

Exh. JP-2T
Docket UE-230172
Witness: Jack Painter

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-230172
(Consolidated)

In the Matter of

ALLIANCE OF WESTERN ENERGY
CONSUMERS'

Petition for Order Approving Deferral of
Increased Fly Ash Revenues

Docket UE-210852
(Consolidated)

PACIFICORP

REBUTTAL TESTIMONY OF JACK PAINTER

October 2023

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ATTACHED EXHIBITS

- Exhibit No. JP-3—Review of Power Cost Adjustment Mechanism Implementation in Other States
- Exhibit No. JP-4—Public Counsel’s Response to PacifiCorp Data Requests 013-023

1 **Q. Are you the same Jack Painter who previously submitted direct testimony in this**
2 **proceeding on behalf of PacifiCorp d/b/a Pacific Power & Light Company**
3 **(PacifiCorp or the Company)?**

4 A. Yes.

5 **I. PURPOSE AND SUMMARY OF TESTIMONY**

6 **Q. What is the purpose of your rebuttal testimony?**

7 A. My rebuttal testimony responds to the proposed power cost adjustment mechanism
8 (PCAM) changes by Washington Utilities and Transportation Commission
9 (Commission) Staff (Staff) witness John D. Wilson and recommendations by the
10 Public Counsel Unit of the Washington State Office of the Attorney General (Public
11 Counsel) witness Robert L. Earle, Sierra Club witness Ronald J. Binz, and Alliance of
12 Western Energy Coalition (AWEC) witness Bradley G. Mullins for no changes to the
13 structure of the PCAM.¹

14 **II. STAFF PROPOSED PCAM CHANGES**

15 **Q. What has Staff proposed as changes to the current structure of the PCAM?**

16 A. Staff has proposed changes to the unnecessarily complicated five-level PCAM
17 structure by eliminating the deadband, simplifying the asymmetrical sharing bands to
18 a single sharing band, and modifying the PCAM rate change trigger and treatment for
19 rate changes and balancing account carryover.

20 **Q. What has Staff proposed as the change to the \$4 million symmetrical deadband**
21 **in the PCAM?**

22 A. Staff has proposed eliminating the PCAM deadband because it results in the

¹ Unless personal pronouns are specified by a witness in their testimony, in my rebuttal testimony I use “they/them” when using a pronoun to refer to a witness.

1 Company having the opportunity to retain 100 percent of a windfall that is unrelated
2 to its operations, which is not an equitable sharing of risk between customers and the
3 Company.²

4 **Q. Does the Company agree with this recommendation by WUTC Staff?**

5 A. Yes. The Company has shown in this filing that the PCAM deadband has resulted in
6 an unbalanced outcome for both customers and the Company, and eliminating the
7 deadband is the appropriate method to ensure customers are not harmed by net power
8 cost (NPC) variances unrelated to Company operations.

9 **Q. What has Staff proposed as changes to the asymmetrical sharing bands in the**
10 **PCAM?**

11 A. Staff has proposed to simplify the sharing bands to a single 90 percent customer / 10
12 percent Company risk sharing band due to trends the Company has shown in the
13 variability of renewable energy and the forthcoming participation in the Extended
14 Day-Ahead Market (EDAM). This reduces the risk commensurate with a lower
15 ability for controlling NPC, while continuing to provide the Company with a
16 reasonable incentive to manage or control power costs.

17 **Q. Does the Company agree with this recommendation by Staff?**

18 A. Partially. The Company's objective is to either fully refund to or collect from
19 customers its prudently incurred NPC; no more, no less. Complete elimination of the
20 asymmetrical sharing bands ensures this, but the Company does agree that
21 simplifying the sharing band to a single 90/10 sharing structure is much more aligned
22 with its original proposal due to its EDAM implementation plus the variability of

² Wilson, Exh. JDW-1CT at 35:13-17.

1 renewable resources and market prices which are outside of the Company's control.
2 Overall, the Company supports Staff's recommendation of simplifying the
3 asymmetrical sharing bands to single 90/10 sharing band, but still contends that the
4 fairest outcome for customers is to completely remove the sharing band in the PCAM.

5 **Q. Do you agree with Staff that modifications to the PCAM should only occur after**
6 **the Company's participation in EDAM?**

7 A. No, due to issues relating to accurately forecasting NPC discussed in my direct
8 testimony. Staff has explained in prior dockets that the inclusion of dead and sharing
9 bands in the PCAM mechanism requires a well-forecasted baseline for it to function
10 properly.³ If the baseline is forecasted too high, customers will end up overpaying for
11 power costs, while the Company will receive a net benefit due to the existence of the
12 bands and vice versa.

13 Witness Wilson explains that the *current* PCAM structure does not equitably
14 share risks between customers and the Company.⁴ Witness Wilson has also agrees
15 that "the PCAM mechanism has resulted in substantially more customer 'losses' than
16 Company 'losses'" for the 2016-2021 deferral years due to the existence of dead and
17 sharing bands.⁵ Furthermore, my direct testimony provides evidence and witness
18 Wilson agrees that NPC variability will continue to increase as renewable generation
19 grows.⁶ Accordingly, not delaying the PCAM modifications will ensure that neither

³ *WUTC v. Avista Corp.*, Docket No. UE-170485, Gomez Exh. DCG-1CT, Pages 4:5-8:6 (October 27, 2017) ("Moreover, the proper functioning of the ERM bands requires a well-forecast baseline, especially if the baseline is adjusted annually.").

⁴ Wilson, Exh. JDW-1CT at 31:9-11.

⁵ Wilson, Exh. JDW-1CT at 31:14-16 ("While his analysis does not account for the effect of interest (carrying charges) and some settlement agreements, the finding that the PCAM mechanism has resulted in substantially more customer 'losses' than Company 'losses' is correct.").

⁶ Wilson, Exh. JDW-1CT at 27:1-3.

1 customers nor the Company continue to unreasonably benefit or be burdened due to
2 NPC forecasting inaccuracies, and that only prudently incurred power costs are
3 embedded in rates.

4 **Q. Are other Washington utilities experiencing forecasting inaccuracies within their**
5 **power cost adjustment mechanism?**

6 A. Yes. Puget Sound Energy (PSE) and Avista Corporation (Avista) are also experiencing
7 forecasting inaccuracies in their power cost adjustment mechanisms. These
8 inaccuracies are not specific to PacifiCorp but are industry wide. As discussed in my
9 direct testimony, these forecasting challenges stem, in part, from the inherent
10 difficulties in predicting weather patterns and renewable generation. It is important to
11 note that these findings directly contradict the implications made in witness Earle's
12 testimony, which suggests that the variances are attributed to PacifiCorp's specific
13 hedging strategies or the duration of its purchase power agreements.⁷ To provide
14 further context, Table 1 and 2 below illustrates the imbalance in the Power Cost
15 Adjustment (PCA) mechanism and the Energy Recovery Mechanism (ERM) for the
16 past three years:

⁷ Earle, Exh. RLE-1CT at 7:9-12. ("What is at issue here is not whether there is volatility in various markets, but whether PacifiCorp is doing enough to address volatility.").

Table 1 - Puget Sound Energy PCA Imbalance

2022	-\$110.1 million ⁸
2021	-\$68.0 million ⁹
2020	-\$76.1 million ¹⁰

Table 2 – Avista Corporation ERM Imbalance

2022	-\$38 million ¹¹
2021	-\$16.4 million ¹²
2020	+ \$17.5 million ¹³

1 **Q. What has Staff proposed as changes to the triggering threshold and amortization**
2 **of deferral balances?**

3 A. Currently, the PCAM rate triggering threshold is \$17 million, which Staff has
4 concluded results in large customer refunds or surcharges significantly impacting rate
5 variability which is inconsistent with the goals of the PCAM. Staff proposes to reduce

⁸ *In the matter of Puget Sound Energy*, Docket No. UE-230318, Free, Exh. SEF-1T at 7 (“Actual power cost were higher than the average baseline power costs included in rates during the 2022 PCA period by 100.1 million.”).

⁹ *In the matter of Puget Sound Energy*, Docket No. UE-220308, Free, Exh. SEF-1T at 7 (“Actual power cost were higher than the average baseline power costs included in rates during the 2022 PCA period by 68.0 million.”).

¹⁰ *In the matter of Puget Sound Energy*, Docket No. UE-210300, Free, Exh. SEF-1T at 7 (“Actual power cost were higher than the average baseline power costs included in rates during the 2022 PCA period by 76.1 million.”).

¹¹ *In the matter of Avista Corporation*, Docket No. UE-230214, Kinney, Exh. SJK-1T at 7 (“During 2022, actual net power costs were higher than the authorized net power costs for the Washington jurisdiction by \$37,951,124”).

¹² *In the matter of Avista Corporation*, Docket No. UE-220232, Schultz, Exh. KJS-1T at 4 (“For the 2021 calendar year, actual net power costs were greater than authorized net power costs for the Washington jurisdiction by \$16,360,791”).

¹³ *In the matter of Avista Corporation*, Docket No. UE-210216, Schultz, Exh. KJS-1T at 4 (“For the 2020 calendar year, actual net power costs were lower than authorized net power costs for the Washington jurisdiction by \$17,476,519”).

1 the rate trigger threshold from \$17 million to \$7 million with half of the balance
2 either refunded to customers or collected by the Company over a 12-month period in
3 the following year while the other half remains in the balancing account to provide an
4 opportunity for charges or credits to be netted to provide better rate stability.

5 **Q. Does the Company agree with the recommendation to lower the trigger**
6 **threshold to \$7 million by Staff?**

7 A. While the Company did not make any recommended changes to the PCAM rate
8 triggering threshold in this proceeding, it agrees that Staff’s proposal of lowering the
9 threshold is reasonable. It is my understanding that PSE currently has a \$20 million
10 trigger threshold for its PCA mechanism. Considering that PSE is a much larger electric
11 utility in Washington, it would be reasonable to lower PacifiCorp’s threshold from \$17
12 million to \$7 million.¹⁴

13 **Q. Does the Company agree with the recommendation by Staff that only half of the**
14 **cumulative deferral should be refunded or surcharged to customers when the**
15 **trigger threshold is exceeded?**

16 A. Not necessarily. Such a requirement is too rigid and does not allow the Commission
17 and parties to propose alternative amortization methods that may be in the best interest
18 of customers, taking into account factors like rate stability and intergenerational equity.
19 For example, the Commission has previously timed power cost mechanism refunds of
20 the *entire* deferral balance to offset general rate case increases.¹⁵ The Company’s

¹⁴ *In the matter of the petition of Puget Sound Energy*, Docket No. UE-220308, Order 01 at ¶3 (Oct. 27, 2022) (“The PCA cumulative deferral amount must reach \$20 million before triggering either a mandatory refund or discretionary surcharge under PSE’s Schedule 95”).

¹⁵ *See WUTC v. Avista Corporation*, Docket No. UE-190222, Order 02 at ¶6 (May 30, 2019) (“[C]onsolidation will create greater rate stability for customers because the rate impact, if any, of Avista’s general rate case will align with the commencement of the return of the ERM balance, thereby avoiding additional and frequent rate fluctuations.”).

1 PCAM deferral balance has also been used to mitigate customer rates impacts in the
2 form of the deferred net power cost baseline adjustment (DNBA) in the last general
3 rate case.¹⁶ The Commission has also approved the Company’s request to amortize the
4 entire deferral balance over multiple years to promote rate stability when it is a
5 surcharge.¹⁷

6 Additionally, refunding or surcharging customers only half the balance could
7 potentially promote intergenerational inequity by deferring costs or benefits incurred by
8 prior customers to future customers. PacifiCorp recommends that stakeholders retain
9 the flexibility to propose different amortization methods during the annual PCAM
10 filings.

11 **Q. Do you agree with AWEC that either PacifiCorp's or Staff's PCAM proposals**
12 **would be considered “effectively withdrawing” from a 2014 general rate case**
13 **stipulation?**

14 A. No. AWEC suggests that any proposed modification to the PCAM in any future case
15 would be a violation of a prior 2014 general rate case stipulation.¹⁸ However, it is
16 important to note that referenced stipulation resolved the matters within that specific
17 case and did not include any prohibition on future modifications or that the PCAM
18 structure would last into perpetuity. In fact, stipulation explicitly stated, “[b]y executing
19 this Stipulation, no party shall be deemed to have agreed that any provision of this
20 Stipulation is appropriate for resolving issues in any other proceeding.”¹⁹ This explains

¹⁶ *WUTC v. PacifiCorp*, Docket Nos. UE-191024 et. al., Final Order 09/07/12 at ¶76-89 (December 14, 2020).

¹⁷ See e.g., *In the Matter of PacifiCorp*, Docket No. UE-220441, Compliance Acknowledgement Letter (December 28, 2022).

¹⁸ Mullins, Exh. BGM-1CT at 67:17-68:2.

¹⁹ *WUTC v. PacifiCorp*, Docket No. UE-140762, Settlement Stipulation at ¶27 (May 8, 2015).

1 why the PCAM has already been modified in prior annual reviews to extend the 12-
2 month amortization period contemplated in the stipulation referenced by AWEC.²⁰ The
3 Company’s PCAM deferral balance has also been used to mitigate customer rates
4 impacts in the form of the deferred net power cost baseline adjustment (DNBA) in the
5 last general rate case, docket UE-191024 (2020 Rate Case).²¹ Furthermore, it is my
6 understanding that PSE’s PCA mechanism was approved via a stipulation and has since
7 been modified by parties to the original stipulation, including Staff and Public
8 Counsel.²²

9 **Q. Can you provide further context on the stipulation referenced by AWEC?**

10 A. It is my understanding that the Commission directed PacifiCorp to file a settled
11 PCAM proposal, and if the Company failed to do so by a specific date, the
12 Commission would order a mechanism consistent with Staff’s proposal, rather than
13 what was proposed by the Company in that proceeding.²³ Accordingly, the referenced
14 Stipulation was made in compliance with very specific Commission directive.

²⁰ *WUTC v. PacifiCorp*, Docket No. UE-140762, Settlement Stipulation at ¶18 (May 8, 2015) (“If the balancing account is greater than \$17 million as of December 31 in any given year, it will be collected or credited in rates over a 12-month period.”) (emphasis added); See e.g., *In the Matter of PacifiCorp*, Docket No. UE-220441, Compliance Acknowledgement Letter (December 28, 2022).

²¹ *WUTC v. PacifiCorp*, Docket Nos. UE-191024 et. al. Final Order 09/07/12 at ¶76-89 (December 14, 2019).

²² *WUTC v. Puget Sound Energy*, Docket No. UE-011570, Twelfth Supplemental Order (June 20, 2002); *WUTC v. Puget Sound Energy*, Docket No. UE-130583, Order 07 (Aug. 7, 2015); *In the matter of petition of Puget Sound Energy*, Docket No. UE-220308, Order 01 at ¶ 3 (Oct. 27, 2022) (“The 2015 PCA Settlement excluded fixed power costs from the power cost baseline starting January 2017, modified the annual dead band and sharing bands, and set the trigger for rate refunds or surcharges at a cumulative deferral balance of \$20 million.”).

²³ *WUTC v. PacifiCorp*, Docket No. UE-140762, Order 08 at ¶126 (March 25, 2015) (“We will require Pacific Power to file tariff sheets necessary and adequate to implement a Power Cost Adjustment Mechanism no later than May 31, 2015. If no full-party agreement can be reached by that time, or the Company declines by that date to file a full PCAM consistent with prior Commission orders, we will approve expeditiously a mechanism generally along the lines Staff proposes in this docket.”).

1 **III. SIERRA CLUB RECOMMENDATION**

2 **Q. What has Sierra Club recommended in regard to the Company’s proposed**
3 **changes to the current structure of the PCAM?**

4 A. Sierra Club recommends there should not be any changes to the current structure of
5 the PCAM.²⁴

6 **Q. Does the Company agree with Sierra Club?**

7 A. No.

8 **Q. What are Sierra Club’s main arguments for not making changes to the PCAM?**

9 A. First, Sierra Club partially agrees with the Company that NPC is difficult to forecast,
10 but not necessarily with all of reasons that the Company has argued, specifically
11 arguing that the main driver in forecast deviation is natural gas fuel prices. Second,
12 Sierra Club argues that the merits of sharing mechanisms are fairer to customers
13 because customers would not have to bear all the risk of fluctuations in fuel costs.
14 Lastly, Sierra Club argues that absent a sharing mechanism, a “moral hazard” exists
15 using customers “as a backstop”.²⁵

16 **Q. Does the Company agree that natural gas prices have an impact on the difficulty**
17 **of forecast NPC?**

18 A. Yes, and this illustrates the Company’s point exactly. While the Company and Sierra
19 Club both agree that NPC are difficult to forecast, regardless of the reasons why, the
20 issue remains. Prices, market conditions, weather, resource mix, load changes, or any
21 other NPC variable for that matter will continue to cause forecasts to be inaccurate.

22 As explained earlier, a properly functioning mechanism requires a well forecasted

²⁴ Binz, Exh. RJB-1T at 21:3-26:21.

²⁵ *Id.*

1 baseline, if such mechanism includes either dead or sharing bands.

2 **Q. Does the Company agree that sharing mechanisms are “fairer” to customers?**

3 A. No, the Company does not agree that sharing mechanisms are inherently fairer to
4 customers. As discussed earlier, NPC forecasts are becoming less accurate, leading to
5 increased variations in NPC within the PCAM. It is evident that windfalls through dead
6 bands and discounts on power costs through sharing bands can unfairly harm customers
7 or the Company. It has been shown that Washington customers would have benefited if
8 the PCAM did not include dead or sharing bands during the 2016-2021 deferral period.
9 This means that customers overpaid for power costs during this time due to inaccurate
10 forecasts, which was not mentioned in Sierra Club’s testimony. The Company believes
11 that fairness lies in customers only paying for prudently incurred power costs. Any
12 variation between Forecast NPC and Actual NPC should be credited or charged at their
13 actual costs, ensuring that customers are not burdened with unnecessary expenses.

14 **Q. Does the Company agree that a “moral hazard” will exist with the elimination of
15 a sharing mechanism?**

16 A. No. Sierra Club argues that the Company would use customers “as a backstop” and
17 cites that dollar-for-dollar cost recovery would cause the Company to not
18 appropriately account for the risk of its generation resource mix, specifically natural
19 gas volatility. This contradicts both the regulatory process for ratemaking and how
20 the Company operates. Several state commissions do not require their mechanisms to
21 have dead or sharing bands, like PacifiCorp’s Energy Balancing Account (EBA) in
22 Utah and Energy Cost Adjustment Clause (ECAC) in California. This is because
23 prudence reviews exist every step of the way in the rate making process for resource

1 acquisition, hedging, net power costs forecasts (GRC), and actual net power costs (the
2 PCAM), as examples. The prudency review process in Washington in the PCAM
3 allows the Commission and parties to examine the Company’s operations, and has
4 resulted in a NPC disallowances or settled reductions in the past.²⁶ Lastly, the
5 Company operates its system using an optimization model for the least cost economic
6 dispatch of its resources, is participating in the Energy Imbalance Market, and will be
7 participating in the EDAM, ensuring that the Company cannot just let customers act
8 “as a backstop” for price variability.

9 **IV. PUBLIC COUNSEL RECOMMENDATION**

10 **Q. What has Public Counsel recommended in regard to the Company’s proposed**
11 **changes to the current structure of the PCAM?**

12 A. Public Counsel recommends there should not be any changes to the current structure
13 of the PCAM.

14 **Q. Does the Company agree with Public Counsel?**

15 A. No.

16 **Q. What are Public Counsel’s main arguments for not making changes to the**
17 **PCAM?**

18 A. Public Counsel mainly argues that participation in the EDAM is not a sufficient
19 reason to make changes to the PCAM deadband and sharing bands because the
20 Company can still be incentivized to make NPC reductions, that the asymmetry of

²⁶ *In the Matter of Investigation*, Docket No. UE-190882, Final Order 05 at ¶ 119 (March 20, 2020) (“Pacific Power & Light Company is not authorized to recover from Washington ratepayers \$457,000”); *In the Matter of Investigation of Pacific Power & Light Co.*, Docket No. UE-170717, Order 03 at ¶15 (July 23, 2018) (“The Parties agree to a black box adjustment that will result in the deferral of an additional \$3.5 million, for a total credit to customers of \$4,708,218.”).

1 information is in favor of the Company, and also that the Company does not optimize
2 on behalf of Washington customers.²⁷

3 **Q. Does the Company agree with Public Counsel’s arguments about participation in**
4 **the EDAM?**

5 A. No. Public Counsel suggests that the Company can further optimize its performance,
6 particularly in areas where it already optimizes, such as hydro resources being used at
7 times of highest value. While it is true that hydro resources can be optimized at a basic
8 level, implying that modifying the PCAM would lead to the Company no longer
9 optimizing its hydro resources for maximum value, or its entire system, and instead
10 choosing higher-priced alternatives, is entirely incorrect. As mentioned earlier, the
11 Company operates its system using an optimization model that focuses on achieving
12 the least cost economic dispatch of its resources. This ensures that resources are utilized
13 efficiently and cost-effectively.

14 Public Counsel also argues that the Company can be incentivized to reduce its
15 net power costs through the optimization of scheduled maintenance outages. However,
16 it is important to note that the Company already engages in such optimization practices.
17 The Company actively considers maintenance outage scheduling to minimize costs and
18 disruptions, regardless of the structure of any power cost mechanism in its six-state
19 service territory. To the extent that a party wants to challenge any maintenance
20 schedule, this can be done in the PCAM annual review where the Company has the
21 burden of proof to demonstrate prudence.

²⁷ Earle, Exh. RLE-1CT at 2:18-9:7.

1 **Q. Does the Company agree with Public Counsel’s arguments about not optimizing**
2 **for Washington customers specifically as a reason for not making changes to the**
3 **PCAM?**

4 A. No. PacifiCorp is a multi-state utility serving nearly 2 million customers across six
5 states. Notably, PacifiCorp manages two balancing authority areas as a unified
6 integrated system, adhering to the criteria and requirements set forth by the Western
7 Electricity Coordinating Council and the North American Electric Reliability
8 Corporation. PacifiCorp’s systems directly benefit customers by enhancing reliability
9 and cost-efficiency through the utilization and optimization of the diverse resources
10 within its extensive multi-state generation and transmission network. The Company
11 firmly believes that the most effective approach to harness these benefits is through a
12 unified six-state optimization that utilizes a least cost economic dispatch model
13 benefitting all of its customers. The structure of the PCAM will not impact the
14 Company’s six-state optimization, nor the optimization of the Energy Imbalance
15 Market or EDAM.

16 **Q. Has Public Counsel made any arguments about prudence reviews?**

17 A. Yes. Public Counsel infers that prudence reviews can be burdensome for the
18 Commission and intervenors.²⁸ However, it is important to emphasize that prudence
19 reviews are a crucial aspect of the ratemaking process. Dead and sharing bands are *not*
20 intended as a vehicle for intervenors to avoid conducting prudence reviews. As
21 mentioned earlier, the prudence review process has proven effective, particularly in the
22 case of the PCAM, where a disallowance ruling was issued regarding the prudence of

²⁸ Earle, Exh. RLE-1CT at 8:8-9:4.

1 replacement power costs.²⁹ In fact, Public Counsel participated in this proceeding
2 which not only resulted in a power cost disallowance for PacifiCorp, but also PSE and
3 Avista. Furthermore, in the 2016 PCAM, the parties reached a settlement agreement
4 which resulted the Company not being able to recover certain costs associated with
5 costs at its Jim Bridger plant.³⁰

6 The PCAM does not include any forecasted capital or operational costs, but is
7 rather a backwards-looking review of actual incurred power costs. As been shown in
8 prior PCAM proceedings, information on actual power costs are available through
9 discovery for analysis by all parties for prudence recommendations. This
10 demonstrates that the prudency review process can work as intended and ensures that
11 costs can be thoroughly examined. In other words, parties involved in the PCAM have
12 the opportunity to question individual costs during the review process, and if the
13 Company fails to provide adequate evidence of prudence, such costs may be
14 disallowed, as was seen in the 2018 PCAM.

15 **Q. Does information asymmetry in the PCAM warrant maintaining the deadband**
16 **and sharing bands?**

17 A. No. Public Counsel witness Earle relies on a National Association of Regulatory
18 Utility Commissioners (NARUC) publication by Kenneth Costello regarding multi-
19 year rate plans to describe information asymmetry.³¹ Specifically, that publication
20 describes the information asymmetry in the context of forecasted costs. PacifiCorp

²⁹ *In the Matter of Investigation of Pacific Power & Light Co.*, Docket No. UE-190882, Final Order 05 at ¶ 119 (“Pacific Power & Light Company is not authorized to recover from Washington ratepayers \$457,000 incurred to acquire replacement power costs results from the 2018 Colstrip outage *because it failed to show these costs were prudently incurred.*”).

³⁰ *In the Matter of Investigation of Pacific Power & Light Co.*, Docket No. UE-170717, Order 03 (July 23, 2018).

³¹ Earle, Exh. RLE-1CT at fn.13.

1 does not agree that this is an appropriate comparison because the PCAM does not
2 include any forecasted capital or operational costs, but is rather a backwards-looking
3 review of actual incurred power costs. Information on actual power costs are
4 available through discovery for analysis by all parties.

5 Furthermore, any information asymmetry that may exist would be constant
6 whether the variance between forecast NPC and actual NPC is positive or negative.
7 That is to say, the information asymmetry is symmetrical relative to the sharing band.
8 The Company does not believe that a symmetrical relationship should drive an
9 asymmetrical design and does not believe it is reasonable to maintain asymmetry in
10 the design of sharing bands for NPC. Additionally, it is my understanding that
11 Washington is the only state with a power cost mechanism across the nation that has
12 an asymmetrical sharing band design. This data is provided as Exhibit No. JP-3.

13 **Q. Has the Company submitted any additional evidence regarding power cost**
14 **mechanisms for other utilities?**

15 A. Yes. In referenced to Exhibit No. AEB-13, Witness Bulkley explains that only eight
16 states have power cost mechanisms with sharing bands and that 88.24 percent of
17 companies in their proxy group are allowed to pass through NPC without dead or
18 sharing bands:

19 As shown in Exhibit No. AEB-13, the full recovery of fuel and
20 power costs is consistent with the recovery mechanisms that are
21 relied upon by the majority of the proxy group operating
22 companies. According to S&P Capital IQ Pro, there are only eight
23 states (i.e., Arizona, Idaho, Missouri, Montana, Oregon, Vermont,
24 Washington and Wyoming) that have fuel cost recovery
25 mechanisms with sharing bands. The remaining 42 states either
26 have restructured and the electric utilities do not own generation
27 or have fuel cost recovery mechanisms with a true-up between
28 actual and forecasted fuel costs. Finally, 88.24 percent of the

1 operating companies held by my proxy group are allowed to pass
2 through fuel costs and purchased power costs directly to
3 customers, without deadbands and sharing bands.³²

4 **Q. Has Public Counsel expressed a position regarding Staff witness Wilson's**
5 **testimony?**

6 A. No, not as of October 26, 2023. After Administrative Law Judge Howard's motion to
7 compel ruling on October 12, 2023, PacifiCorp issued data requests to Public Counsel
8 requesting witness Earle's thoughts on Staff witness Wilson's response testimony on
9 the PCAM. The data requests were intended to help inform my rebuttal testimony;
10 however, Public Counsel declined to provide substantive responses to the data requests
11 in advance of its cross-answering testimony, so I could not address their position.³³

12 **V. AWEC RECOMMENDATION**

13 **Q. What has AWEC recommended in regard to the Company's proposed changes**
14 **to the current structure of the PCAM?**

15 A. AWEC recommends there should not be any changes to the current structure of the
16 PCAM.

17 **Q. Does the Company agree with AWEC?**

18 A. No.

19 **Q. What are AWEC's main arguments for not making changes to the PCAM?**

20 A. AWEC's main arguments are that the PCAM is rooted in precedent and there have
21 not been substantial changes to warrant modifications to the PCAM deadband and

³² Bulkey, Exh. AEB-1T at 56:6-16.

³³ Painter, Exh. JP-4 (Public Counsel's Responses to PacifiCorp Data Request Nos. 013-023).

1 sharing bands, that the volatility of price forecasts overstates NPC, and that the
2 PCAM is functioned as intended.³⁴

3 **Q. Is AWEC correct that there have not been substantial changes to warrant**
4 **modifications to the PCAM deadband and sharing bands?**

5 A. No. Substantial changes have occurred that warrant changes to the PCAM. First, the
6 Company's resource mix has changed significantly. From 2016 to 2022, wind and
7 solar resources have doubled on the Company's system, which creates more
8 variability. This leads to additional risk when those renewable resources are
9 unavailable due to weather conditions, which are outside of the Company's control.
10 PacifiCorp's participation in the Energy Imbalance Market and commitment to join
11 the EDAM is another significant change; one that drives NPC considerably lower.

12 **Q. Do you agree with AWEC's argument that the volatility of price forecasts**
13 **overstates NPC?**

14 A. No. AWEC argues that price volatility leads to higher forward price curves, which in
15 turn causes NPC to be overstated. However, this argument oversimplifies the situation.
16 The PCAM takes into account the variance between forecast NPC and actual NPC. If
17 actual market prices deviate from the forward price curves, it is likely that variances in
18 NPC will exist. Therefore, the accuracy of the price forecasts is the primary factor
19 influencing NPC variances, not just the volatility itself. Additionally, if NPC is indeed
20 overstated as AWEC suggests, it is unclear why the dead and sharing bands should be
21 retained, as this would prevent customers from receiving the full variance as a surcredit.

³⁴ Mullins, Exh. BGM-1CT at 64:4-71:17.

1 **Q. Is AWEC's argument that the PCAM is functioning as intended correct?**

2 A. Certainly not. AWEC argues that the NPC over- and under-recovery over time is not
3 a systemic problem because power costs will sometimes be higher and sometimes be
4 lower, but this completely ignores the fact that the PCAM deadband has negatively
5 impacted customers. While NPC variances may even out over time, if there is
6 persistent directional bias in an over or under recovery in the PCAM, then either
7 customers or the Company will have the same bias in harm created by the deadband
8 and sharing band.

9 AWEC also does not provide any explanation as to why removing the deadband
10 and sharing bands would discourages collaborative efforts to establish a more accurate
11 baseline. Instead, retaining these bands can create improper incentives for parties to
12 conversely advocate for an inaccurate forecast. A more streamlined PCAM structure
13 would incentivize parties to prioritize a more accurate forecast and rate stability, which
14 ultimately serves the best interests of customers.

15 VI. HARM TO WASHINGTON CUSTOMERS

16 **Q. Has Sierra Club, Public Counsel, or AWEC acknowledged the evidence the**
17 **Company has provided in this proceeding that the PCAM deadband and sharing**
18 **bands have caused more harm to Washington customers over the history of the**
19 **PCAM and is not acting as intended?**

20 A. No, not at all. Between 2016 and 2020, the Company over-collected NPC in the
21 PCAM. The result of this over-collection has resulted in a loss of \$27.6 million to
22 Washington customers through the deadband and sharing bands. It would take five
23 straight years of over-recovery by the Company for just the deadband losses to be

1 offset. This is highly problematic because the current design of the PCAM requires
2 equal amounts of time of over- and under-recovery to average out. Neither
3 Washington customers nor the Company should have to endure this lengthy process
4 for PCAM deadband and sharing band losses to break even.

5 **Q. Has Staff responded differently to the harm Washington customers have**
6 **realized over the history of the PCAM?**

7 A. Yes, and Staff has also recommended changes to eliminate the PCAM deadband, to
8 simplify the complicated asymmetrical sharing bands, and lower the rate change
9 triggering threshold.

10 VII. CONCLUSION

11 **Q. Please summarize your recommendations to the Commission.**

12 A. First, the fundamental issue with the PCAM deadband and sharing bands is that it is
13 not acting as intended to equitably share risk between Washington customers and the
14 Company. Secondly, the PCAM is also supposed to incent the Company to
15 effectively manage or reduce power costs. In the six states the company operates,
16 Utah and California have no deadband or sharing bands, and Idaho and Wyoming do
17 not have a deadband, but regardless the Company still operates with a least cost
18 economic dispatch model and its decisions can be reviewed and/or challenged by
19 parties in the annual PCAM filings. Overall, the Company supports WUTC Staff's
20 recommendations to eliminate the deadband, simplify the sharing band, and lower the
21 rate triggering threshold.

22 **Q. Does this conclude your rebuttal testimony?**

23 A. Yes.

Exh. JP-3
Docket UE-230172
Witness: Jack Painter

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-230172
(Consolidated)

In the Matter of

ALLIANCE OF WESTERN ENERGY
CONSUMERS'

Petition for Order Approving Deferral of
Increased Fly Ash Revenues

Docket UE-210852
(Consolidated)

PACIFICORP

EXHIBIT OF JACK PAINTER

Review of Power Cost Adjustment Mechanism Implementation in Other States

October 2023

Review of PCAM Implementation in Other States

State	Deadband	Risk Sharing	SNL Description of Adjustment Clause
Alabama			Alabama Power, Spire Alabama and Spire Gulf are regulated under Rate Stabilization and Equalization frameworks that adjust base rates periodically (see the Alternative regulation section). The tariffs of the major energy utilities include adjustment provisions to allow for recovery of changes in income taxes and certain general and local taxes. An Energy Cost Recovery, or ECR, mechanism is also in place for Alabama Power. The ECR mechanism is established on the basis of estimates of electric sales, fuel-related costs, and purchased power costs, and reflects accumulated over- or underrecovered amounts.
Alaska			Electric fuel and gas commodity costs are recovered through mechanisms that are separate from base distribution rates. Alaska Electric Light and Power Co. utilizes a power cost adjustment that is updated quarterly. ENSTAR Natural Gas Co.'s gas cost adjustment is updated annually; both are subject to true-up.
Arizona		Yes. APS' PSA is subject to a \$0.004/kWh annual cap on rate increases or decreases, unless the base cost of fuel and purchased power is reset.	Arizona Public Service Co., or APS, utilizes a Power Supply Adjustor, or PSA, a mechanism that permits the deferral and recovery of fuel and purchased power costs, certain production-related variable costs, and certain energy storage costs outside of a rate case. The PSA is subject to a \$0.004/kWh annual cap on rate increases or decreases, unless the base cost of fuel and purchased power is reset. The PSA incorporates a forward-looking estimate of fuel and purchased power costs to set a rate that is subsequently reconciled with actual costs. The PSA consists of three components: the "forward component" that recovers or refunds differences between expected fuel and purchased power costs and those reflected in base rates; the "historical component," which tracks the differences between actual costs and those recovered through the combination of base rates and the forward component; and the "transition component," which provides for the recovery or refund of deferred balances stemming from the operation of the old PSA. The PSA also reflects margins from the sale of emissions allowances. Tucson Electric Power Co., or TEP, utilizes a purchased power and fuel adjustment clause, or PPFAC. The PPFAC includes a forward-looking component. A PPFAC is also in place for UNS Electric Inc., or UNS-E.
Arkansas			State statutes permit the electric utilities to request PSC approval of mechanisms that allow the recovery of costs related to fuel and purchased power, energy efficiency, purchased gas and certain other items. Energy cost recovery, or ECR, riders — Electric utilities recover fuel and purchased power costs through an ECR rider. The ECR rider is calculated annually, reflecting the actual cost in the previous calendar year, with an adjustment for projected changes. ECR rate changes are implemented automatically; however, a utility's ECR rider calculation is subject to a 15-day review period. The staff is permitted to audit any utility's ECR rider and can recommend adjustments to the ECR rate filed by the company.
California			The state's major electric utilities utilize a balancing account, the energy resource recovery account, or ERRRA, that is designed to track and allow recovery of the difference between electric procurement costs included in rates and actual costs incurred under each utility's procurement plan. The PUC must review the revenues and costs associated with each utility's electricity procurement plan at least annually and adjust retail electricity rates or order refunds as appropriate, typically once a year. In addition, rate changes can be implemented based on the ERRRA trigger mechanism, which is effective when aggregate over-collections or undercollections exceed 5% of the utility's prior-year electric generation revenues, excluding amounts collected for the Department of Water Resources. The PUC would make the final determination of an ERRRA trigger mechanism rate change.
Colorado			Public Service Company of Colorado's, or PSCO's, fuel and purchased energy costs are recovered through an incentive based electric commodity adjustment, or ECA, that compares actual fuel and purchased power expenses to a formula based benchmark. The ECA also contains certain earnings-sharing provisions related to energy trading activities (see the Alternative Regulation section). PSCO utilizes a purchased capacity cost adjustment clause that allows for recovery of the costs of purchased power not included in base rates or other recovery mechanisms. Black Hills Colorado Electric Utility Company, or BHCE, is subject to an energy cost adjustment mechanism under which all fuel and purchased energy cost differences from the company's base energy cost rate are fully recovered from, or credited to, customers. The impacts of certain incentive mechanisms also flow through the mechanism.

State	Deadband	Risk Sharing	SNL Description of Adjustment Clause
Florida			The fuel cost recovery clause, or FCRC, and the capacity cost recovery clause, or CCRC, provide for recovery of prudently incurred fuel and purchased power costs, respectively. Annual fuel factors are established based upon 12-month projections of fuel costs and energy purchases and sales. Hearings are held each November, during which the PSC sets fuel factors for the next calendar year. Subsequent to the November hearings, utilities may seek or the PSC may require a midterm modification to the factors if updated projected costs for the year vary from updated projected revenues by plus or minus 10%. Interest is accrued on both over- and under-recovered balances. Included in the FCRC is a generating performance incentive factor that provides a financial reward or penalty when a company's base load generating units' availability and heat rate vary from targets approved by the PSC. The reward or penalty is limited to a 25-basis point ROE spread. The PSC generally requires market-based pricing of coal purchased from an affiliate. The FCRC also reflects gains from non-firm energy sales. A three-year moving average based on eligible sales is determined, and 100% of the sales up to this benchmark are credited to ratepayers. For sales above the benchmark, 80% of the gains accrue to ratepayers, with 20% retained by Duke Energy Florida LLC, Tampa Electric Co. Company, or TEC, and Gulf Power Co
Georgia			A non-automatic fuel adjustment mechanism, known as the fuel cost recovery clause, is in place for Georgia Power, or GP. Hearings are required before increases or decreases are implemented. Electric fuel rates are based on estimated sales and fuel costs, and any balance of previously unrecovered/over-recovered fuel costs is considered in setting new rates. The energy portion of purchased power transactions is reflected in the mechanism; the capacity component is recovered through base rates. The cost of GP's natural gas and oil procurement hedging program, including any net gains or losses, are also recovered through the fuel cost recovery clause.
Hawaii		Yes. Hawaiian Electric Companies recover 98% of fuel cost fluctuations from customers and incur 2% (with utility exposure capped at \$2.5 million)	Fuel adjustment clauses are in place for electric utilities. The clauses are adjusted monthly for changes in fuel costs and the fuel-cost component of purchased energy, and for variations from the forecasted generation mix. Hawaiian Electric Company's, or HECO's, purchased power adjustment clause, or PPAC, is designed to recover purchased power capacity costs and the O&M expense component of purchased power energy costs. Similar mechanisms are in place for Hawaii Electric Light Company, or HELCO, and Maui Electric Company, or MECO. Rates under the PPAC mechanisms are adjusted monthly,
Idaho		Yes. Avista's PCA enables the company to defer 90% of net power cost deviations, similar to PacifiCorp. Idaho Power's PCA includes a 95% sharing mechanism	Electric power cost adjustment (PCA) mechanisms are utilized by Avista Corporation, Idaho Power (IP), and PacifiCorp. Semi-automatic purchased gas adjustments are utilized by Avista and Intermountain Gas. Electric and gas utilities may seek PUC approval to issue energy cost recovery (securitization) bonds to moderate the impact of power cost increases on customers (see the Securitization section). Avista's PCA enables the company to defer, in a balancing account, 90% of the difference between actual net power costs and the amount included in retail rates. IP has a similar mechanism in place with a sharing provision under which annual rate adjustments reflect 95% of the cost variations associated with water supply for hydro-electric production, wholesale energy prices, and retail load changes. An energy cost adjustment mechanism is in place for PacifiCorp that allows for the recovery of 90% of the difference between actual power costs and those included in rates.
Indiana			FAC proceedings Electric utilities may adjust rates for changes in fuel and purchased power — energy component only — costs generally every three months, following hearings, through the FAC. The FAC is based on estimated costs of fuel and purchased power for a future three-month period, with an additional factor to account for over- or under recoveries caused by variances between estimated and actual costs in the previous three-month period. No carrying charges accrue on over- or under-recoveries. The adjustment factor may be modified more frequently than every three months under emergency circumstances. By law, the URC may not approve an FAC rate adjustment if it will result in the utility earning a net operating income, or NOI, in excess of that authorized.
Iowa			Energy adjustment clauses, or EACs, are modified monthly based on forecast energy costs and fuel and purchased power for two months. The capacity/demand portions of purchased power are recovered through base rates. Under- and over-recoveries are deferred and respectively charged and credited to customers in the succeeding months. Interstate Power and Light Co., or IP&L, uses an EAC that provides for recovery of fuel and purchased power costs as well as revenues and costs associated with sales or purchases of emission allowances. MidAmerican Energy Co. uses an EAC that excludes chemical-related costs.

State	Deadband	Risk Sharing	SNL Description of Adjustment Clause
Missouri		Yes. Empire District Electric Co, Kansas City Power and Light, and Union Electric can all recover 95% of fuel and purchased power costs, net emissions allowance costs and OSS revenues that vary from levels included in base rates.	Empire District Electric Co. utilizes an FAC that provides for the company to recover from/flow to ratepayers, on a semi-annual basis over six-month recovery periods, 95% of incremental variations in "prudently incurred" fuel and purchased power costs, net emissions allowance costs and OSS revenues from the levels included in base rates. In a 2015 rate case decision, the PSC required that a portion of the transmission costs Empire incurs related to its participation in the Southwest Power Pool, or SPP, market be excluded from its FAC [...]. Union Electric Co., or UE, utilizes an FAC that provides for the company to recover from/flow to ratepayers 95% of incremental variations in prudently incurred fuel and purchased power costs, net emissions allowances and OSS revenues from the levels included in base rates. UE's FAC incorporates three adjustments per year and eight-month-long recovery periods [...]. In a 2015 rate case decision, the PSC authorized Kansas City Power and Light Co., or KCP&L, to implement an FAC that provides for the company to recover from/flow to ratepayers 95% of incremental variations in prudently incurred fuel and purchased power costs, net emissions allowances and OSS revenues from the levels included in base rates. KCP&L's FAC incorporates two adjustments per year and 12-month recovery periods.
Montana		Yes. NorthWestern Energy and MDU Resources Group both have power cost adjustment mechanisms that include a 90% rate payers/10% shareholders cost share	On July 14, 2017, NorthWestern filed its Power Costs and Credits Adjustment Mechanism, or PCCAM, proposal with the commission. The proposed PCCAM provides for annual adjustments based on 12 months of actual data, and provides of a 90%/10% allocation between rate payers and shareholders of the related costs. The PCCAM would temporarily apply to Demand Side Management program costs and certain administrative and general costs until future treatment is determined as part of NorthWestern's next general electric rate case. The commission is expected to hold a hearing on the matter on May 31, 2018. MDU Resources Group utilizes a monthly-adjusted fuel and purchased power cost adjustment mechanism that contains certain incentive provisions, including a 90%/10% sharing of the costs reflected in the mechanism.
Nevada			Electric utilities are subject to a deferred energy cost recognition procedure, under which Commission approval is required prior to implementation of changes in the recovery of fuel and purchased power costs. In accordance with this procedure, Nevada Power Company, or NPC, and Sierra Pacific Power Company, or SPP, file quarterly deferred energy adjustment applications, or DEAAs, proposing to recover or refund the deferred balances, representing the difference between actual fuel and purchased power costs incurred and the amounts currently reflected in rates. Electric utilities must reset, on a quarterly basis, the rate for ongoing fuel and purchased power costs, referred to as the base tariff energy rate, or BTER. The quarterly reset is designed to reflect power costs on a more current basis, thereby eliminating large deferred energy balances. These quarterly BTER adjustments are reviewed annually by the PUC as part of the companies' DEAA filings. Costs eligible for recovery include all prudent expenses incurred to purchase fuel, capacity, and energy, as well as the carrying charges on deferred balances. The burden of proof regarding prudence rests with the utility.
New Mexico			Commission rules provide for automatic fuel adjustment clauses; the fuel and purchased power cost adjustment clause, or FPPCAC, for an electric utility is calculated monthly, but a variance from monthly reporting may be sought. The FPPCAC includes a balancing account in which there is approximately a two-month collection lag. A utility is required to reapply for continuation of an FPPCAC every four years, at which time a comprehensive review of the clause is undertaken. In 2008, the PRC authorized Public Service Co. of New Mexico, or PSNM, to establish an emergency FPPCAC. The clause contained several conditions, including that the recoverable costs were subject to a prudence review. PSNM's FPPCAC had been eliminated in 1994, following a stipulation. In 2009, the PRC adopted a rate case settlement that included the reinstatement of the company's FPPCAC on a permanent basis. The fuel factor is adjusted annually. Additionally, the approved settlement contained an SO2 rider through which customers are credited with their share of revenues from allowance sales. El Paso Electric Co., or EPE, may seek approval to adjust its FPPCAC if the company experiences an over- or under-recovery balance of at least \$2 million of fuel and purchase power expenses as of Dec. 31 and June 30 of each year. Southwestern Public Service Co., or SWPS, uses an FPPCAC under which it may petition for a change in the fuel factor if the over/under-recovery balance reaches \$5 million.
North Carolina			Prudent electric fuel and fuel-related costs are recoverable through a fuel adjustment clause, or FAC. Each utility has an annual hearing to review fuel costs, with a test period determined by the NCUC for each company. The proceedings provide for a true up of any over or undercollections from the previous year, with interest included only for overcollections. The costs of certain reagents used in reducing or treating emissions, as well as certain nonfuel purchased power costs for economic purchases, may be recovered through the FAC. The law limits the annual increase in recoverable costs related to certain purchased power contracts to 2% of a utility's total retail revenues.

State	Deadband	Risk Sharing	SNL Description of Adjustment Clause
North Dakota			Mechanisms that provide for automatic recognition of changes in fuel and the energy portion of purchased power costs are in place for Northern States Power, or NSP, MDU Resources Group and Otter Tail Power, or OTP. Fuel and purchased power cost adjustments are implemented monthly and are based on a rolling four-month history. There is generally a two-month lag for recovery. MDU also recovers capacity costs associated with purchased power through its fuel and purchased power adjustment clause.
Oklahoma			Fully automatic electric FACs are prohibited in Oklahoma. However, semi-automatic FACs are in place. Utilities may propose a change in the current FAC billing factor according to each company's Commission-approved FAC tariff. Once the utility files for a change in its FAC rate, the staff has five days within which to respond. If the staff files objections to the change, a formal investigation is initiated; if the staff files no objections, the proposed rates become effective. The historic costs and revenues included in the FAC are reviewed by the OCC after each calendar year for accuracy and prudence. Oklahoma Gas & Electric Co.'s, or OG&E's, FAC is typically adjusted semi-annually but can be adjusted quarterly if costs have changed and are expected to remain at their current levels for the foreseeable future or if the monthly over or undercollected FAC amounts for a given period are greater than 5% of the company's projected annual Oklahoma-jurisdictional fuel costs. Purchased power and certain cogeneration and capacity payment differentials are reflected in the FAC. OG&E also recovers a portion of the transportation costs associated with gas deliveries to its generating facilities through the FAC. Public Service Co. of Oklahoma's, or PSO's, FAC is adjusted annually, subject to a cap on under and overrecoveries. However, an immediate adjustment may be implemented if the under or overrecovered balance exceeds \$50 million. Otherwise, amounts that differ from the levels reflected in base rates are deferred in a balancing account, and the deferrals are recovered over the subsequent 12 months. The FAC also allows for current recovery of line losses above or below the amount recognized in PSO's base rates. Such under or overrecoveries are recovered from, or refunded to, customers during subsequent months. Ratepayers' 90% share of off system sales margins flow through PSO's FAC.
Oregon	Yes, PGE and PacifiCorp have a -\$15 to \$30 million deadband, while Idaho Power's costs/savings are reduced by a deadband of 250/125 ROE basis points	Yes. PCAMs for PGE, PacifiCorp, and Idaho Power all recover 90% of cost deviations outside of a deadband	Portland General Electric, or PGE, PacifiCorp, and Idaho Power, or IP are permitted to annually adjust rates to reflect forecasted power costs. PGE's and IP's mechanisms include a component under which a portion of the difference between actual and forecasted power costs is deferred for future recovery or refund. PGE's current power cost recovery framework includes both an annual update, under which rates change each January 1 to reflect updated net variable power costs, or NVPC, and a power cost adjustment mechanism, or PCAM, that is designed to capture a portion of the difference between the NVPC forecast established through the annual update, i.e., baseline NVPC, and the actual NVPC incurred by PGE for that year. The PCAM is subject to a deadband of \$15 million below to \$30 million above the ultimately established NVPC, a sharing ratio, and an earnings test. PGE absorbs 100% of the costs/benefits within a PUC-determined deadband, and amounts above or below the deadband are allocated 90% to customers and 10% to PGE shareholders. A surcharge or a refund would occur only if PGE's actual ROE is more than 100 basis points below or above PGE's last authorized ROE. PacifiCorp and IP have similar mechanisms.
South Carolina			Nonautomatic electric fuel and purchased gas adjustment clauses are in place for the state's utilities. Each electric utility is required to furnish the PSC an estimate of its fuel costs, including the cost of purchased power, for a prospective 12-month period. The PSC then determines the fuel-related costs to be included in base rates for that period, including adjustments for over or under recovery from the preceding 12-month period. Electric companies are required to account on a monthly basis for the difference between fuel costs recovered through base rates and actual fuel costs by booking the difference to unbilled revenue with a corresponding deferred debit or credit. Emissions allowance costs and the cost of certain materials used in reducing or treating emissions are reflected in the fuel clause.
South Dakota			Automatic fuel, purchased power, and gas cost adjustment clauses are permitted. Through these clauses, the utilities recover actual fuel, purchased power — energy portion only — and purchased gas expenses incurred; carrying costs accrue on unrecovered balances. The fuel clauses of Northern States Power-Minnesota, or NSP-MN, and Black Hills Power, or BHP, and NorthWestern Corp. contain certain incentive provisions.

State	Deadband	Risk Sharing	SNL Description of Adjustment Clause
Tennessee			Automatic purchased power and gas commodity recovery clauses are permitted. The state's gas utilities are allowed to reflect a portion of uncollectible expenses in these clauses. Kingsport Power, or KP, has a fuel and purchased power adjustment rider that reflects any changes in the wholesale costs of the company's power supplier, affiliate Appalachian Power, or APCO, as well as transmission expenses. KP has no generating capacity of its own, and purchases 100% of its power requirements from APCO. Chattanooga Gas, or CG, has a purchased gas adjustment rider in place.
Utah			The PSC may allow electric and gas utilities to implement balancing accounts to recover purchased power and fuel costs. In 2011, PacifiCorp implemented a pilot energy balancing account, or EBA, that was to remain in place through 2016 and contained incentive provisions. However, legislation was enacted on March 29, 2016, that removed the incentive provision of the mechanism and extended the EBA through 2019. Also, PacifiCorp operates under a renewable energy credit mechanism that contains certain incentive provisions.
Vermont	Yes. Green Mountain Power can recover or credit costs outside a \$0.3 million band	Yes. Through its power supply cost adjustment mechanism, Green Mountain Power can annually pass through to ratepayers 90% of the energy costs (or benefits) varying by more than \$0.3 million from the energy costs included in rates	Green Mountain Power Corp., or GMP, has a PCA in place that allows the company to recover from, or credit to, customers on an annual basis 90% of the energy costs that are more than \$0.3 million higher or lower than the energy costs included in rates through a power supply cost adjustment mechanism. Vermont Gas Systems, or VGS, has a PGA mechanism in place that allows for the recovery of all gas-cost variations on a quarterly basis. The Vermont Supreme Court has prohibited the use of PCA and PGA mechanisms, finding them to be inconsistent with the customer notice requirements under state law. However, these mechanisms are permitted when adopted as part of an alternative regulation plan.
Virginia			Electric fuel adjustment clauses, or FACs provisions are permitted. The SCC's FAC procedure provides for electric rates to be reset annually based on projected usage and costs. The utilities maintain accounts for any over or underaccruals, and these balancing accounts are reconciled through the following year's fuel factor. Purchased power and capacity charges for "economy" purchases are included in the fuel factor calculation. Energy charges associated with reliability purchases may flow through the fuel factor, but capacity charges are recovered through base rates. Appalachian Power Co., or APCO, Virginia Electric and Power Co., or VEPCO, and Kentucky Utilities Co., all use an FAC.
Washington	Yes. Avista, PSE, and PacifiCorp employ deadbands of respectively ± \$4 million, ±\$17 million, and ±\$4 million respectively	Yes. Under Avista's ERM, if costs are \$4 million - \$10 million lower than those included in base rates, 75% of the energy cost savings flow to customers. Costs between \$4 million to \$10 million higher are shared equally, while differences above \$10 million are allocated 90% to customers and 10% to shareholders. PSE and PacifiCorp similarly pass costs to customers outside of a deadband based on a	Avista Corporation's Energy Recovery Mechanism, or ERM, allows the company to adjust rates to reflect changes in power supply-related costs, with 75% of any energy cost savings to flow to customers and 25% to the company when actual annual power costs are between \$4 million and \$10 million lower than those included in base rates. Equal sharing is to occur when actual power costs are between \$4 million and \$10 million greater than the amount included in base rates. Any differences in excess of \$10 million are to be allocated 90% to customers and 10% to shareholders. The ERM contains an adjustment trigger under which a surcharge or rebate occurs when the deferred ERM balance reaches ±\$30 million. Puget Sound Energy's, or PSE's, Power Cost Adjustment Mechanism, or PCAM, allows for variations in power costs to be apportioned, on a graduated scale, between the company and customers. Beginning in 2017, to the extent power costs are above/below the PCAM baseline amount, PSE is to absorb/retain the first \$17 million above/below the baseline, and 10% of any amount that exceeds \$40 million. For costs between \$17 million and \$40 million above the baseline, PSE is to absorb 50%. For costs between \$17 million and \$40 million below the baseline, PSE is to retain 35% of the benefits. A PCAM rate surcharge/credit is to be implemented when the deferred power cost balance reaches ±\$20 million. Fixed production costs are no longer included in the PCAM. [...] In May 2015, the WUTC adopted a PCAM for PacifiCorp, following a settlement. The PCAM is a first for the company in Washington. The PCAM includes a \$4 million dead band for net power cost variances, relative to a benchmark. For net power cost variances between \$4 million and \$10 million, the PCAM reflects asymmetrical sharing bands in which positive variances are to be allocated 50% to customers and 50% to PacifiCorp, and negative variances are to be allocated 75% to customers and 25% to PacifiCorp. Positive or negative net power cost variances in excess of \$10 million are to be allocated 90% to customers and 10% to PacifiCorp.

State	Deadband	Risk Sharing	SNL Description of Adjustment Clause
West Virginia			Electric fuel and/or purchased power costs may be recovered through an ENEC proceeding. In addition to fuel costs, the ENEC reflects the energy portion of purchased power costs, the net benefit associated with affiliated and other wholesale sales, the demand portion of purchased power transactions, transmission costs and credits and any regional transmission organization-related costs. ENEC factors are set annually based on projected data for the prospective 12 months. Over- or under-recoveries based on actual data for the prior 12 month period are deferred for reconciliation as part of the next ENEC proceeding, with no carrying charges on the deferred balance. ENEC proceedings are typically completed within four months of filing.
Wisconsin	Yes, recovery for the five largest IOUs is subject to a $\pm 2\%$ deadband		Under the PSC's electric fuel rules, which apply to the state's five largest investor-owned utilities — Northern States Power Co. — WI, Wisconsin Power and Light Co., Madison Gas and Electric Co., Wisconsin Electric Power Co., and Wisconsin Public Service Corp. — each utility forecasts the monthly and annual fuel and purchased power costs on a prospective basis. If a company's actual fuel and purchased power costs are outside a monthly or cumulative monthly variance range around the forecasts and if the utility can demonstrate that these costs will likely be outside the annual range, the PSC may conduct a hearing to establish new rates. Currently, the annual variance range is plus or minus 2%. An electric utility is permitted to defer any fuel costs that are outside of its annual, symmetrical variance range for subsequent recovery or refund. However, the utility is prohibited from recovering deferrals if the company is found to be earning in excess of its authorized equity return.
Wyoming		Yes. Cheyenne Light, Fuel & Power can allocate steam production costs 85% to ratepayers and 15% to shareholders, and other eligible costs 95% to customers and 5% to shareholders. PacifiCorp similarly has cost-sharing in place, but allocates 80% to ratepayers and 20% to shareholders	Cheyenne Light, Fuel & Power, or CLF&P, operates under a power cost adjustment mechanism through which the company's power costs are classified into two categories. Category 1 costs include steam production costs, while category 2 costs include purchased power and capacity costs, transmission expenses, and certain other costs, and reflect any margins realized from off-system sales. Deviations in Category 1 costs from a base level are allocated 85% to ratepayers and 15% to shareholders. Deviations in Category 2 costs are allocated 95% to customers and 5% to shareholders. PacifiCorp operates under an energy cost adjustment mechanism, or ECAM, that is in place through 2017. Under the ECAM, incremental variations in net power costs that differ from the base level are allocated 80% to ratepayers and 20% to shareholders. In December 2015, the PSC approved the continuation of the current ECAM with certain modifications that allow for the inclusion of reagent chemical costs and start-up fuel costs. In addition, MDU Resources Group collects from/credits to ratepayers variations in fuel and purchased power costs that deviate from an established base level through a power supply cost adjustment mechanism.

Sources and Notes:

Descriptions of fuel adjustment clauses from SNL Energy Regulatory Research Associates (RRA) summaries. Deadband and Risk Sharing columns represent The Brattle Group interpretations of mechanisms according to these descriptions and research into utility filings.

Exh. JP-4
Docket UE-230172
Witness: Jack Painter

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-230172
(Consolidated)

In the Matter of

ALLIANCE OF WESTERN ENERGY
CONSUMERS'

Petition for Order Approving Deferral of
Increased Fly Ash Revenues

Docket UE-210852
(Consolidated)

PACIFICORP

EXHIBIT OF JACK PAINTER

Public Counsel's Response to PacifiCorp Data Requests 013-023

October 2023

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Docket UE-230172

**Washington Utilities & Transportation Commission v. PacifiCorp d/b/a/ Pacific
Power & Light Co.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP
DATA REQUEST NO(S). 13 – 23**

Request No: 013
Directed to: Lisa Gafken, Public Counsel
Date Received: October 13, 2023
Date Produced: October 24, 2023
Prepared by: Robert Earle
Witnesses: Robert Earle

**PACIFICORP DATA REQUEST NO. 13:
Re: PCAM**

In reference to Wilson, Exh. JDW-1CT, page 36, line 7-11, Witness Wilson asserts that the inclusion of a deadband in the PCAM “results in the Company having the opportunity to retain 100 percent of a windfall that is unrelated to its operations, which is not an equitable sharing of risk between customers and the Company.” Please provide a narrative explanation stating whether Public Counsel agrees with Witness Wilson’s statement. If Public Counsel disagrees, please provide an explanation as to why the inclusion of a deadband in the PCAM would *not* result in the Company having the opportunity to retain 100 percent of a windfall that is unrelated to its operations.

RESPONSE:

Public Counsel has not as of this date provided testimony in response to the Direct Testimony of John D. Wilson. If Public Counsel develops a position on Wilson, Exh. JDW-1T at 36:7–11, Public Counsel will supplement this response.

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Docket UE-230172

**Washington Utilities & Transportation Commission v. PacifiCorp d/b/a/ Pacific
Power & Light Co.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP
DATA REQUEST NO(S). 13 – 23**

Request No: 014
Directed to: Lisa Gafken, Public Counsel
Date Received: October 13, 2023
Date Produced: October 24, 2023
Prepared by: Robert Earle
Witnesses: Robert Earle

**PACIFICORP DATA REQUEST NO. 14:
Re: PCAM**

In reference to Wilson, Exh. JDW-1CT, page 36, lines 19-21, Witness Wilson states that “a 90/10 risk sharing mechanism is an equitable sharing of risk between customers and the Company, while continuing to provide the Company with a reasonable incentive to manage or control power costs.” Please provide a narrative explanation stating whether Public Counsel agrees with Witness Wilson’s statement. If Public Counsel disagrees, please explain why a 90/10 risk sharing mechanism is *not* considered an equitable sharing of risk between customers and the Company.

RESPONSE:

Public Counsel has not as of this date provided testimony in response to the Direct Testimony of John D. Wilson. If Public Counsel develops a position on Wilson, Exh. JDW-1T at 36:19–21, Public Counsel will supplement this response.

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Docket UE-230172

**Washington Utilities & Transportation Commission v. PacifiCorp d/b/a/ Pacific
Power & Light Co.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP
DATA REQUEST NO(S). 13 – 23**

Request No: 015
Directed to: Lisa Gafken, Public Counsel
Date Received: October 13, 2023
Date Produced: October 24, 2023
Prepared by: Robert Earle
Witnesses: Robert Earle

**PACIFICORP DATA REQUEST NO. 15:
Re: PCAM**

In reference to Wilson, Exh. JDW-1CT, page 31, line 9 through page 33, line 7, Witness Wilson provides analysis and concludes that the current structure of the PCAM does not equitably share risk between customers and PacifiCorp for power cost variability. Please provide a narrative explanation stating whether Public Counsel agrees with Witness Wilson's statement. If Public Counsel disagrees, please provide an explanation as to which specific portions of Witness Wilson's referenced testimony it disagrees with, and provide an explanation as to why Public Counsel believes that the PCAM *does* currently equitably share risk between customers and PacifiCorp for power cost variability.

RESPONSE:

Public Counsel has not as of this date provided testimony in response to the Direct Testimony of John D. Wilson. If Public Counsel develops a position on Wilson, Exh. JDW-1T at 31:9–33:7, Public Counsel will supplement this response.

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Docket UE-230172

**Washington Utilities & Transportation Commission v. PacifiCorp d/b/a/ Pacific
Power & Light Co.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP
DATA REQUEST NO(S). 13 – 23**

Request No: 016
Directed to: Lisa Gafken, Public Counsel
Date Received: October 13, 2023
Date Produced: October 24, 2023
Prepared by: Robert Earle
Witnesses: Robert Earle

**PACIFICORP DATA REQUEST NO. 16:
Re: PCAM**

In reference to Wilson, Exh. JDW-1CT, page 31, lines 17-20, Witness Wilson states that the structure of the PCAM was designed to be asymmetric in favor of the customer. Please provide a narrative explanation stating whether Public Counsel agrees with Witness Wilson's statement. If Public Counsel disagrees, please provide an explanation as to why Public Counsel believes that the current structure of the PCAM was *not* designed to be asymmetric in favor of the customer.

RESPONSE:

Public Counsel has not as of this date provided testimony in response to the Direct Testimony of John D. Wilson. If Public Counsel develops a position on Wilson, Exh. JDW-1T at 31:17–20, Public Counsel will supplement this response.

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Docket UE-230172

**Washington Utilities & Transportation Commission v. PacifiCorp d/b/a/ Pacific
Power & Light Co.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP
DATA REQUEST NO(S). 13 – 23**

Request No: 017
Directed to: Lisa Gafken, Public Counsel
Date Received: October 13, 2023
Date Produced: October 24, 2023
Prepared by: Robert Earle
Witnesses: Robert Earle

**PACIFICORP DATA REQUEST NO. 17:
Re: PCAM**

In reference to Wilson, Exh. JDW-1CT, page 31, lines 14-16, Witness Wilson states that “the finding that the PCAM mechanism has resulted in substantially more customer ‘losses’ than Company ‘losses’ is correct.” Please provide a narrative explanation stating whether Public Counsel agrees with Witness Wilson’s statement. If Public Counsel disagrees, please provide an explanation as to why Public Counsel believes that the PCAM mechanism has *not* resulted in substantially more customer losses than company losses.

RESPONSE:

Public Counsel has not as of this date provided testimony in response to the Direct Testimony of John D. Wilson. If Public Counsel develops a position on Wilson, Exh. JDW-1T at 31:14–16, Public Counsel will supplement this response.

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Docket UE-230172

**Washington Utilities & Transportation Commission v. PacifiCorp d/b/a/ Pacific
Power & Light Co.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP
DATA REQUEST NO(S). 13 – 23**

Request No: 018
Directed to: Lisa Gafken, Public Counsel
Date Received: October 13, 2023
Date Produced: October 24, 2023
Prepared by: Robert Earle
Witnesses: Robert Earle

**PACIFICORP DATA REQUEST NO. 18:
Re: PCAM**

In reference to Wilson, Exh. JDW-1CT, page 35, lines 13-17, Witness Wilson asserts that the five-level PCAM structure is unnecessarily complicated and could potentially result in a windfall for either PacifiCorp or its customers. Please provide a narrative explanation stating whether Public Counsel agrees with Witness Wilson's statement. If Public Counsel disagrees, please provide an explanation as to why Public Counsel believes that the five-level PCAM structure is not unnecessarily complicated and could not potentially provide a windfall for either PacifiCorp or its customers.

RESPONSE:

Public Counsel has not as of this date provided testimony in response to the Direct Testimony of John D. Wilson. If Public Counsel develops a position on Wilson, Exh. JDW-1T at 35:13–17, Public Counsel will supplement this response.

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Docket UE-230172

**Washington Utilities & Transportation Commission v. PacifiCorp d/b/a/ Pacific
Power & Light Co.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP
DATA REQUEST NO(S). 13 – 23**

Request No: 019
Directed to: Lisa Gafken, Public Counsel
Date Received: October 13, 2023
Date Produced: October 24, 2023
Prepared by: Robert Earle
Witnesses: Robert Earle

**PACIFICORP DATA REQUEST NO. 19:
Re: PCAM**

In reference to Wilson, Exh. JDW-1CT, page 23, lines 5-13, Witness Wilson states that they agree that PacifiCorp will have less direct control over Net Power Cost (NPC) when it joins the Extended Day-Ahead Market (EDAM). Please provide a narrative explanation stating whether Public Counsel agrees with Witness Wilson's statement. If Public Counsel disagrees, please provide an explanation as to why Public Counsel believes PacifiCorp will not have less direct control over NPC when it joins the EDAM.

RESPONSE:

Public Counsel has not as of this date provided testimony in response to the Direct Testimony of John D. Wilson, Exh JDW-1CT. Please see Robert L. Earle, Exh. RLE-1CT at 4:1–6:14.

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Docket UE-230172

**Washington Utilities & Transportation Commission v. PacifiCorp d/b/a/ Pacific
Power & Light Co.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP
DATA REQUEST NO(S). 13 – 23**

Request No: 020
Directed to: Lisa Gafken, Public Counsel
Date Received: October 13, 2023
Date Produced: October 24, 2023
Prepared by: Robert Earle
Witnesses: Robert Earle

**PACIFICORP DATA REQUEST NO. 20:
Re: PCAM**

In reference to Wilson, Exh. JDW-1CT, page 24, lines 6-9, Witness Wilson states they agree with Company Witness Painter's statement that "The key drivers of NPC variances, like deviations in load, renewable resource generation, and market spot power prices are outside PacifiCorp's control" when the Company joins the Extended Day-Ahead Market, and provides a table of other NPC drivers that Witness Wilson believes are outside of PacifiCorp's control. Please provide a narrative explanation stating whether Public Counsel agrees with Witness Wilson's statement. If Public Counsel disagrees, please provide an explanation as to why Public Counsel believes that key drivers of NPC variances, like deviations in load, renewable resource generation, and market spot power prices, are not outside PacifiCorp's control once the Company joins the EDAM.

RESPONSE:

Please see Public Counsel Response to PacifiCorp Data Request No. 10.

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Docket UE-230172

**Washington Utilities & Transportation Commission v. PacifiCorp d/b/a/ Pacific
Power & Light Co.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP
DATA REQUEST NO(S). 13 – 23**

Request No: 021
Directed to: Lisa Gafken, Public Counsel
Date Received: October 13, 2023
Date Produced: October 24, 2023
Prepared by: Robert Earle
Witnesses: Robert Earle

**PACIFICORP DATA REQUEST NO. 21:
Re: PCAM**

In reference to Wilson, Exh. JDW-1CT, page 27, lines 1-7, Witness Wilson states that they agree that Net Power Cost (NPC) variability will increase as the portion of power supplied by renewable generation grows. Please provide a narrative explanation stating whether Public Counsel agrees with Witness Wilson's statement. If Public Counsel disagrees, please provide an explanation as to why Public Counsel believes that Net Power Cost variability will not increase as the portion of power supplied by renewable generation grows.

RESPONSE:

Public Counsel has not as of this date provided testimony in response to the Direct Testimony of John D. Wilson. If Public Counsel develops a position regarding Wilson, Exh. JDW-1CT at 27:1-7, Public Counsel will supplement this response.

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Docket UE-230172

**Washington Utilities & Transportation Commission v. PacifiCorp d/b/a/ Pacific
Power & Light Co.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP
DATA REQUEST NO(S). 13 – 23**

Request No: 022
Directed to: Lisa Gafken, Public Counsel
Date Received: October 13, 2023
Date Produced: October 24, 2023
Prepared by: Robert Earle
Witnesses: Robert Earle

**PACIFICORP DATA REQUEST NO. 22:
Re: PCAM**

In reference to Wilson, Exh. JDW-1CT, page 39, lines 3-4, Witness Wilson recommends that the Washington Utilities and Transportation Commission implement their PCAM recommendations starting in 2025. Please provide a narrative explanation of Public Counsel's position on the referenced portion of Witness Wilson's testimony.

RESPONSE:

Public Counsel has not as of this date provided testimony in response to the Direct Testimony of John D. Wilson. If Public Counsel develops a position regarding Wilson, Exh. JDW-1CT at 39:3-4, Public Counsel will supplement this response.

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Docket UE-230172

**Washington Utilities & Transportation Commission v. PacifiCorp d/b/a/ Pacific
Power & Light Co.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP
DATA REQUEST NO(S). 13 – 23**

Request No: 023
Directed to: Lisa Gafken, Public Counsel
Date Received: October 13, 2023
Date Produced: October 24, 2023
Prepared by: Robert Earle
Witnesses: Robert Earle

**PACIFICORP DATA REQUEST NO. 23:
Re: PCAM**

In reference to Wilson, Exh. JDW-1CT, page 37, line 1 through page 38, line 14, Witness Wilson provides a proposal on how the PCAM adjustment threshold should be revised. Please provide a narrative explanation of Public Counsel's position on the referenced portion of Witness Wilson's testimony.

RESPONSE:

Public Counsel has not as of this date provided testimony in response to the Direct Testimony of John D. Wilson. If Public Counsel develops a position regarding the PCAM adjustment threshold, Public Counsel will supplement this response.