORTER: I'm sorry. Could
23 the witness back off from the microphone just a little
24 bit? We're breaking up the sound a little bit. So if
25 you back up and speak up, it'll help. Thank you.

1 RAMON MITCHELL: I will try.

2 ATTY. O'NEILL: I think you have to stay
3 in exactly the Goldilocks zone or you'll get in
4 trouble.

5 Q. (BY ATTY. O'NEILL) It is accurate that in
6 2022, Washington was allocated approximately 25 percent
7 less in resources than in load, correct, under the
8 WIJAM?

9 A. While I did calculate the megawatt hour
10 amount, I didn't calculate the percentage; so I'm
11 unable to verify the accuracy of your number.

12 Q. And your testimony is, in essence, that WIJAM
13 fills that short position with a blend of spot market
14 purchases; sales price, to the extent that there were
15 sales allocated to Washington; and then the hedge
16 market price that you've calculated?

17 A. Yes. It values the open position at those --
18 with those prices.

19 Q. Now, you did not -- did you calculate how
20 much more Washington consumers would pay in 2022 than
21 the other jurisdictions in PacifiCorp?

22 A. Could you restate that question, please?

23 Q. Right. If the Commission were to approve
24 this PCAM as requested by PacifiCorp, how much more per
25 megawatt hour would Washington consumers pay than the

1 other jurisdictions in Washington or in the PacifiCorp
2 area?

3 A. Company Witness Wilding testifies to the
4 rates that Washington customers face compared to other
5 utilities in the region, the per-megawatt-hour or
6 per-energy-usage costs.

7 Q. Okay. You don't know, though, as you sit
8 here today?

9 A. I recall Company Witness Wilding's testimony
10 shows that PacifiCorp's costs are currently either
11 comparable or cheaper to similarly situated utilities
12 in Washington.

13 Q. We can get into Mr. Wilding's testimony, I'm
14 just questioning you: Do you know, as you sit here
15 today, how much more Washington consumers would pay
16 than other jurisdictions in PacifiCorp's basin if this
17 is approved?

18 A. I believe for certain comparisons, they would
19 be less. PacifiCorp's customers in Washington would
20 pay less than other utilities.

21 Q. I think we're confused as to who's paying.
22 The comparison that Mr. Wilding did was between
23 PacifiCorp and other Washington utilities for
24 Washington consumers.

25 I'm asking you if you know how much more

1 Washington consumers will pay, per megawatt hour, than
2 consumers in Utah or in Wyoming or in Oregon or in
3 California. Do you know?

4 A. That is a question that deals with costs of
5 service and ratemaking for the final bill that hits the
6 customer. I've not performed an analysis on the
7 holistic cents-per-kilowatt-hour and the various
8 charges on the customer bills.

9 Q. If Washington has, under the WIJAM
10 allocation, a higher market exposure, meaning that it's
11 going to have to pay a market price, some blend of
12 market price, but the overall system is long for
13 PacifiCorp, doesn't that mean that other parts of your
14 system are paying less than other Washington customers?

15 A. Your assumption in the question that the
16 overall system is long is not factual. When power is
17 delivered to customers, supply and demand is always
18 balanced. There cannot be a long or a short position,
19 because absent the prevalence of batteries, energy
20 isn't stored. So it's -- it remains in balance
21 throughout time, subject to certain small variations.

22 Q. In hedging, sometimes you can refer to a long
23 position as one in which you either back resources or
24 you sell, correct?

25 A. In the concept of hedging, there is this idea

1 of a long position and a short position. As you sit
2 here today, looking, for examples, one year into the
3 future, and you're planning to serve load, it's not a
4 real, physical long or short position. It's more that
5 you are forecasting how to meet load requirements when
6 they arrive, and you determine how much more or less
7 energy you need.

8 That concept of being long or short is
9 different from now here in 2024, we're looking back at
10 2022. Since there were no blackouts, as Staff's
11 Counsel mentioned, the Company was neither long nor
12 short. It delivered power.

13 Q. Okay. Can you turn now to your rebuttal
14 testimony? This is RJM-3T, page 14.

15 A. I am there.

16 Q. If you look at lines 15 through 18, you
17 testify that "AWEC refers to the increase in Washington
18 NPC" -- and I think "NPC" means net power costs?

19 A. Yes.

20 Q. -- "as compared to the increase in the
21 total-Company NPC. This difference in increases is
22 related to the WIJAM's market exposure through its open
23 position." Did I read that correctly?

24 A. Yes.

25 Q. Okay. I take it, then, that you agree with

1 AWEC that Washington's NPC costs for 2022 increased
2 proportionately more than the total-Company NPC; is
3 that correct?

4 A. Could you please define what you mean by
5 "increased proportionally more"?

6 Q. Well, AWEC compares the increase
7 percentage-wise in Washington NPC versus the percentage
8 increase in the NPC for the system, correct?

9 A. I believe that Company -- rather, AWEC
10 Witness Mullins did categorize and quantify those
11 numbers; though to the veracity of those numbers, I
12 cannot comment. I direct you to Witness Staples.

13 Q. Okay. You didn't provide an alternate
14 calculation, you didn't look at his math, you didn't
15 determine whether or not his proportionate analysis is
16 correct?

17 A. I filed direct testimony; and then in my
18 rebuttal testimony, I limited it to defense of parties'
19 response to my direct. Company Witness Staples then
20 rebutted AWEC Witness Mullins. I would refer you to
21 Company Witness Staples for discussion on AWEC's
22 analyses.

23 Q. Okay. Do you know whether the size of the
24 proportionate increase is a result of the size of
25 Washington's market exposure?

1 In other words, that if Washington were
2 allocated shorter in the WIJAM, that market exposure
3 would increase? And here I'm talking about the
4 proportionate increase in NPC. Are they related?

5 A. Yeah, so on a total system level, there is
6 net power costs. Each jurisdiction is cost allocated a
7 portion of those net power costs. And Washington,
8 through the WIJAM, when solely focusing on the net
9 power cost component of revenue requirement, has this
10 ratemaking exposure which can result in either
11 decreased or increased net power costs relative to
12 other jurisdictions based upon how many resources are
13 assigned to the state.

14 And so there can be fluctuations between the
15 other five jurisdictions and Washington, based on the
16 differences in cost allocation; whereas the other five
17 jurisdictions are typically on one cost allocation
18 methodology for simplistic purposes, and Washington is
19 on another cost allocation methodology.

20 Q. Generally speaking, since this is still
21 market prices, if market prices are high, Washington is
22 going to pay more, correct?

23 A. If market prices are high and we are focusing
24 solely on the WIJAM and this concept of the balancing
25 adjustment and closing an open position, then if market

1 prices are higher than prevailing average system
2 prices, which blends generation and other assets that
3 the Company uses to serve load, then in isolation,
4 Washington's net power cost component of revenue
5 requirement would go up.

6 But there are other components to the system
7 that offset and are relevant to the total cost of
8 service, which is what reflects on the customer's
9 bills. Net power cost is but one component of revenue
10 requirement.

11 Q. Yes. And generally when -- if market prices
12 drop, then Washington consumers would expect to pay
13 less. I mean, this is a -- there's a direct
14 relationship between the market prices and how much
15 Washington's paying through the balancing adjustment,
16 correct?

17 A. Only assuming that the system stays constant.
18 But as Witness Wilding testifies, we've been adding
19 renewables to the system that are allocated to
20 Washington on a 16 percent basis over time, and so the
21 dynamic is not perfectly applicable in this context.
22 In an isolated fashion, yes, but your counterfactual is
23 not encompassing the full dynamic nature of how we are
24 carrying more and more energy from renewables, and the
25 difference between those zero-dollar-per-megawatt-hour

1 resources and market prices.

2 Q. And I'm really just trying to define what I
3 mean by "market exposure."

4 Can we agree that when I say, "market
5 exposure," through the balancing adjustment, that's
6 what we mean? Is that --

7 A. Yes. Market exposure in the balancing
8 adjustment is market exposure in the balancing
9 adjustment.

10 Q. And as long as that -- as long as Washington
11 is allocated less resources than its load through the
12 balancing adjustment, this dynamic is going to be
13 present. High market prices would equal high NPC?

14 A. Yes. If there's less energy. Not less
15 resources, but it's the energy that comes from the
16 resources. If that energy is less than Washington's
17 load, and that position is closed with -- valued at
18 market prices, the higher the market prices, the higher
19 the valuation for that position. The lower the market
20 prices, the lower the valuation.

21 Q. And for Washington to eliminate this high
22 exposure to market, we can either increase the
23 resources allocated to Washington, correct?

24 A. Yes.

25 Q. Or we can attempt to hedge for that

1 additional exposure beyond -- that's -- those are our
2 two options. Those are the only two solutions that we
3 have to being exposed to the market, correct?

4 A. I would refer you to Company Witness Wilding
5 as to all the solutions. I am not completely familiar
6 with the multitude of possibilities.

7 But I would note that we are hedging for
8 Washington through this ratemaking allocation that is
9 the WIJAM currently, and so all that we are left with
10 now is the resources.

11 Q. We've got two different kinds of hedging
12 there. You hedge the system total, you don't hedge
13 separately for Washington; and then you make an
14 accounting hedge by monkeying with the price assigned
15 to that short position.

16 A. I wouldn't refer to it as "monkeying," but we
17 do an accounting adjustment where we take -- value that
18 open position at prices that include hedging. And when
19 it comes down to the dollars, dollars are dollars and
20 they're fungible whether they are coming from the
21 left-hand of the Company or the right-hand of the
22 Company. And they are dollars that customers realize.

23 Q. So it's true, then, the Commission could
24 assign a lower price to that allocation and it wouldn't
25 affect PacifiCorp operations, it would just be an

1 accounting change?

2 A. The Commission is certainly free to do as it
3 will, yes.

4 Q. Can you turn to -- back to your initial
5 testimony at page 5, again? And I'm interested in your
6 answer, 16 through the end of 6-11.

7 This is a part where you talk about the
8 benefit of geographic diversity of the PacifiCorp
9 system.

10 A. Yes, I am there.

11 Q. Did you calculate, as part of your direct
12 testimony, how much power was transmitted from West to
13 East during 2022?

14 A. No. And in fact, my hypothetical example
15 would apply for power transfer from east to west, where
16 Washington is located, or transferring in the opposite
17 direction. It doesn't serve --

18 Q. Fair enough, I misspoke.

19 Did you calculate how much power was actually
20 transmitted from east to west during 2022?

21 A. No. And it would be a calculation. It would
22 be an assembly of historical records, because those
23 numbers are factual and tracked.

24 Q. Did you do that?

25 A. I did not assemble the records in my

1 direct -- for the purposes of my direct testimony, no.

2 Q. Did you in -- in your testimony, did you
3 identify which power -- or any power purchases that
4 PacifiCorp did not make in 2022 as a result of the
5 intrasystem transmission from east to west?

6 A. That kind of counterfactual, to identify
7 power purchases that were not made because of the
8 existence of the current system, I believe, is
9 impossible. It's asking, what did the Company not do
10 that they could have done? And that opens up a
11 limitless amount of possibilities.

12 Q. Well, I mean, you could have assumed that
13 that transmission didn't take place and it was filled
14 with the market, and done a calculation. You didn't do
15 that, though?

16 A. I didn't impute the many multitudes of
17 alternative counterfactuals you describe, no.

18 Q. Did you identify in your testimony the cost
19 to the Company -- the generation cost for that
20 electricity that was transferred from east to west?

21 A. No. As I mentioned, I didn't track the
22 energy transfer from east to west; and neither,
23 therefore, did I track the generation that would have
24 underlaid that energy.

25 Q. During the summer months of July, August, and

1 September, which were one of the high-use events, did
2 you track how much power was transmitted from east to
3 west to meet that load?

4 A. No. As I mentioned before, I did not
5 aggregate any records for amount of megawatts hours
6 transferred from east to west, amongst the 1,600
7 megawatts of transmission the Company has, to move
8 energy from east to west.

9 Q. And I take it you have the same answer for
10 the December '22 winter cyclone?

11 A. Correct.

12 Q. If you turn to page 13 of your testimony --
13 initial testimony.

14 A. I'm there.

15 Q. At lines -- starting at line 23. You testify
16 that the "ratemaking [...] exposure has real NPC
17 implications for Washington customers. When market
18 prices are below the resource costs of the Company's
19 thermal generation in Utah, Idaho, and Wyoming,
20 Washington consumers may see a lower NPC than the rest
21 of the system. However, when market prices are above
22 the resource costs of the thermal generation in Utah,
23 Idaho, and Wyoming, Washington consumers may see a
24 higher net power cost than the rest of the system."

25 Did I read that correct?

1 A. Yes, you read that correctly.

2 Q. And did you do a calculation of what the
3 Company's thermal generation costs in Utah, Idaho, and
4 Wyoming were in 2022?

5 A. While I did not do that calculation for this
6 testimony, the data is there in my work papers.

7 Q. And because you have a least-cost allocation,
8 and when you're paying a higher -- \$71.5 million more
9 in power costs than the 139 forecast, can we presume
10 that, in fact, the thermal generation costs in Utah,
11 Idaho, and Wyoming were lower than market -- I'm sorry,
12 yeah, lower than market?

13 Market prices were higher than the thermal
14 generation costs, correct?

15 A. On average, yes.

16 Q. Did you do a calculation of that? Did you
17 graph that over 2022?

18 A. No. It's industry-standard knowledge of
19 market dynamics in 2022, which had extremely high
20 market prices; whereas at that time, fuel was
21 occasionally lower but sometimes higher for gas
22 resources, you know, December 2022 as an example.

23 Q. How can the Commission determine whether or
24 not the allocation that you've made through this
25 proceeding in the PCAM is the least-cost option if you

1 don't provide us with what the thermal generation costs
2 were? I mean, you could have charged Washington a
3 thermal generation cost.

4 A. These thermal generation units that are
5 referred to in Utah, Idaho, and Wyoming are coal and
6 gas resources, and that Washington does not subscribe
7 to, with the exception of Jim Bridger and Colstrip.

8 The Commission can certainly do what they
9 wish, but those resources, some of them being coal, for
10 example, I understand they're not desired in Washington
11 rates. So I didn't perform any calculation of how the
12 Washington customers would benefit from coal and extra
13 gas on the east side of the system.

14 Q. Can you turn to your testimony on page 6?

15 A. Is this the rebuttal?

16 Q. No, no, same -- sorry, we're still on your
17 original testimony. Page 6, line 14.

18 A. Page 6, line 14 of my rebuttal testimony?

19 Q. Page 6, line 14, your answer -- this is your
20 answer where you describe one of the benefits of the
21 WIJAM is that it prevents competition between the
22 states for purchase, correct?

23 A. Yes.

24 Q. Did you quantify in your testimony -- I think
25 you actually already said this, that you didn't

1 quantify how many market purchases were avoided in 2022
2 by the system transmission from east to west, correct?

3 A. Correct. I didn't quantify that.

4 Q. And it's true that even regardless of the
5 competition within PAC, there is competition with other
6 IOUs in Washington and municipal utilities, too, for
7 the purchase of electricity or gas, correct?

8 A. PacifiCorp competes with utilities across the
9 western region or the western interconnection, not just
10 in Washington. But as our service system is so large,
11 we touch all utilities.

12 Q. Did you make any attempt to quantify what the
13 result of the additional competition of the 8 percent
14 of your system that would have to purchase if we were
15 to hedge separately for Washington? Did you try to
16 quantify that disadvantage or advantage?

17 A. No. There was no need. The knowledge that
18 diversity is beneficial for power costs is well
19 established in the literature and well established in
20 the industry. The Western Energy Imbalance Market is a
21 great example of how a diverse footprint lowers net
22 power costs for all participants within that diverse
23 footprint.

24 And Staff themselves, the Grid Strategies
25 company that the consultants come from, have extensive

1 analyses and reports on the benefits of diversity
2 across the systems and how that is better for power
3 costs.

4 Q. I understand that's what the literature says,
5 and I'm asking you, did you quantify that benefit?

6 A. No.

7 Q. So we don't know how to weigh it against the
8 \$71 million that PacifiCorp is asking for in this
9 proceeding?

10 A. Your question implies I would have a
11 counterfactual for a situation in which, for example,
12 Washington was isolated and the Company served
13 Washington alone. But the calculation would perhaps be
14 meaningless, because you would have to make certain
15 assumptions. To break Washington apart from the rest
16 of the system would require so many assumptions that
17 the conclusion would be subjective at that point.

18 Q. In the hypothetical you did propose of a
19 north and south system, if you look at the top of
20 page 7, lines 2 to 4, you write, "In this holistic
21 system, the load conditions across the two areas
22 (northern and southern) would average out and diminish
23 reliance on market purchases during the stressed peak
24 load conditions." Did I read that correctly?

25 A. Yes.

1 Q. And I presume that's what you allege happened
2 here, that you're balancing it -- or your use of east
3 and west balanced the load between the two systems; is
4 that right?

5 A. It is implied. My hypothetical was a north
6 and south system, but it is applicable to the eastern
7 balancing area and the western balancing area. They
8 peak at different times. And so the total system
9 enjoys the diversity of -- in the summer, when the east
10 side is peaking but the west side not so much, energy
11 can be moved and vice versa. And those are load
12 diversity benefits.

13 Q. But in the actual reality, to use your
14 analogy, one side, north or south -- I don't know which
15 you would allocate east/west here -- is paying more for
16 power costs every year, correct?

17 A. No. The concept of this kind of system which
18 has two parts, one part peaking at a different
19 season -- combined, the prices average out to be less
20 than if one system alone was isolated and net power
21 costs were incurred for that one system. So regardless
22 of whether there's a north or a south, both have lower
23 prices as opposed to each in isolation.

24 And that's the concept of diversity and why
25 diversity lowers net power costs.

1 Q. And I'm trying to understand if the benefit
2 of that outweighs the \$71 million that we have to pay
3 for 2022, in addition to the 139 already forecast?

4 A. The \$71 million that you're referring to,
5 you're conflating with the benefits of diversity.
6 Calculating the benefits of diversity would not be an
7 apples-to-apples comparison with the PCAM deferral,
8 which is based on costs incurred for a multitude of
9 reasons, of which load diversity is just one piece.
10 And so not apples-to-apples comparison.

11 Q. Money is fungible, you said earlier.

12 A. Money is fungible, but the system operations,
13 they're not fungible in terms of load. Being served is
14 not fungible with, for example, wind generation being
15 curtailed or something of that sort, right?

16 Q. That's system operations. But we're talking
17 an accounting exercise. And in an accounting exercise,
18 money is fungible.

19 A. The PCAM deferral is not simply an accounting
20 exercise. There is this WIJAM balancing adjustment
21 that we refer to -- it contributed to the PCAM
22 deferral, but it is not the extent of the PCAM
23 deferral. The total system operations also drive the
24 PCAM deferral. And so from that perspective, the
25 concept of money being fungible, in an accounting

1 construct, is not fully satisfied.

2 Q. In fact, the balancing adjustment for the
3 PCAM in 2022 is \$83 million, correct?

4 A. While I don't recall the exact number --

5 Q. That was from your work papers. We can look
6 at those, I suppose.

7 A. I don't recall the exact number, but it
8 sounds about close.

9 Q. It's true that it would be possible to
10 allocate more hedges to Washington in that calculation
11 of the price that you use to fill the net short. You
12 could allocate more hedges into that so that it's less
13 spot market price?

14 A. I would refer you to Company Witness Staples
15 who goes on in detail about allocation of hedges.

16 Q. All right. Can you turn to your rebuttal
17 testimony, page 1 -- or page 3, I'm sorry. Page 3,
18 line 1.

19 A. I'm there.

20 Q. In this, you provide an example of January of
21 2022. And you indicate that, prior to the "accounting
22 adjustments, approximately 63 percent of the [...]
23 STF" -- which I think is "short-term firm" --
24 "purchases were hedges."

25 ATTY. LOWNEY: Your Honor, this is

1 confidential information.

2 ATTY. O'NEILL: Oh, I'm sorry.

3 ATTY. LOWNEY: We need to go into a
4 closed session if we want to discuss the numeric values
5 that are reflected on this page.

6 ATTY. O'NEILL: I do, your Honor. I
7 apologize.

8 JUDGE BROWN: At this point, do we need
9 to go into a confidential session in order for you to
10 proceed?

11 ATTY. O'NEILL: I am going to ask about
12 the numbers.

13 JUDGE BROWN: Do we have those
14 identified who have actually signed a confidential
15 agreement at this point? Not just in here, but also
16 online, because we need a breakout room online as well.

17 ATTY. LOWNEY: We can review the names
18 that we see on participants' list.

19 JUDGE BROWN: Would you like to take
20 that time right now before we proceed any further?

21 ATTY. O'NEILL: Your Honor, we're at the
22 10:26 mark, and you had indicated your intent to take a
23 break. Maybe we could take a break and the parties
24 could confer.

25 JUDGE BROWN: Okay, why don't we do

1 that? We'll take a break at this time and reconvene at
2 10:45.

3 ATTY. PEPPLER: Judge Brown, just a point
4 of -- I will note that when I have cross of
5 Mr. Staples, it will have confidential information as
6 well. I don't know if there's an easy way to do all
7 the confidential stuff together or -- maybe just
8 something to think about.

9 JUDGE BROWN: I think that that's how we
10 should proceed and make sure that once you're concluded
11 with your confidential line of questioning, then you'll
12 proceed with your confidential line of questioning. If
13 we need to circle back and then you can -- and then you
14 can ask questions that are not going to trigger any
15 confidentiality, then we'll proceed with your regular
16 line of questioning at that point.

17 But I think for the sake of economy, it
18 would make sense that we deal with all the
19 confidential -- testimony about confidential
20 information all at once.

21 I'm sorry, Mr. Kumar?

22 COMMISSIONER RENDAHL: Would you use
23 your microphone? I'm having a hard time hearing you.
24 Thank you.

25 ATTY. KUMAR: I think it's -- I think

1 it's likely that a significant portion of both the
2 cross-examination for Mr. Staples and Mr. Fritz would
3 likely occur in confidential session. So once we enter
4 confidential session, it may make sense to stay in
5 confidential session for the duration of those
6 witnesses. That's what I think the company would
7 propose, for the sake of --

8 ATTY. O'NEILL: Your Honor, that makes
9 sense to me. So if we go into confidential session --
10 this is my last set of questions for Mr. Mitchell. We
11 could do that in confidential and then go into
12 Mr. Fritz and -- I don't know which order you wanted to
13 do, Fritz --

14 JUDGE BROWN: Here's my suggestion,
15 then. Can the parties confer, come up with an order,
16 and then once we reconvene, we'll proceed based on
17 what's agreed upon among the parties? With regards to
18 witnesses presented. I'm sorry?

19 COMMISSIONER RENDAHL: And we'll also
20 need to look at the -- have the parties look at the
21 participant list online and in the room and determine
22 what we need to do.

23 ATTY. O'NEILL: I think -- yeah, I mean,
24 I would -- the parties can work it out, your Honor. I
25 think that I would propose that we each look at our own

1 people and make sure that they've all signed.

2 CHAIR DANNER: If I may,

3 Public Counsel --

4 THE COURT REPORTER: I'm sorry, is that
5 Mr. Danner?

6 CHAIR DANNER: It is.

7 THE COURT REPORTER: Your microphone was
8 muted in the middle of your speaking.

9 CHAIR DANNER: All right. Can you hear
10 me now? I was just asking a question of Public
11 Counsel, if they have no further nonconfidential
12 questions.

13 ATTY. O'NEILL: I don't have any
14 nonconfidential questions for this witness, your Honor.

15 CHAIR DANNER: Okay.

16 ATTY. O'NEILL: I mean, I have other
17 nonconfidential questions for other witnesses.

18 CHAIR DANNER: Understood. Understood.

19 JUDGE BROWN: All right. Well, at this
20 point, we are off the record, and we will reconvene at
21 10:45.

22 (Break from 10:30 a.m. to 10:52 a.m.)

23 JUDGE BROWN: Okay. Now we're back on
24 the record. And at this time, I believe the Company
25 would like to read into the record with regard to

1 witnesses and confidential witnesses.

2 ATTY. LOWNEY: Yes. Thank you, your
3 Honor. The parties have conferred, and subject to
4 being corrected by folks if I misspeak, our proposal is
5 to have the hearing go into confidential session now,
6 and then we will handle all of the witnesses who will
7 be subject to confidential cross-examination at one
8 time.

9 Once those witnesses have concluded the
10 confidential session, then we can return to a public
11 session and cross-examine the witnesses who have public
12 testimony and are not expected to have confidential
13 testimony.

14 And so with that framework in mind, the
15 witnesses who would fall into the confidential session
16 would be the remainder of Witness Mitchell's testimony,
17 Witness Staples, and Witness Fritz for the Company; and
18 then Witness Mullins and Witness Wilson for AWEC and
19 Staff will be cross-examined by the Company. And then
20 the nonconfidential public session would pick up with
21 Mr. Painter and Wilding.

22 And then Witness Yeomans and Witness
23 Earle for Staff and Public Counsel were not designated
24 for cross-examination, but to the extent the Commission
25 or the judge has questions for them, they could be

1 addressed either in that public session; or if you know
2 you have questions and you know those questions are
3 going to be confidential, we could probably just put
4 them in at the end of the confidential session.

5 JUDGE BROWN: Also, to clarify while
6 we're on that topic, I just want to confirm that the
7 witnesses such as AWEC Witness Mullins as well as
8 Public Counsel Earle and Staff Witness Wilson will be
9 available for cross or potential bench questions as
10 well. Is that the understanding?

11 ATTY. LOWNEY: That's correct. The
12 Company has a designated cross-examination for Witness
13 Mullins and Witness Wilson.

14 JUDGE BROWN: Okay.

15 ATTY. LOWNEY: But that is the extent of
16 our cross-examination today.

17 JUDGE BROWN: All right. I just wanted
18 to ensure that those witnesses were also available for
19 further questioning if necessary from the bench. But
20 thank you, I appreciate it.

21 Whenever you're ready, Mr. O'Neill.

22 ATTY. O'NEILL: I think we need to go
23 into confidential session.

24 (The following portion is marked confidential.)

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3 (Here ends the preceding confidential section.)

4 (Break from 2:39 p.m. to 2:52 p.m.)

5 JUDGE THOMPSON: Continue with the
6 Company's next witness, I believe, Witness Wilding?

7 Mr. Painter? Okay, Mr. Painter. Are you ready?

8 JACK PAINTER: I am.

9 JUDGE THOMPSON: Okay. Thank you. If
10 you'd please raise your right hand.

11

12 JACK PAINTER, witness herein, having been
13 first duly sworn on oath,
14 was examined and testified
15 as follows:

16

17 JUDGE THOMPSON: Thank you.

18 And Staff, do you have any
19 cross-examination for Mr. Painter? Public Counsel?

20 ATTY. O'NEILL: Yes, your Honor. I have
21 a few questions.

22

23 CROSS-EXAMINATION

24 BY ATTY. O'NEILL:

25 Q. Good morning, Mr. Painter.

1 A. Hello.

2 Q. Do you have your direct testimony with you?

3 A. I do.

4 Q. Could you turn to page 14 of that direct
5 testimony?

6 A. Okay.

7 Q. The question was directed to you to answer a
8 change -- "explain the changes in the purchased power
9 expense." And you indicate that the "Purchased power
10 expense increased primarily due to higher market
11 purchases." Did I read that correctly?

12 A. That is one of the primary reasons, yes.

13 Q. On line 10 to 12 of that page, you indicate
14 that actual market purchases were approximately 90
15 gigawatts -- 90 gigawatt hours or 8 percent lower than
16 the base NPC, but "the average price of the actual
17 market transactions was \$48.67/MWh, or 97 percent
18 higher than the base NPC."

19 A. That is correct.

20 Q. If Washington -- or if the actual purchases
21 were 8 percent below forecast, does that mean that your
22 forecasts for -- your forecasts were -- you were
23 under-forecasted overall for your system?

24 A. That would not indicate that we were
25 under-forecast for the system, because of the WIJAM

1 allocation model. Through that process, the megawatt
2 hours for purchased power were 8 percent under what we
3 had forecasted through WIJAM.

4 Q. Okay. You indicate that the price spikes --
5 well, it's primarily the prices that were driving the
6 increase in NPC, though, not the increased usage?

7 A. Well, for -- looking at the testimony that we
8 were just looking at, actual market purchases were
9 lower. But it's the increased --

10 Q. The price?

11 A. -- price, along with those weather events I
12 also discuss in this section.

13 Q. In the July and September heat waves that you
14 describe as causing 16.4 million of costs, were those
15 July and September -- July through September heat waves
16 limited to the Washington territory, or was it across
17 PacifiCorp's system?

18 ATTY. O'NEILL: Hold on. Let me see,
19 I'll find it.

20 BRADLEY MULLINS: If you could --

21 THE COURT REPORTER: I'm sorry, was
22 there an instruction there? I didn't hear anything.

23 JUDGE THOMPSON: There was no objection,
24 just a question of clarification. And if you could
25 please speak into the microphone, I would appreciate

1 it.

2 THE COURT REPORTER: Thank you.

3 Q. (BY ATTY. O'NEILL) If you turn to page 12,
4 line 10, you'll see the number 16.4 for that heatwave.

5 A. Correct. And yeah, and my testimony on
6 line 7, across the company's service territories, from
7 memory, in looking at that, the west was the most
8 impacted. But we also experienced on the east side of
9 the system also.

10 Q. Did you -- or were you to able to calculate
11 what benefits the Washington consumers had from being
12 part of an interconnected system? In other words, did
13 you calculate how much transmission from east to west
14 occurred during that heatwave?

15 A. I did not, no.

16 Q. And I have the same question for the
17 December 2022 cyclone, which you calculated as having
18 34.6 million -- 34.6 million in impact.

19 A. Right. I did not calculate any transmission
20 from one side to the other.

21 ATTY. O'NEILL: That's all the questions
22 I have. Thank you.

23 JUDGE THOMPSON: AWEC, do you have any
24 cross-examination for this witnesses?

25 ATTY. PEPPLER: No, your Honor.

1 JUDGE THOMPSON: Thank you. Any
2 redirect?

3 ATTY. LOWNEY: No, your Honor.

4 JUDGE THOMPSON: Thank you. Any
5 questions from the bench?

6 Okay. You may step down. Thank you.

7 And at this time, would the Company like
8 to call its next witness?

9 ATTY. LOWNEY: Yes. We'd like to call
10 Mr. Wilding.

11 JUDGE THOMPSON: Thank you.

12 Are you ready, Mr. Wilding?

13 MICHAEL WILDING: Yes.

14 JUDGE THOMPSON: Okay. If you could
15 please raise your right hand, I'll swear you in.

16
17 MICHAEL G. WILDING, witness herein, having been
18 first duly sworn on oath,
19 was examined and testified
20 as follows:

21
22 JUDGE THOMPSON: Thank you. Staff, do
23 you have any cross-examination for this witness?

24 ATTY. STRAUSS: No, your Honor.

25 JUDGE BROWN: Thank you. Public

1 Counsel?

2

3

CROSS-EXAMINATION

4 BY ATTY. O'NEILL:

5 Q. Good afternoon, Mr. Wilding.

6 A. Good afternoon.

7 Q. You've been with the company since 2014; is
8 that correct?

9 A. That's correct.

10 Q. Are you aware of the history -- well, let's
11 turn to a specific part of your testimony. If you look
12 at page 3, starting at line 4.

13 A. Okay.

14 Q. Here you reference the 1988 decision
15 approving the merger of PacifiCorp and Utah Power and
16 Light Company. And you cite to that 1988 finding that
17 the benefits of the merger "were uncontradicted."

18 A. That's right.

19 Q. Are you aware that the next sentence after
20 the word "uncontradicted" is that the Commission's
21 concern was that Washington ratepayers receive an
22 equitable share of benefits?

23 A. That seems correct.

24 Q. You agree that that's the standard that is
25 applied by the Washington Commission when evaluating

1 proposals before it?

2 A. I believe that the Commission approves rates
3 that are just and reasonable, and that is their
4 position and their obligation.

5 Q. In the acknowledgment of the 2011 IRP, the
6 Commission cautioned PacifiCorp to have an active risk
7 management program that's vigilant to changes in the
8 actual market conditions. Are you aware of that?

9 A. I am.

10 Q. And would you agree that that should be a
11 governing principle for the Company?

12 A. Yes. It is. And we do have a very diverse
13 and nimble risk management policy. And I think that's
14 evidenced by the fact that when we did see market
15 conditions changing and we saw resource adequacy need
16 and resource scarcity kind of come to fruition in the
17 western interconnect, we did change our risk management
18 policy to address that growing concern and that, you
19 know, growing risk of having sufficient energy supply
20 to reliably serve our customers.

21 And that's why we did have that risk
22 management change -- that change to our risk management
23 policy that Mr. Fritz talked about. And, you know, we
24 continue to evaluate our risk management policy on an
25 ongoing basis and make changes as necessary so that we

1 can continue to address the risks as they change and
2 evolve in the market.

3 Q. Did you participate in the creation of the
4 new policy, the hedging policy in April of 2021?

5 A. I did.

6 Q. In that formulation of that policy, did you
7 calculate what the impacts of that new hedging policy
8 would be on Washington consumers through the WIJAM
9 analysis -- I mean, through the exposure in WIJAM?

10 A. What do you mean by "the impact to Washington
11 customers"?

12 Q. Well, in the 2017 IRP, PacifiCorp increased
13 the market exposure for Washington from 843 megawatts
14 to 1,128 megawatts.

15 A. Can you point me to that or show me -- give
16 me a source for that?

17 Q. That's in the 2017 IRP letter. But I'll ask
18 you to assume that. I mean, you're aware that
19 PacifiCorp increased Washington's exposure in 2017?

20 A. No. I would have to see the source document.

21 Q. Fair. Fair. It's true that you knew, in
22 April of 2021, that Washington was going to be
23 significantly short in its WIJAM allocation, correct?

24 A. In April of 2021, we did have, we had gone
25 through extensive negotiations and collaboration with

1 the Washington Commission Staff, Public Counsel, and
2 AWEC to come up with and collaboratively develop the
3 WIJAM cost allocation methodology.

4 And that cost allocation methodology did make
5 it so that a significant amount of resources that were
6 not previously allocated to Washington would be
7 allocated to Washington, providing a path for
8 compliance with its energy goals, specifically the
9 Energy Vision 2020 resources. And it also made it so
10 that they could comply with the "no coal in rates"
11 mandate that is also in Washington law, where they do
12 not participate in any of the thermals in our east side
13 and/or -- you know, and also would remove the Jim
14 Bridger coal facilities from rates by that time-certain
15 period.

16 And so I disagree that we made the system
17 significantly short. This was a collaborate effort,
18 and was approved by the Commission as part of that rate
19 case in 2020. Or I may have my year wrong, but as part
20 of that rate case where that WIJAM methodology was
21 approved by the Commission. And so -- and to say that
22 we made the system significantly short, I disagree with
23 that.

24 Q. I think -- and if I misspoke, I didn't mean
25 to misspeak. You were aware, in April of 2021, that

1 Washington was going to be significantly short through
2 the WIJAM balancing adjustment? You knew that
3 Washington was going to be short?

4 A. I knew that it would not participate in the
5 entire fleet -- generation fleet of our system; and
6 therefore would have a cost allocation methodology
7 shortfall that would be remedied and would be filled
8 with a market purchase and allocation of market
9 purchases.

10 Q. And did you do an analysis in April of 2021
11 about whether the hedging policy ought to be adjusted
12 to address Washington's short allocation in the --
13 through the WIJAM?

14 A. No, because it was unnecessary. And what
15 I -- because as I just testified to, and when Mr. Fritz
16 and I, you know, worked together on this and with the
17 rest of the team and we identified that risk in the
18 market of, you know, increased scarcity or, you know,
19 less supply available, and really addressing that
20 resource adequacy risk and that reliability risk that
21 we were facing, that's where we came up with the
22 metrics that we would fill that short position on a
23 forward basis up to 75 percent -- or a minimum of
24 75 percent leading into that prompt quarter, that next
25 full quarter.

1 And so therefore, whether the system or a
2 single state is short, the policy is the same. We're
3 still trying to fill that short. So if we were to do
4 something different, as being implied, for the state of
5 Washington, the impact of that would be to potentially
6 increase cost and over-procure resources, specifically
7 market purchases.

8 ATTY. LOWNEY: Your Honor, at this point
9 I would just like to remind the witness that we are in
10 public session, to the extent that he's referring to
11 specific numbers, those might be confidential,
12 Mr. Wilding.

13 MICHAEL WILDING: Yeah. Thank you for
14 the reminder.

15 Q. (BY ATTY. O'NEILL) You indicated that Pac has
16 added renewable resources to its system since 2020; is
17 that correct?

18 A. Absolutely.

19 Q. You added the Energy Vision Project; is that
20 correct?

21 A. Yeah, absolutely. 1,150 megawatts of new
22 wind.

23 Q. Where is that located?

24 A. It's located in eastern Wyoming.

25 Q. And that's in the eastern control area?

1 A. That's in the PacifiCorp East balancing area
2 authority -- balancing authority area, sorry.

3 Q. There's -- you added a Rock Creek Project?

4 A. That will be coming online, but it is
5 currently under construction.

6 Q. Is that a new project?

7 A. That is a new project.

8 Q. And where is that located?

9 A. Also in Wyoming.

10 Q. And that's on the east control area of
11 PacifiCorp?

12 A. The east control area -- I'm not sure what
13 you mean by that. That is a -- perhaps an old term
14 that was used in the WCA cost allocation methodology.
15 But it is in the PacifiCorp East balancing authority
16 area.

17 Q. Okay. PACE versus PACW?

18 A. Yeah.

19 Q. All right. It's in PACE?

20 A. We say "pace."

21 Q. The Rock River I and II projects -- were
22 those -- is that new generation or is that just
23 transmission -- increased transmission capacity?

24 A. That's also wind generation.

25 Q. Okay. And where are those?

1 A. Wyoming.

2 Q. In Pac-East?

3 A. That's correct.

4 Q. There's also the Gateway South and West
5 Transmission Projects and the Foot Creek II through IV
6 projects.

7 A. That's right.

8 Q. And are those transmission projects or are
9 they added actual capacity?

10 A. Foot Creek II through IV is wind capacity,
11 and then the Gateway South and Gateway West are
12 transmission.

13 Q. And where are those located?

14 A. Wyoming and Pac-East -- PACE.

15 Q. Pac-East.

16 A. And then I would add that we are also, you
17 know, in 2024, in total, with all of the PPAs that we
18 are adding as well plus the projects that you
19 mentioned, we're going to add about 1,150 megawatts of
20 wind. So essentially another Energy Vision 2020
21 project.

22 In 2025, 400 megawatts of wind. In 2026,
23 we're adding 400 megawatts of solar and battery. And
24 also in 2026, we're in advanced negotiations to add
25 750 megawatts of standalone battery as well.

1 All of this, regardless of the location, this
2 is kind of the significant benefit that PacifiCorp
3 brings to Washington customers, that these assets are
4 physically -- a lot of them are physically allocated --
5 or, excuse me, physically located in PacifiCorp East
6 and in Wyoming. And that's a great benefit, because
7 those wind resources are some of the best wind
8 resources in the United States, and definitely in the
9 western United States. That without PacifiCorp's vast
10 network of transmission and footprint, Washington
11 customers would not have access to those wind
12 resources. And they help significantly in the 2020
13 rate case.

14 In my testimony, I actually testified how
15 those wind resources will help us meet our CETA goals
16 and our CETA compliance goals. So that side of the
17 resource brings a lot of benefits to PacifiCorp
18 customers and to Washington customers because of the
19 great wind resource. And then in southern Utah, we
20 have some of the best solar resources. And then that
21 transmission capability allows us to flex the system
22 and allows us to move the resources where they're
23 needed and effectuate and optimize for our customers to
24 receive the lowest cost possible.

25 And then we can do the same with the market

1 access that we have. When Mid-C's above PV, we can buy
2 at Palo Verde, which is a market hub in the Southwest,
3 and move energy to the Northwest. And when energy's
4 lower at Mid-C, we can buy at Mid-C and keep the energy
5 in the Southwest and utilize that transmission system
6 and that diversity to the benefit of our customers.

7 Q. Did you provide any calculations for the
8 geographic diversity benefit that you're describing in
9 2022?

10 A. We did not do that. I personally did not do
11 that, and did not do that in our testimony. We have
12 done that in the past. But I think that's generally
13 understood, that, you know, the transmission system and
14 having that connectivity allows us to optimize and
15 procure the least-cost resources and least-cost market
16 purchases when we need to.

17 Q. Except that you're not procuring the
18 least-cost, you're allocating through the WIJAM.
19 You're just giving us a cost for it that you're
20 allocating to us.

21 A. Hundred percent disagree.

22 Q. Okay.

23 A. Because what we -- we were procuring the
24 least-cost --

25 Q. I don't have -- I didn't ask -- I didn't ask

1 a question.

2 If you'd look at the table on page 11 of your
3 testimony.

4 This is the list of megawatt hours that have
5 been added to your system since 2020; so between 2020
6 and 2022; is that right?

7 (Technical interruption.)

8 ATTY. O'NEILL: Page 11.

9 ATTY. LOWNEY: Direct me to that table
10 again? Thank you.

11 ATTY. O'NEILL: Page 11, table -- it's
12 not labeled, it's just a table there.

13 THE COURT REPORTER: And was that a
14 clarification question by the Commission?

15 JUDGE THOMPSON: That was a
16 clarification question by counsel for the Company,
17 asking what page the table referenced was on.

18 THE COURT REPORTER: Thank you.

19 Q. (BY ATTY. O'NEILL) These are all wind
20 resources that were added to your system; is that
21 correct?

22 A. This is the comparison of the generation of
23 the wind resources, the output of all of our wind
24 resources in 2022. And it's a comparison of what is
25 included in Washington rates currently versus what

1 would have been included before the Commission approved
2 the WIJAM cost allocation methodology.

3 Q. Okay. And across the system, the -- these
4 resources add up to 7 million -- 7.2 million megawatt
5 hours; is that correct?

6 A. That's correct.

7 Q. But only 7.97 percent of those are allocated
8 to Washington; is that correct?

9 A. Yeah, that's correct. So we nearly doubled
10 the wind generation included in Washington rates.

11 Q. And I think that also means that 7.9 percent
12 of the costs for each of these facilities is also
13 allocated to Washington; is that correct?

14 A. Yeah. Commensurate with the benefits,
15 correct.

16 Q. Is it possible or did PacifiCorp consider
17 assigning the TB Flats Wind, for example, to Washington
18 in its entirety -- 100 percent of it?

19 A. Like I said, the WIJAM was the cost
20 allocation methodology that was approved by the
21 Commission after collaboration and agreement between
22 Staff, AWEC, and Public Counsel.

23 Q. Even after the addition of this wind
24 generation, Washington was 939,000 megawatt hours short
25 by allocation, correct?

1 A. No, I disagree. And I would ask you to -- I
2 mean, I don't want to agree to that. I would ask you
3 to show me where that number is coming from.

4 Q. Okay. Can you go to page 15 of your
5 testimony?

6 A. I'm there.

7 Q. On lines 10 to 13. You say, "PacifiCorp is
8 not making more market purchases because of
9 Washington's cost allocation; Washington is being
10 allocated an estimated cost of the hedge market
11 purchases to account for the difference between [the]
12 system operations (the system being adequately served)
13 and [the] approved cost allocation methodology."

14 Did I read that correctly?

15 A. Yes, you did.

16 Q. If the WIJAM is it going to mean that
17 Washington is short by whatever the number is -- it's
18 939, but you don't have to take my word for it -- how
19 is PacifiCorp going to control for that increased
20 market exposure?

21 A. Sorry, can you re- -- can you ask me that
22 question again?

23 Q. There's two ways to avoid or to reduce that
24 market exposure: One would be to allocate new
25 resources, and you said we can't do that because of

1 WIJAM; the other would be to hedge for it, or come up
2 with some mechanism to reduce Washington's exposure to
3 having to purchase 939,000 megawatt hours.

4 And I'm just wondering, is there any other
5 option? Those are the only two options? You can
6 either hedge or you can allocate?

7 A. Actually, I disagree. And maybe I would just
8 say, one, if Washington wanted to participate -- fully
9 participate in our system and fully participate in the
10 cost allocation of our entire system under the 2020
11 protocol, I think we would be open to that at
12 PacifiCorp, and we would love to have those
13 conversations.

14 Two, talking about market exposure and being
15 allocated a share of market purchases to fill that open
16 position that is left by not participating in the
17 resources, and so hedging more, to your point, is
18 simply buying more market purchases. So it really does
19 nothing to change the open position and what has to be
20 done with market purchases. You're still -- you're
21 filling that open position with market purchases.

22 And then two -- or lastly, I guess, you know,
23 I just went through the list of all the resources that
24 we are adding. We're adding another 1,500 megawatts of
25 wind, 400 megawatts of solar, 1,100 megawatts of

1 batteries between now and the summer of 2026. So yes,
2 we are addressing the resource need that we have. And
3 on top of that, we are also doing other things. You
4 know, reliability and resource adequacy is a big
5 concern for us. And to reliably serve customers is
6 very important and fundamental to what we do. We're
7 participating in EDAM and working on launching that
8 day-ahead market with the California ISO. And we're
9 also participating in the Western Resource Adequacy
10 Program.

11 Q. Did you provide any calculations for the
12 benefits from those programs in the 2022 --

13 A. They --

14 Q. -- in your testimony.

15 A. Yeah, thank you. In 2022, neither of those
16 programs are functional right now. We are working to
17 stand those up with our partners within the region.
18 But I think that makes, you know, a really good point,
19 is that 2022, our actual costs and some of these things
20 that we've been talking about are future, but we are
21 acting with an eye towards the future.

22 Q. Do you have Cross-Examination MGW-2X, which
23 is the transcript of the recessed open meeting from
24 March 22nd?

25 A. Yes, I do.

1 Q. I'd like to direct your attention to page 91
2 of that transcript.

3 A. Okay.

4 Q. This is Mr. McVee's testimony. And if you
5 want to take the opportunity to review his full answer,
6 it starts on page 89. I'll let you -- I mean, I'll let
7 you decide. It goes to 93. If you want to review that
8 quickly to get context. I'm going to ask you
9 specifically about the answer that he gave -- or the
10 testimony he gave at the bottom of page 91 to 92.

11 A. You know, I was not involved in this hearing,
12 I was not present, I was not -- this is outside my
13 responsibility at PacifiCorp. So I would not -- I
14 would not answer any questions on this. I would not be
15 comfortable opining on Mr. McVee's testimony.

16 Q. Go ahead and review it. We'll see if we can
17 get anything profitable. And let me know when you're
18 done.

19 A. Okay. Yeah, I've read it.

20 Q. And if you look at the line on page 91,
21 line 5, Mr. McVee asks, "Is there a different way that
22 we plan? And if there's a different way that we plan,
23 can we start -- you know, is there an opportunity for
24 me situs resources?"

25 Did I read that correctly?

1 A. Yes.

2 Q. Okay. And by "situs resources," he means
3 resources that are allocated to a specific location --
4 Washington, in this instance?

5 A. Yes.

6 Q. And he said down on to say, "What [this] does
7 mean is instead of Washington taking 8 percent of a
8 resource, a solar resource, say, a 200 megawatt solar
9 resource, it might take 100 percent or split it with
10 Oregon, but take larger shares." Did I read that
11 correctly?

12 A. Yes.

13 Q. So overall, PacifiCorp is long. I mean, it
14 has a lot of generation, correct?

15 A. No.

16 Q. It's generally long on the east, anyway?

17 A. From a -- in our daily position reports, yes,
18 we have some length in the east, but we serve our
19 system as a whole and we plan our system as a whole.

20 And in our IRP, we have the front office
21 transactions which show essentially an open position
22 that we are going to fill in the market. And so to say
23 that PacifiCorp is long is incorrect.

24 Q. Okay.

25 A. To say that we have length at certain parts

1 of our system during certain times of the year, sure.
2 But generally speaking, the IRP does show and does
3 provide an open position that we have -- that we would
4 choose then to fill with market purchases.

5 Q. And you've been adding resources on the
6 east -- in the Pac-East?

7 A. Yeah, absolutely. And, I mean, where they're
8 located doesn't change the benefit to Washington
9 customers. All of those resources that we're locating
10 in the east and taking advantage of that Wyoming wind
11 that has a higher capacity factor than the wind on the
12 west side of our system; or solar that has higher
13 capacity factors than solar in the Northwest, that
14 solar in southern Utah -- because of our system and our
15 diverse geographical footprint, Washington customers
16 benefit more from those resources, and the IRP selects
17 where those resources should be located.

18 So I mean, yeah, they're located on east
19 side. But that -- because they're located in the
20 optimal spot based on transmission and capacity
21 factors, that means Washington customers benefit more
22 from that resource being located there as opposed to a
23 less-optimal spot on our system.

24 Q. And they're paying a proportionate part of
25 the cost for what is allocated to Washington.

1 A. Absolutely, commensurate with the benefits.

2 Q. In April of 2021, when you were revising your
3 policies, you knew that Washington was going to be
4 allocated short. You knew that it was going to have to
5 fill power on the market. You knew -- predicted,
6 anyway -- that there were going to be scarcity events
7 and prices were going to go up. And instead of
8 planning for that specific position for Washington, you
9 planned simply to hedge for the system as a whole.

10 Do I have that correct?

11 A. Not exactly. And the reason why is because,
12 again, Washington is part of our system. And yes,
13 because of the cost allocation methodology, Washington
14 has a ratemaking -- a larger open position relative --
15 proportionately relative to the rest of the system.
16 But again, that doesn't change and wouldn't change our
17 risk management policy.

18 And because -- again, whether you're -- and
19 we're looking at, again, the peak hour, peak time, and
20 whether we are, you know, 100 megawatts short or 400
21 megawatts short or 1,000 megawatts short, we're going
22 to go close that position. And the amount of that open
23 position doesn't necessarily matter and doesn't change
24 our risk management policy.

25 Like, if a plant goes down and is on an

1 extended outage or is on a major maintenance overhaul,
2 that adds to our open position, and we will get the
3 risk management report from -- you know, our position
4 report from our risk management group, and we're going
5 to go fill that position. It doesn't change how we
6 act. We still fill the position.

7 Q. Right. And in this case, you're filling the
8 position with market purchases for Washington
9 consumers.

10 Do you know how much additional per-megawatt
11 Washington consumers paid than the rest of PacifiCorp's
12 system?

13 A. I would -- I don't accept that question,
14 even. I think there's an implication in that question
15 that they pay more. I think they pay less if not
16 comparable to the rest of our system.

17 Q. Did you review Mr. Earle's testimony in which
18 he calculated that Washington pays 44 percent more than
19 other parts of PacifiCorp's system on a
20 per-megawatt-hour basis?

21 A. You'd have to point me to -- I don't have his
22 testimony with me, but you'd have to remind me of the
23 reference.

24 Q. You didn't do a calculation yourself,
25 however?

1 A. No.

2 ATTY. O'NEILL: All right. I don't have
3 any more questions. Thank you.

4 JUDGE THOMPSON: Any cross for this
5 witness from AWEC?

6 ATTY. PEPPLER: No, your Honor.

7 JUDGE THOMPSON: Any redirect from the
8 Company?

9 ATTY. KUMAR: Just a couple questions.

10

11

REDIRECT EXAMINATION

12

BY ATTY. KUMAR:

13

Q. Mr. Wilding, Mr. O'Neill asked you a series

14

of questions about whether or not the resources that

15

had been acquired were the least-cost least-risk

16

resources for Washington. And you stated that you

17

100 percent disagree, and I believe the question ended

18

there without you being able to complete your answer.

19

Could you complete your answer for us?

20

A. Yeah, absolutely. Again, because Washington

21

is part of the system, the implication that we haven't,

22

you know, planned on a least-cost least-risk basis for

23

Washington because we planned on a least-cost

24

least-risk basis for the system is nonsensical. And

25

because a situs resource, by definition, is a resource

1 that is higher cost than what would otherwise be
2 acquired to serve the system.

3 And so when the IRP plans on a least-cost
4 least-risk basis, and it includes that open position
5 that we're going to use market purchases to fill and
6 use it as a resource to fill that open position, that
7 is the least-cost least-risk solution. And so by
8 definition, a situs resource for Washington would be
9 more expensive than what the IRP is planning for the
10 entire system. So that's why I disagree with that
11 statement that we have not planned for -- on a
12 least-cost least-risk basis for Washington.

13 Q. And I just want to maybe ask a clarifying
14 question. Let me bring this closer. I don't think I'm
15 speaking into the mic. A quick clarifying question
16 regarding the company as a whole and the system as a
17 whole. Does the system as a whole generally have an
18 open position that you're looking to fill?

19 A. Yes, it does. And again, that's consistent
20 with what the IRP shows, is that front office
21 transactions represents an open position that we are
22 looking to fill.

23 And then I think Mr. Fritz testified earlier
24 that, you know, that risk management report that we get
25 on a daily basis that provides insight and gives us

1 direction on our hedging practices, that will optimize
2 the system and use the transmission capability and the
3 generation that we have to tell us -- and market prices
4 that are input into the model in the Southwest and the
5 Northwest to tell us where to transact and where to
6 hedge.

7 And that, again, by being able to move energy
8 around, being able to transact at the lowest-cost --
9 lowest-cost market, that provides significant benefits
10 to our Washington customers.

11 ATTY. KUMAR: I have no further
12 questions.

13 JUDGE THOMPSON: Any questions from the
14 bench?

15
16 EXAMINATION

17 BY COMMISSIONER RENDAHL:

18 Q. Good afternoon, Mr. Wilding.

19 A. Good afternoon.

20 Q. So in your testimony, and that would be on
21 page 6, just for your reference, you referenced the
22 WIJAM and the 2020 PacifiCorp Inter-Jurisdictional
23 Allocation Protocol, or the 2020 protocol, correct?

24 A. Yes.

25 Q. And were you involved in the discussions and

1 negotiations around the WIJAM and the 2020 protocol?

2 A. Yes, I was. And that was a prior role to
3 what I have now, and I was very much involved in both
4 of those.

5 Q. Okay. So my memory from that time was,
6 because there was a Commissioners meeting for the 2020
7 protocol -- was there was consideration of states
8 selecting resources to be allocated to those states,
9 given the differences in policies among the states. Do
10 you remember that?

11 A. I do. That was one of the iterations that we
12 did negotiate around and had lots of discussions about.

13 Q. Now, has that come to fruition?

14 A. It is not, and we have not reached agreement.
15 And the 2020 protocol was a little bit of a middle
16 ground and a bridge to try to get to something more
17 like you're describing now, where states would be
18 assigned a fixed share of certain generation resources
19 that aligned with their state energy policies. And so
20 we provided pathways for -- specifically for, you know,
21 west-side states -- Oregon, Washington -- to remove
22 coal costs from their rates.

23 We also provided, you know, different other
24 bridges to get to that kind of point that you're
25 talking about or something similar to that. And we

1 continue those negotiations today.

2 Q. So those negotiations are ongoing now?

3 A. Yes, that's correct.

4 Q. Okay. And the WIJAM and the 2020 protocol
5 were all considered by the Commission -- the Washington
6 Commission at the same time, correct?

7 A. Yes, that's correct.

8 Q. Okay. So your testimony talks about or I
9 guess it was the transcript that was being referenced
10 focused on situs. Now, is the shift going now from a
11 share to situs? Or is that no longer your area of
12 work, and you can't speak to that?

13 A. Are you talking about the current
14 negotiations in MSP?

15 Q. Yes.

16 A. Yeah, I'm not as involved with MSP as I have
17 been in the past. I'm more -- so I would have to defer
18 that to someone in regulation.

19 COMMISSIONER RENDAHL: Okay. Thank you.
20 That's all my questions.

21

22

EXAMINATION

23

BY CHAIR DANNER:

24

Q. So this is Chair Danner. I just want to ask,

25

I was trying to pull it up, but the slide show that was

1 referenced earlier talked about the PACE being long
2 and -- you have it in front of you, I don't. But the
3 Pac-West, as I recall, it said that it was long except
4 in peak; is that correct?

5 A. Right.

6 Q. So --

7 A. Um -- sorry.

8 Q. Yeah. Can you square that with what you just
9 told Mr. O'Neill?

10 A. I'm just thinking about confidentiality, is
11 all. And so I think I can answer this without going
12 into confidential...

13 ATTY. O'NEILL: Would it be easier to go
14 into confidential to answer this question?

15 MICHAEL WILDING: I think I would prefer
16 to go into it.

17 CHAIR DANNER: And -- all right, we're
18 going to find out.

19 (Discussion held off the record.)

20 CHAIR DANNER: You know, I think we
21 could probably do this as a bench request.

22 MICHAEL WILDING: Maybe I can -- I think
23 I could probably -- I mean, I've talked about it a
24 little bit.

25 CHAIR DANNER: Let's go off the record

1 for just a second and see if you need to confer.
2 Ten minutes? Yeah, I'm not interested in going into
3 confidential session. So -- I think we have
4 alternatives.

5 ATTY. KUMAR: Could we take a minute to
6 go off the record real quick, and I could maybe confer
7 with Mr. Wilding and we could talk about where he could
8 go non-confidentially?

9 CHAIR DANNER: That's the judge's
10 decision.

11 JUDGE THOMPSON: Yeah. Let's go off the
12 record for a brief moment so that the witness can
13 confer with counsel.

14 (Break from 3:39 p.m. to 3:40 p.m.)

15 JUDGE THOMPSON: Thank you.

16 Q. (BY CHAIR DANNER) All right. Thank you. And
17 my question was if you could square what is in that
18 slide show that was testified to earlier today with
19 what you just testified with Mr. O'Neill about the
20 company's position.

21 A. Okay. Yeah, thanks. There are a couple
22 things here. In the power positions on this slide
23 deck, we have on-peak power positions and off-peak
24 power positions. On the on-peak power positions, we
25 say we're generally short in Pac-West; generally long

1 in PACE, or PacifiCorp East.

2 And again, that's kind of the construct of --
3 we move -- and again, this is back in 2011 -- or not
4 2011, 2021, sorry. The model where it would optimize
5 the system and direct that open position or that short
6 position to the most cost-effective market hub, whether
7 that's Mid-C of Palo Verde. A lot of times, we see
8 that is Mid-C in the Northwest. And especially in this
9 time period, we did see that.

10 And I guess what I'm talking about when I say
11 that we're generally short as a system, this gets us to
12 kind of flat zero, you know, load and supply -- supply
13 and demand kind of crossing that equilibrium, and
14 there's no cushion or no uncertainty.

15 In the IRP, we have a planning reserve margin
16 baked in that allows for that uncertainty in the
17 movement in the days and in load and in generation and
18 outages and those sorts of things. And so that's where
19 kind of generally speaking, we want to have that
20 uncertainty position or that uncertainty requirement
21 based into our position, to be able to respond in a
22 cost-effective and a reliable manner to those types of
23 changes on our system.

24 Q. Okay. So you are -- what is on that slide,
25 you are confirming is true?

1 A. Yes.

2 Q. With the caveats that you have --

3 A. Yes. And especially in 2021, when we gave
4 this presentation.

5 CHAIR DANNER: Okay. All right, I have
6 no further questions. Thank you.

7 JUDGE THOMPSON: Any additional? Okay.
8 With that, Mr. Wilding, you can step down.

9 MICHAEL WILDING: Thank you.

10 JUDGE THOMPSON: And does that conclude
11 the witnesses for the Company?

12 ATTY. O'NEILL: There are no
13 cross-examination questions from any of the parties,
14 but Mr. Earle is available to answer the Commission's
15 questions.

16 JUDGE THOMPSON: Okay. Thank you.

17 ATTY. O'NEILL: I think he's online. At
18 least I hope so. He is.

19 JUDGE THOMPSON: Okay I think we'll go
20 ahead and start with Staff Witness Wilson.

21 ATTY. O'NEILL: Oh, sorry.

22 JUDGE THOMPSON: That's okay. Thank
23 you. Sorry Robert.

24 ATTY. STRAUSS: John should -- John
25 should be online. Yeah, there he is.

1 JUDGE THOMPSON: Okay. Thank you.
2 Mr. Wilson, would you please raise your right hand and
3 I'll swear you in.

4
5 JOHN D. WILSON, witness herein, having been
6 first duly sworn on oath,
7 was examined and testified
8 as follows:

9
10 JUDGE THOMPSON: Thank you. And the
11 Company has waived cross for Witness Wilson, and so I
12 believe at this time we'll go ahead and move to
13 questions from the bench.

14
15 EXAMINATION

16 BY COMMISSIONER RENDAHL:

17 Q. Good afternoon, Mr. Wilson.

18 A. Nice to meet you, Commissioner Rendahl.

19 Q. Nice to meet you. So were you listening in
20 earlier today, particularly for the questions to
21 Mr. Staples, Company's witness?

22 A. I was.

23 Q. Okay. So you heard the question I asked
24 about his proposed alternative allocation proposal.
25 And similar to the question I asked for

1 Witness Mullins, the question for you is, do you -- do
2 you agree with or have concerns with the calculations
3 that Mr. Staples presented in his rebuttal testimony on
4 this proposal?

5 A. Yes, I have reviewed that, and I'll keep it
6 on the public record, but I'll note that the discovery
7 responses to the Company have some detailed discussion
8 of our position on his proposal. They asked us some
9 questions on that.

10 But at a high level, I think I have some
11 conceptual problems with his proposal. I think it
12 conflates the concept of hedging with the -- which is a
13 forward-looking activity to manage risk -- with the
14 purpose and the intent of WIJAM, which is to provide
15 for a fair cost allocation of the costs and revenues
16 that are related to, you know, the Company's power.

17 So I think that's the fundamental problem.
18 I'm happy to sort of elaborate and put that in a little
19 bit of a larger perspective, but I think that's the
20 short answer to the question, is I don't support his
21 proposal because of that sort of underlying confusion
22 that I think is there and I think has been -- has maybe
23 confused a lot of the questions and the discussions
24 today.

25 Q. Okay. Thank you. And so if the Commission

1 were to take that alternative proposal, would you think
2 that this should be applied just for this proceeding,
3 or is this something that should be considered going
4 forward? I understand that you don't agree with the
5 proposal.

6 A. Right.

7 Q. But hypothetically, if the Commission were to
8 accept it.

9 A. Well, I would prefer that the Commission
10 accepted my proposal.

11 Q. Understood.

12 A. And I -- but I do think that, as a general
13 matter, these -- well, I think the -- okay, so there's
14 a problem here, which is that his proposal is to
15 take -- to take system-level hedging -- and this is the
16 conceptual problem, and I'll stick to your question --
17 but it's to take system-level hedging and then, in
18 certain months, say, "We're going to assign those
19 benefits based on" -- okay, let me back up.

20 It's to take system-level hedging. And if,
21 in that year, the system-level hedging doesn't provide
22 enough benefits to the west based on where those hedges
23 were placed, then we will implement this more complex
24 month-by-month calculation. And then in those months,
25 we are going to shift hedging benefits from the east

1 system to the west system for Washington's purposes --
2 for Washington's cost allocation purposes.

3 And I think, you know, for some of the same
4 reasons that Witness Mullins raised, I think that
5 results in a unfair allocation for Washington
6 customers.

7 That said, I think if that's the Commission's
8 decision, that that's a reasonable approach. And it
9 also finds that the hedging practices that Washington
10 is -- or, excuse me, that PacifiCorp is exercising
11 right now are prudent and should continue, then I would
12 think that the Commission would want to establish this
13 approach on a permanent basis. It would not make sense
14 to make it a one-off.

15 On the other hand, if the Commission were to
16 find that there needs to be changes to the hedging
17 practices, then I think that this allocation scheme
18 that Witness Staples proposes would need to be
19 revisited every time the hedging practices are updated,
20 because you're interlocking the decision on hedging
21 with the decision on allocation.

22 I hope that makes sense.

23 COMMISSIONER RENDAHL: That does. Thank
24 you, I appreciate it. And those are all the questions
25 I have for you, Mr. Wilson.

1 JOHN WILSON: Thank you.

2 JUDGE THOMPSON: Any additional
3 questions? Okay.

4 I believe that concludes the questions
5 for you, Mr. Wilson. You may now step down. And thank
6 you for your patience in staying with us today.

7 At this time, Public Counsel, if you
8 would like to call your witness?

9 ATTY. O'NEILL: I believe Mr. Earle is
10 on the line now.

11 JUDGE THOMPSON: Mr. Earle, if you would
12 please raise your right hand and I'll swear you in.

13
14 ROBERT L. EARLE, witness herein, having been
15 first duly sworn on oath,
16 was examined and testified
17 as follows:

18
19 JUDGE THOMPSON: Thank you. And with
20 that, we'll go ahead and proceed with questions from
21 the bench.

22
23 EXAMINATION

24 BY COMMISSIONER RENDAHL:

25 Q. Good afternoon, Mr. Earle.

1 A. Good afternoon, Commissioner.

2 Q. So I think you've also heard all the
3 testimony today, including Mr. Staple's testimony.

4 I see you nodding your head. So similar to
5 the questions I asked to Witness Mullins and
6 Witness Wilson, do you agree with the calculations in
7 Witness Staples's rebuttal testimony for the proposed
8 hedging allocation adjustment and -- or not?

9 A. I don't agree with the adjustment. And
10 fundamentally, I think that it misses the point. And
11 it sort of misses the point for this whole proceeding.
12 And that's that Washington's position within PacifiCorp
13 is different. And that difference flows through the
14 calculations in WIJAM and has resulted in Washington
15 ratepayers' net power cost being much higher than for
16 other jurisdictions. And I think that's a fundamental
17 problem that needs to be addressed. And it could be
18 addressed, as I've said, by hedging Washington
19 completely separately or hedging Washington in addition
20 to whatever hedges come through PacifiCorp's systematic
21 approach. And hedging for Washington would not affect
22 PacifiCorp's operation of the system.

23 When I think about this alternative proposal,
24 what in the first instance bothers me is the hedging
25 that PacifiCorp does for gas is different in the east

1 and the west. And Mr. Mullins talked about it when he
2 answered your questions, and I'd refer the Commission
3 to Figure 2 of Mr. Mullins's testimony, which I won't
4 talk about because it's confidential. But the picture
5 is in there, along with what Mr. Mullins said.

6 Presumably, PacifiCorp hedges differently for
7 the east and the west for a reason. And to take --
8 going forward into the future, anticipating your next
9 question, Commissioner -- hedges in the east and
10 applying them, under certain circumstances, to the west
11 does not make sense.

12 If, in fact, those hedges were designed to
13 address issues in the east and power plants in the east
14 that Washington doesn't participate in, it would make
15 much more sense to say, "Well, Washington has this
16 problem. It's not being sufficiently hedged. So let's
17 focus on constructing hedges separately for Washington
18 to address Washington's problem." Rather than say,
19 "Well, under certain circumstances, we'll transfer some
20 hedges that were meant for the east, made sense in the
21 east, and then transfer them to the west."

22 The other aspect of it is, you know, the
23 level it's set at to bring Washington up to -- I'm not
24 sure whether I can say that number in public, so I
25 won't, but I think we know what it is, and if not, I

1 can give a reference to where Mr. Staples mentioned it.
2 But that level is arbitrary. And maybe under certain
3 circumstances, it makes sense. Under other
4 circumstances, it might not make sense.

5 I mean, if the situation were reversed, would
6 we say, well, the east gets the same amount as the west
7 does? But there's just -- there's not much logic
8 there. And so I think that it's a bit -- it seems to
9 me that it's a bit of a gimmick or a sop to say, "Okay,
10 here, we'll give Washington a little something and
11 hopefully the Commission will accept it and this issue
12 will go away." But fundamentally, it doesn't address
13 the real underlying issue here.

14 Q. Okay. And so that goes to the next question,
15 which is, obviously you disagree, but if the Commission
16 were to accept this proposal, should it be applied just
17 to this proceeding? Or is this something that should
18 be considered going forward?

19 A. I don't think it should be considered going
20 forward, because there's no -- there's no fundamental
21 logic to why it addresses the problem. It addresses --
22 you know, it's a small amount of reduction in the PCAM
23 balance. But it doesn't address the fundamental issues
24 going forward. And I would hate to see the Commission,
25 even if it said, "Yeah, this is what we're going with

1 in this -- for this 2022 PCAM." For the Commission to
2 say, "Yeah, and this takes care of it going forward as
3 well." Because there's no fundamental logic to it.

4 COMMISSIONER RENDAHL: Okay. Thank you
5 very much. I have no further questions.

6 ROBERT EARLE: Thank you. Thank you. I
7 appreciate the opportunity.

8 JUDGE THOMPSON: Any additional?

9 Okay. Thank you very much. That
10 concludes the questions, and you may step down.

11 ROBERT EARLE: Thank you.

12 JUDGE BROWN: Okay, at this time, since
13 we're at the end of cross-examinations and there are
14 apparently no other witnesses, I just want to go over a
15 couple of housekeeping items at this time.

16 Do we have any bench requests that will
17 be served at this point? No? Okay. Just wanted --
18 just verifying.

19 And with regard to public comments,
20 we -- I see there was, rather, a public comment
21 hearing, virtual public comment hearing on May 14th.
22 So at this point, when should we -- when should the
23 public comments be compiled and forwarded to --

24 (Technical interruption.)

25 THE COURT REPORTER: I'm sorry, I didn't

1 hear that answer.

2 JUDGE BROWN: You didn't hear me, or you
3 didn't --

4 ATTY. O'NEILL: Didn't hear me. I think
5 I didn't have my -- I'm sorry, I apologize. And my
6 camera's not on, either, so you can see who it is.

7 I don't believe we've received any
8 public comments.

9 JUDGE BROWN: Okay.

10 ATTY. O'NEILL: We just need to
11 coordinate with Staff to make sure that their comments
12 are included in the file, and I would ask for a week to
13 do so.

14 JUDGE BROWN: Okay. So we're looking at
15 June 11th, at this point? And it will be designated as
16 a bench exhibit. And it looks like it will be
17 Bench Exhibit 01, at this point, with the date of
18 June 11th.

19 So that brings us to our next -- our
20 next matter, at this point, or next item, and that
21 would be briefs. So we have one round of briefs -- I'm
22 sorry, we have two rounds, actually. We have the
23 briefs that are due on -- ah, there we go -- July 3rd
24 for initial post-hearing briefs, and July 12th for the
25 simultaneous reply briefs.

1 So at this point, we're looking at 30
2 pages for the initial post-hearing briefs, 15 pages for
3 the reply briefs, and we would ask that the briefs
4 include the subject matter of the issues related to the
5 WIJAM and its impact as well.

6 Okay. Are there any questions from the
7 parties at this point?

8 Hearing none, is there anything else we
9 need to address today? Okay. Yeah?

10 ATTY. KUMAR: I just wanted to make sure
11 that we have -- if the Commission could provide us with
12 the information for requesting a transcript.

13 JUDGE BROWN: I'm sorry, repeat that one
14 more time?

15 ATTY. KUMAR: I was hoping that the --
16 if AHD could provide us with the information for
17 requesting this transcript from the court reporter.

18 JUDGE BROWN: Oh, okay. If the court
19 reporter could provide us with those details.

20 THE COURT REPORTER: Yes. This court
21 reporting is being done through Buell Court Reporting
22 services, and so all inquiries can be directed to
23 info@buellreporting.com [sic].

24 ATTY. KUMAR: Thank you.

25 THE COURT REPORTER: Thank you.

1 JUDGE BROWN: Well, I just want to say
2 thank you to all the witnesses, parties --

3 ATTY. KUMAR: Your Honor?

4 JUDGE BROWN: I'm sorry. What is it?

5 ATTY. KUMAR: I just realized that there
6 was the cross-exhibit that you -- that never -- we
7 never ruled on the admission of that cross-exhibit for
8 Mr. Staples.

9 ATTY. O'NEILL: I didn't offer it, so I
10 don't think it's pending but --

11 ATTY. KUMAR: Okay. I just wanted to
12 make sure.

13 ATTY. O'NEILL: So it was never put into
14 the record, I don't think.

15 ATTY. KUMAR: Okay. Thank you. Sorry,
16 I apologize, your Honor.

17 JUDGE BROWN: No, no, no. Actually,
18 that was very helpful, because I actually do have one
19 last matter to address. So thank you for that.

20 There was a motion that was filed on
21 May 9th, a motion to allow supplemental rebuttal
22 testimony of Douglas Staples on behalf of PacifiCorp.
23 And there were no responses to the motion.

24 So seeing there were no responses to the
25 motion, and hearing no objection, at this point that

1 motion is granted.

2 ATTY. KUMAR: Thank you, your Honor.

3 JUDGE BROWN: As a housekeeping matter,
4 since we haven't addressed it before now. And is there
5 anything else?

6 Great. All right. Thank you to the
7 parties, witnesses, and representatives in this matter
8 we are adjourned and off the record. Thank you.

9 THE COURT REPORTER: For purposes of
10 identification, the individual who was asking about the
11 transcript -- can I get an identification of who that
12 person was? They didn't have their video on.

13 ATTY. KUMAR: Yes, I apologize. That
14 was Ajay Kumar, counsel for PacifiCorp.

15 THE COURT REPORTER: Thank you.

16 (Reporter clarification.)

17 (Hearing concluded at 4:03 p.m.)

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C E R T I F I C A T E

STATE OF WASHINGTON
COUNTY OF SNOHOMISH

I, Sierra Zanghi, a Certified Shorthand Reporter in and for the State of Washington, do hereby certify that the foregoing transcript of the Evidentiary Hearing, Docket UG-230482, taking place on June 4, 2024, is true and accurate to the best of my knowledge, skill, and ability.

I do further certify that I am a disinterested person in this cause of action and that I am not a relative of the attorneys for any of the parties.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 11th day of June 2024.

Sierra Zanghi

SIERRA ZANGHI, RSR, WA CCR NO. 22004202

