

CONFIDENTIAL SUBJECT TO PROTECTIVE ORDER
Exhibit No. JMF-1CT
Docket UE-230482
Witness: John M. Fritz

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-230482

PACIFICORP

REDACTED

REBUTTAL TESTIMONY OF JOHN M. FRITZ

May 2024

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ATTACHED EXHIBIT

CONFIDENTIAL Exhibit No. JMF-2C—Staff Response to AWEC DR 9

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name, business address, and present position with PacifiCorp**
3 **d/b/a Pacific Power & Light Company (PacifiCorp or Company).**

4 A. My name is John M. Fritz, and my business address is 825 NE Multnomah Street,
5 Suite 600, Portland, Oregon 97232. I am currently employed as the Director of
6 Credit, Contracts, and Risk Management.

7 **Q. Please describe your education and professional experience.**

8 A. I received a Bachelor of Science degree with a focus on finance from the University
9 of Central Florida. I was first employed by PacifiCorp in 2002, as a senior analyst in
10 Strategy and Planning. In 2004, I moved to Risk Management, as senior risk
11 management analyst, joining management in 2006. In 2009, I assumed responsibility
12 of the Middle Office, and became the Director of Risk Management. In 2013, I
13 assumed responsibility for Credit, and in 2022, assumed responsibility for Contract
14 Administration. I have been a lead member of the Risk Oversight Committee since
15 2006, advising the committee and executive leadership about market and credit risk,
16 hedging and risk management activities, policies, procedures, and controls. I
17 participated in the Company's hedging collaborative workshops that began in 2009
18 which resulted in the adoption of new hedging metrics and programs. I led many
19 technical conferences and workshops on hedging, risk management, and
20 improvements to programs, policies, and reporting. In 2021, I led the most recent
21 redesign of the Company's power and natural gas hedging and risk management
22 program.

1 **Q. Have you testified in any previous regulatory proceedings?**

2 A. Yes. I have testified in support of the Company's 2022 Utah Energy Balancing
3 Account filing.

4 **II. PURPOSE OF TESTIMONY**

5 **Q. What is the purpose of your testimony in this case?**

6 A. My testimony responds to the testimony of Mr. Wesley Yeomans, an independent
7 consultant under subcontract to Grid 4 Strategies LLC. Grid Strategies, who
8 submitted testimony on behalf of Staff of Washington Utilities and Transportation
9 Commission.

10 **Q. Please describe how your testimony is organized.**

11 A. My testimony begins with comments on Mr. Yeomans's testimony and responds to
12 each of his four recommendations.

13 **Q. Overall, how do you respond to Mr. Yeomans's conclusions?**

14 A. Mr. Yeomans found PacifiCorp's "energy risk management program is prudent,
15 reasonable, and effective."¹ PacifiCorp agrees with Mr. Yeomans's conclusions and
16 found his review to generally be thorough and appropriate. With regards to Mr.
17 Yeomans's recommendations, the Company supports the provision of the semi-
18 annual hedging report to Washington parties, and already has a process to frequently
19 discuss anticipated and unanticipated energy risks. My testimony further explains
20 why the Company disagrees with his recommendations regarding monitoring of
21 physical hedges and reviewing and mitigating the causes of production errors.

¹ Testimony Staff Witness Yeomans, Exh. WY-1CT at 5 (Apr. Mar. 28, 2024).

1 **Q. Does the Company wish to make any other comments to Mr. Yeomans’s**
2 **testimony?**

3 A. The Company notes [REDACTED]

4

5

6 However, it is our understanding that Staff is aware of this change and still maintains
7 their conclusion.²

8 **Q. What recommendations does Mr. Yeomans make regarding the Company’s risk**
9 **management program?**

10 A. Mr. Yeomans identifies four recommendations: the Company should (1) “strengthen
11 its formal risk review process” by establishing “rigorous and frequent brainstorming”
12 sessions to consider “new, unanticipated energy risks”; (2) “review and mitigate the
13 causes of production errors reported in the quarterly physical position workbooks”,
14 (3) “review the performance of the physical hedges as the hedging strategy evolves to
15 utilize higher proportions of physical hedges over financial hedges”, and (4) provide
16 semi-annual hedging reports to Washington staff.³

17 **Q. Mr. Yeomans’s first recommendation is for the Company to meet frequently to**
18 **discuss ‘new, unanticipated risks’.⁴ Do you agree with this recommendation?**

19 A. The power and natural gas traders and other energy supply management personnel
20 meet monthly to discuss a wide range of topics that could impact energy markets.

21 These discussions include [REDACTED]

² Conf. Exh. JMF-2C, Staff Response to AWEC DR 9.

³ Exh. WY-1CT at 14-15.

⁴ *Id.*

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]

5 [REDACTED] The Company commits to documenting minutes of these meetings.

6 **Q. Mr. Yeomans’s second recommendation is for the Company to “review and**
7 **mitigate the causes of production errors reported in the quarterly physical**
8 **position workbooks”.⁵ Does the Company agree with this recommendation?**

9 A. The Company disagrees with this recommendation as a requirement to evaluate
10 prudence of the Company’s hedging program given (1) the infeasibility of resolving
11 each production error prior to the next business day and (2) long-term load and
12 variable energy resource forecasts do not update daily in the long-term forecast and
13 therefore these production errors do not materially impact the long-term hedging
14 program. Notwithstanding the Company’s disagreement of this recommendation as a
15 requirement, the Company has and will continue to work with the software vendor
16 and the Company’s internal information technology departments to identify and
17 implement improvements to reduce the occurrence of these production errors.

18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

⁵ *Id.*

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

1 [REDACTED]

2 [REDACTED]

3 **Q. Mr. Yeomans next recommends the Company “review the performance of the**
4 **physical hedges as the hedging strategy evolves to utilize higher proportions of**
5 **physical hedges over financial hedges”.⁶ Do you agree with this**
6 **recommendation?**

7 **A. The Company disagrees with this recommendation as the Company’s hedging**
8 **strategy is** [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 Mr. Yeomans notes that is his understanding that “PacifiCorp is transitioning
12 to execute more physical hedges than financial hedges as described in New Power &
13 Gas Limits Washington April 19, 11 2021 presentation.”⁷ [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

⁶ *Id.*
⁷ *Id.*

1

[REDACTED]

2

[REDACTED]

3

[REDACTED]

4 **Q.**

Mr. Yeomans's fourth and final recommendation is for the Company to provide its comprehensive semi-annual hedging reports to Washington Staff.⁸ Do you agree with this recommendation?

7 **A.**

Yes. The Company agrees these reports can be provided to Washington Staff and other parties under appropriate confidentiality protections.

9

III. SUMMARY AND RECOMMENDATION

10 **Q.**

Please summarize your argument and recommendation.

11 **A.**

For the reasons discussed above, I recommend that the Commission find the Company's risk management and hedging program prudent at the time of execution and reject the proposed disallowances.

14 **Q.**

Does this conclude your testimony?

15 **A.**

Yes.

⁸ *Id.* at 17.

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Staff Response to AWEC DR 9

May 2024

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
STAFF RESPONSES TO DATA REQUESTS

DATE PREPARED: April 17, 2024	WITNESS: Wesley Yeomans
DOCKET: UE-230482	RESPONDER: Wesley Yeomans
REQUESTER: AWEC	TELEPHONE:

DATA REQUEST NO. 9:

If Staff’s answer to the prior request is “yes,” does Staff maintain its conclusion that PacifiCorp’s hedging policy was “risk responsive” during the deferral period?

- a. If yes, please explain.
- b. If not, does the conclusion that PacifiCorp’s hedging policy was not “risk responsive” during the deferral period change Staff’s conclusion that PacifiCorp’s hedging program was prudent during the deferral period? If not, please explain.

RESPONSE:

- a. Yes. The hedging policy still has all the attributes of a risk responsive hedge program. On July 1, 2021 PacifiCorp [REDACTED]
[REDACTED] This is evident from the change in the Energy Risk Management Policy (Approved January 7, 2021) Appendix G to the Energy Risk Management Policy (Approved July 1, 2021) Appendix F. [REDACTED]
[REDACTED]
- b. Response to subpart a is yes.