**BEFORE THE WASHINGTON**

**UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP D/B/A PACIFIC POWER & LIGHT COMPANY

Respondent.

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DOCKET UE-250224

# CROSS-EXAMINATION EXHIBIT OF RAMON J. MITCHELL ON BEHALF OF THE WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL PUBLIC COUNSEL UNIT

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**EXHIBIT RJM-__X**

PacifiCorp Discovery Response to PC DR 140

**October 1, 2025**

UE-250224 / PacifiCorp
July 14, 2025
PC Informal Data Request 140

**PC Informal Data Request 140**

**Testimony of Ramon J. Mitchell, Exh. RJM-1CT.**

(a) Mitchell, Exh. RJM-1CT, at 3:14–19, the post-resource adequacy forecasted Washington-allocated NPC is stated as $43.81/MWh, while pre-resource adequacy forecasted Washington-allocated NPC is stated as $40.07. Is it correct to understand that the cost of resource adequacy is the difference of the two numbers, *i.e.*, $3.74/MWh? If not, please explain what the cost of resource adequacy is and how it is derived.

(b) Mitchell, Exh. RJM-1CT, at 14:7–12, the impact of hedges is stated as an increase of $3.10/MWh. What is the relationship of $3.10/MWh to the cost of resource adequacy?

(c) Is the impact of hedges subsumed as part of the $3.74/MWh resource adequacy cost (or whatever the appropriate figure is)?

(d) If the answer to subpart c is yes, what does the difference between the resource adequacy amount and hedge impact consist of?

(e) Is the impact of hedges additive so that the impact of hedges and resource adequacy together is the sum of $3.10/MWh plus $3.74/MWh? If not, what is the impact of hedges and resource adequacy together in $/MWh?

**Response to PC Informal Data Request 140**

Referencing the direct testimony of Company witness, Ramon J. Mitchell, specifically Exhibit RJM-1CT, the Company responds as follows:

In Exhibit RJM-1CT, the value of $40.07, identified as pre-resource adequacy net power costs (NPC), is an illustrative value that represents the removal (zeroing out in the spreadsheet) of both resource adequacy compliance costs and hedging policy compliance costs (removal of both price risk and supply risk management) from Washington NPC, ***after*** the balancing adjustment. In and of itself, the value is purely illustrative and abstract because both resource adequacy compliance ***energy*** and hedging policy compliance ***energy*** are still present in NPC ***before*** the balancing adjustment step, and therefore these energy amounts increase the balancing adjustment's net position. Therefore, providing benefit with no associated cost. Based on the foregoing context, the Company responds as follows:

The Company would like to clarify the following work papers to assist Public Counsel's understanding of the various sensitivities provided by the Company in this power cost only rate case (PCORC). As it relates to resource adequacy and

hedging, the Company provided three confidential Washington allocated work papers (supported by Aurora simulations and total company NPC reports):

- "NEW-PAC-RJM-WA Direct-4-1-2025 (C).xlsx". This contains a Washington NPC of $194.59 million or $43.81 per megawatt-hour ($/MWh) and represents the Company's NPC forecast in this 2026 PCORC. This includes the Company's updated hedging policy and resource adequacy compliance.

- "NEW-PAC-RJM-WANoHedgingRequirement-4-1-2025 (C).xlsx". This contains a Washington NPC of $158 million or $35.57/MWh and represents the Company's NPC forecast with no hedging volumes or resource adequacy compliance volumes.

- "NEW-PAC-RJM-WAPeakHedgingRequirement-4-1-2025 (C).xlsx". This contains a Washington NPC of $180.8 million or $40.71/MWh and represents the Company's NPC forecast with hedging volumes under the previous hedging methodology (for which resource adequacy compliance was not an explicitly contemplated activity).

With the foregoing understanding, the Company responds as follows:

(a) No. It is not correct to understand that the "cost" of resource adequacy is the difference of the two numbers $43.81MWh and $40.07/MWh. The $40.07/MWh represents an illustrative and abstract value which removes the financial cost of resource adequacy compliance and hedge policy compliance while retaining the energy benefits. On the other hand, the $43.81/MWh, provided in Ramon Mitchell's supporting confidential work paper "NEW-PAC-RJM-WA Direct-4-1-2025 (C).xlsx", represents the Company's NPC proposal which is resource adequacy compliant and hedge policy compliant. The difference between these two runs, is not the "cost" of resource adequacy.

The Company has not quantified the cost of resource adequacy compliance in isolation, because energy used to support the hedge policy position is simultaneously used to satisfy the resource adequacy compliance position (i.e., the maximum of the two requirements is the value that determines the energy procured for risk management in any given quarter, and therefore the fungibility of the energy disallows the separability of the costs).

(b) The $3.10/MWh is some counterfactual difference between two NPC simulations. Specifically, the difference between: (1) a NPC simulation which does not consider resource adequacy compliance, but does considers compliance with the old hedging policy (which managed to a peak load position); and (2) a NPC simulation which does consider resource adequacy compliance and does consider compliance with the updated hedging policy

(which manages to an average energy position). That $3.10/MWh reflects some counterfactual impact of resource adequacy compliance but also reflects some counterfactual change in hedge policy, and the two changes are commingled. There is no specific relationship between $3.10/MWh and the cost or benefit of resource adequacy, which cannot be determined in isolation as explained in the Company's response to subpart (a) above.

(c) As mentioned in the Company's response to subpart (a) above, the $3.74 is not meaningful. As mentioned in the Company's response to subpart (b) above, $3.70 is a counterfactual impact of both resource adequacy compliance and hedge policy compliance, where the hedge policy itself is changed, and the overall value co-mingles all of the above. Therefore, the impact of the hedge policy change is subsumed by the $3.70 counterfactual impact.

(d) As identified in the Company's response to subpart (a), the $3.74 identified is not a resource adequacy amount. As mentioned in the Company's response to subpart (b), $3.10 is a resource adequacy and a hedge amount. Therefore, the difference between the two values has no meaning. Please refer to the Company's corrected confidential work papers provided with the Company's response to WUTC Data Request 61.

(e) As mentioned above in the preamble,

- "NEW-PAC-RJM-WANoHedgingRequirement-4-1-2025 (C).xlsx". This contains a Washington NPC of $158 million or $35.57/MWh and represents the Company's NPC forecast with no hedging volumes or resource adequacy compliance volumes.

- "NEW-PAC-RJM-WA Direct-4-1-2025 (C).xlsx". This contains a Washington NPC of $194.59 million or $43.81 per megawatt-hour ($/MWh) and represents the Company's NPC forecast in this 2026 PCORC. This includes the Company's updated hedging policy and resource adequacy compliance.

The difference between the two is $8.24/MWh. Please note that this difference simply represents the modeled impact of two Aurora simulations within a least cost optimization model with perfect foresight capabilities, and in no way represents the actual impact of the Company's updated hedging policy and resource adequacy compliance on actual operations, where the Company does not benefit from perfect foresight.

PREPARER: Isaiah Zacharia

SPONSOR: Ramon Mitchell