

**Exh. KM-1T
Docket UE-240461
Witness: Kody McConnell**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

**PACIFICORP d/b/a PACIFIC POWER
& LIGHT COMPANY,**

Petitioner,

**2023 Power Cost Adjustment
Mechanism Annual Report**

DOCKET UE-240461

TESTIMONY

OF KODY McCONNELL

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Settlement

December 20, 2024

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SCOPE AND SUMMARY OF TESTIMONY 2

III. COST RECOVERY MONETARY ADJUSTMENTS..... 2

IV. ADDITIONAL SETTLEMENT TERMS AND CONDITIONS 5

1 I. INTRODUCTION

2

3 **Q. Please state your name and business address.**

4 A. My name is Kody McConnell, and my business address is 621 Woodland Square Loop
5 SE, Lacey, Washington, 98503. My business mailing address is P.O. Box 47250,
6 Olympia, WA 98504-7250. My email address is kody.mcconnell@utc.wa.gov.

7

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by the Washington State Utilities and Transportation Commission
10 (Commission) as a Staff Regulatory Analyst in the Energy Rates & Services Section of
11 the Regulatory Services Division.

12

13 **Q. Would you please state your educational and professional background?**

14 A. I received bachelor of arts in multidisciplinary social sciences *summa cum laude* from
15 Washington State University, a master's degree in public administration at the
16 University of Southern California's School of Policy, Planning, and Development
17 where I served three years as a City/County Management Fellow, a graduate certificate
18 in governmental financial management from Rutgers Business School, and a graduate
19 certificate in energy economics and policy from the Massachusetts Institute of
20 Technology. I have worked in several civil service positions including, as a Paralegal to
21 the elected Prosecuting Attorney for Jefferson County, Washington for five years and as
22 the Executive Assistant/Analyst to the Director of Public Works & Utilities for the City
23 of Edmonds, Washington for four years. I also have founded two successful private

1 sector companies in both retail and small-scale residential and commercial real estate
2 development. I joined Commission Staff as a regulatory analyst on December 1, 2023.

3
4 **Q. Have you previously testified before the Commission?**

5 A. Yes. I supplied supporting testimony in Docket UG-230968.

6
7 **II. SCOPE AND SUMMARY OF TESTIMONY**

8
9 **Q. What is the purpose of your testimony?**

10 A. The purpose of Staff's testimony is to support the multiparty settlement proposed by
11 Staff, the Alliance of Western Energy Consumers (AWEC), and PacifiCorp (the
12 Company) relating to the 2023 Power Cost Adjustment Mechanism annual cost
13 recovery filing. Staff believes the terms of this full multiparty settlement are in the
14 public interest and that the Commission should adopt the settlement.

15
16 **Q. Have you prepared exhibits in support of your testimony?**

17 A. No.

18
19 **III. COST RECOVERY MONETARY ADJUSTMENTS**

20
21 **Q. Why did Staff initially recommend to the Commission that this matter be set for**
22 **adjudication?**

1 A. Staff recommended setting this docket for adjudication because the final order in
2 Docket UE-230482 had not been released. Given the subject matter of that order and its
3 impact on the present PCAM, Staff believed the 2023 PCAM could not be resolved
4 without resolution of that matter and the additional regulatory clarity and guidance on
5 the various issues presented and resolved through that proceeding.

6
7 **Q. What cost recovery monetary adjustments have been agreed to in the settlement of**
8 **this docket?**

9 A. For the purpose of settling this matter, the Company has agreed to two cost recovery
10 monetary adjustments for the benefit of ratepayers. The first is a net reduction stemming
11 from the Commission's final order in Docket UE-230482, the 2022 Power Cost
12 Adjustment Mechanism annual cost recovery filing, and relates directly to the
13 reallocation of gas-for-power hedging contracts. This adjustment resulted in a reduction
14 of \$0.7 million to the deferral balance. The second is an additional reduction of \$1
15 million made to facilitate the settlement of this matter.

16
17 **Q. Please describe the first monetary adjustment related to the reallocation of gas-**
18 **for-power hedging contracts.**

19 A. The Company agrees to apply to the current 2023 Power Cost Adjustment Mechanism
20 annual cost recovery filing the reallocation adjustment that was identified and ordered
21 by the Commission in the 2022 Power Cost Adjustment Mechanism annual cost
22 recovery filing. Specifically, if the natural gas hedge ratio for the west natural gas
23 position is below 50 percent in a given month, then swap volumes sufficient to the task

1 of getting the Washington hedge ratio to 50 percent are relocated from the east gas swap
2 position to the west gas swap position using the average mark-to-market value per
3 million British thermal units of east side hedges settled during that month and using the
4 final gas requirement forecast published before the contract month moved into spot.
5 Furthermore, the Company agrees to make this reallocation adjustment in all future
6 annual Power Cost Adjustment Mechanism proceedings until the adoption of a new cost
7 allocation methodology is approved by the Commission. The total resulting net
8 reduction to annual power costs for the 2023 period is \$0.7 million.

9
10 **Q. Why is this adjustment in the public interest?**

11 A. This adjustment is in the public interest because the Commission previously found it to
12 be so in Final Order 07 of Docket UG-230482. The same logic the Commission applied
13 in concluding that adjudicated proceeding is appropriately applied to this settlement.
14 Additionally, applying this adjustment in this proceeding (and future proceedings until a
15 new cost allocation methodology is adopted) is in the public interest because it
16 preserves consistency across filings. Finally, adding gas hedges to the west is in the
17 public interest because it supports rate stability during price fluctuations.

18
19 **Q. Please describe the second monetary adjustment.**

20 A. To resolve this proceeding, the Company agrees to reduce Washington annual net
21 power costs for the 2023 period by \$1 million. This is an unspecified amount for the
22 purpose of settling this matter.

1 **Q. Why is this adjustment in the public interest?**

2 A. This adjustment is in the public interest because it reduces the deferral amount, and thus
3 the impact on ratepayers.

4
5 **IV. ADDITIONAL SETTLEMENT TERMS AND CONDITIONS**

6
7 **Q. What additional terms has the Company agreed to for the resolution of this
8 proceeding?**

9 A. To resolve this proceeding the Company has agreed to a rate effective date of February
10 1, 2025, and to provide the Commission with outage logs for any generating plant
11 allocated to Washington in future Power Cost Adjustment Mechanism filings including
12 information on where the outage occurred, the duration of the outage, and the MWh
13 impact of the outage. The Company also agreed that while this settlement resolves all
14 issues in this filing, any adjustments that may result from the audit of the dispatch at
15 Chehalis and Hermiston ordered by the Commission are not resolved by this settlement
16 and may be addressed in the future, pending the outcome of that audit.

17
18 **Q. Are there any other terms agreed to by the settling parties?**

19 A. Any adjustment to the Company's initial filing not incorporated into this settlement
20 directly or by reference is resolved without an adjustment or recommendation for the
21 purposes of this proceeding. However, every party reserves the right to object to any
22 adjustment in future Power Cost Adjustment Mechanism proceedings.

1 **Q. Why is the rate effective date in the public interest?**
2 A. Currently interest is accruing on the power cost balance deferred from the 2023 Power
3 Cost Adjustment Mechanism. It is in the interest of ratepayers to prevent the accrual of
4 more interest. The February 1, 2025, rate effective date prevents unnecessary accrual of
5 more interest to this already high deferred balance.

6
7 **Q. Please describe the agreed upon improvements to the Company's communication**
8 **of generation outage information.**

9 A. Specifically, the Company agrees that going forward it will provide to the Commission
10 plant generation outage logs with the initial cost recovery workpapers that are filed at
11 the beginning of each annual Power Cost Adjustment Mechanism proceeding. These
12 logs will be provided for each generating plant allocated to Washington. This
13 information will include the name of the generation plant where the outage occurred,
14 the duration of the generation outage, and the megawatt-hour (MWh) impact of the
15 generation outage for outages. The logs will cover any outage that occurred during the
16 applicable Power Cost Adjustment Mechanism recovery period.

17
18 **Q. Why is this term in the public interest?**
19 A. Providing the outage logs is in the public interest because it will permanently increase
20 the transparency of the Company's generation operations.

1 **Q. Why is it in the public interest to preserve adjustments based on the audit of**
2 **Chehalis and Hermiston for a future proceeding?**

3 A. Based on testimony provided by Staff witness John Wilson in Docket UE-230482, the
4 Commission ordered PacifiCorp to hire a third party to audit its dispatch of Hermiston
5 and Chehalis as there were concerns that dispatch decisions were uneconomical. It is in
6 the public interest to preserve any adjustments that may result from that audit, since that
7 audit will likely take place after the conclusion of this proceeding and may result in
8 findings that dispatch decisions led to impacts in the deferral balance. It is in the public
9 interest to consider this information before foreclosing the issue.

10
11 **Q. Do you recommend approval of the terms of this settlement agreement?**

12 A. Yes.

13
14 **Q. Please explain why Commission Staff supports this settlement agreement and**
15 **believes it is in the public interest.**

16 A. This settlement agreement reflects, in Staff's view, the directions from the Commission
17 contained in the final order in UE-230482. The agreement reflects a monetary
18 adjustment from that order as well as a monetary adjustment that benefits the public
19 interest. With the continued implementation of the adjustment adopted in Docket UE-
20 230482, this settlement agreement provides consistent treatment of the Company's
21 recovery of power costs in future Power Cost Adjustment Mechanism proceedings.
22 Staff further supports this settlement agreement as in the public interest as it will

1 increase the transparency of generation outage reporting in future periods and will serve
2 to offset interest accrued during the tariff suspension period.

3

4 **Q. Does this conclude your testimony?**

5 **A. Yes.**