PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah Street, Suite 2000
Portland, Oregon 97232

June 15, 2023

VIA ELECTRONIC FILING

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: UE-23_____—2022 Power Cost Adjustment Mechanism
Direct Testimony and Exhibits, Petition to Extend the Amortization of the PCAM Surcharge, and Motion for Standard Protective Order

PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp) submits its 2022 Power Cost Adjustment Mechanism (PCAM) filing with the Washington Utilities and Transportation Commission (Commission). Included in this filing is the direct testimony and exhibits of Jack Painter and Ramon J. Mitchell, supporting exhibits and workpapers, and a petition to alter the amortization of the PCAM surcharge from one year to two years to mitigate the rate impact to customers.

Confidential workpapers are provided to the Commission in accordance with WAC 480-07-160. The confidential workpapers include valuable commercial information, specifically confidential cost and financial information associated with loads and pricing. Disclosure of such information would harm PacifiCorp by an unfair competitive disadvantage. Accordingly, PacifiCorp also includes in this filing a motion requesting that the Commission issue a protective order to govern disclosure of confidential information for use in this case. PacifiCorp is also enclosing redacted versions of confidential files as required by WAC 480-07-160.

It is respectfully requested that all formal correspondence and requests regarding this filing be addressed to:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah St., Suite 2000
Portland, Oregon 97232

Please direct informal inquiries to Ariel Son, Regulatory Affairs Manager, at (503) 813-5410.

Sincerely,

/s/

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Enclosures

NEW-PAC-PCAM-Public-Docs-6-15-23.zip
- NEW-PAC-PCAM-CLtr-6-15-23.pdf
- NEW-PAC-PCAM-Pet-6-15-23.pdf
- NEW-PAC-PCAM-Mot-PO-6-15-23.pdf
- NEW-PAC-PCAM-Exh-JP-1T-6-15-23.pdf
- NEW-PAC-PCAM-Exh-JP-2-6-15-23.pdf
- NEW-PAC-PCAM-Exh-JP-2-6-15-23.xlsx
- NEW-PAC-PCAM-Exh-JP-3-6-15-23.pdf
- NEW-PAC-PCAM-Exh-JP-3-6-15-23.xlsx
- NEW-PAC-PCAM-Exh-RJM-1T-6-15-23.pdf
- NEW-PAC-PCAM-Exh-RJM-2-6-15-23.pdf
- NEW-PAC-PCAM-Exh-RJM-2-6-15-23.xlsx
- NEW-PAC-PCAM-WP1-6-15-23 (R).xlsx
- NEW-PAC-PCAM-WP2-6-15-23.xlsx
- NEW-PAC-PCAM-WP3-6-15-23.xlsx
- NEW-PAC-PCAM-WP4-6-15-23.xlsx
- NEW-PAC-PCAM-WP5-6-15-23.xlsx

NEW-PAC-PCAM-CONF-Docs-6-15-23.zip
- NEW-PAC-PCAM-WP1-6-15-23 (C).xlsx

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of PACIFICORP DBA PACIFIC POWER & LIGHT COMPANY, 2022 Power Cost Adjustment Mechanism Annual Report.	DOCKET UE-23_____ PACIFICORP'S PETITION TO EXTEND THE AMORTIZATION OF THE PCAM SURCHARGE

I. INTRODUCTION

1 In accordance with WAC 480-07-370(3), PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) petitions the Washington Utilities and Transportation Commission (Commission) for an order extending the amortization period for surcharges on Schedule 97, Power Cost Adjustment Mechanism (PCAM) Adjustment, from 12 to 24 months. The Company petitions the Commission to order these changes become effective on January 1, 2024.

II. BACKGROUND

2 PacifiCorp is an electric utility and public service company doing business in the state of Washington under RCW 80.04.010, and its public utility operations, retail rates, service, and accounting practices are subject to the Commission's jurisdiction. PacifiCorp also provides retail electricity service under the name Pacific Power in Oregon and California and under the name Rocky Mountain Power in Idaho, Utah, and Wyoming. The Company's principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232.

3 PacifiCorp's name and address:

Washington Dockets PacifiCorp 825 NE Multnomah Street, Suite 2000 Portland, OR 97232 washingtondockets@pacificorp.com	Ajay Kumar PacifiCorp 825 NE Multnomah Street, Suite 2000 Portland, OR 97232 Ajay.kumar@pacificorp.com

In addition, PacifiCorp respectfully requests that all data requests be addressed to:

By e-mail (preferred)	datarequest@pacificorp.com
By regular mail	Data Request Response Center PacifiCorp 825 NE Multnomah Street, Suite 2000 Portland, OR 97232

Informal inquiries may be directed to Ariel Son, Regulatory Affairs Manager, at (503) 813-5410.

III. SCHEDULE 97 PCAM ADJUSTMENT

4 In May of 2015, the Commission authorized PacifiCorp to implement a PCAM that allows for rate adjustments to account for changes in net power costs (NPC) outside of a band for recovery in base rates. Under the current terms of the PCAM, the Company and its customers share any differences between actual and base NPC, and the Company tracks these differences in a deferral account. A cumulative balance (including monthly interest) in this deferral account greater than $17m or less than -$17m produces a Schedule 97 price change.[1]

5 As described in the direct testimony of Jack Painter, filed concurrently with this petition, the 2022 PCAM results in a surcharge of approximately $71.5 million. Under the current terms of the PCAM that require a one-year amortization, this would produce a

[1] *Wash. Util. & Transp. Comm'n v. Pac. Power & Light Co.,* Docket No. UE-140762, Order 09 at ¶29 (May 26, 2015) (hereinafter "2015 PCAM Order").

Schedule 97 price change that would increase overall rates by approximately 18.2 percent.

6 The Commission has noted that "gradualism in rate change" and "stability of rates" are factors to be considered in rate changes.[2] Current circumstances and market conditions notwithstanding, an approximately 18.2 percent increase in rates would have an adverse impact on rate stability for customers.

7 Instead of the required one-year amortization, the Company proposes a price change for Schedule 97 that reflects a 2-year amortization of the surcharge. PacifiCorp's proposal recognizes a need to balance rate stability while also preventing intergenerational cost subsidization.

8 A 2-year amortization will result in an approximately 9.5 percent overall increase in rates (net of the proposed decrease in Schedule 99 - Production Tax Credit Tracker Adjustment). Over the course of PacifiCorp's proposed amortization period, the inclusion of interest will lead to a total of $77.3 million for recovery. Workpaper 4 shows the calculation of this increase. Workpaper 4 also shows that the Company proposes to spread the PCAM deferral across customer rate schedules consistent with the spread of the base price increase that the Commission ordered in docket UE-210402 (the Company's recent Power Cost Only Rate Case).

IV. CONCLUSION

9 The Company respectfully requests the Commission issue an order that extends the amortization period for the PCAM surcharges on Schedule 97 from 12 to 24 months,

[2] *Wash. Util. & Transp. Comm'n v.Puget Sound Energy, Inc.*, Docket No. UE-072300, Order 12 at ¶68 (October 8, 2008) (Discussing the factors that are considered in determining the rate spread in a general rate case).

effective January 1, 2024. Workpaper 4 shows that the Company's proposed price change would result in an approximately $37.2 million, or 9.5 percent overall increase in rates, effective January 1, 2024. Workpaper 4 shows that this would increase the monthly bill for the average residential customer using 1,200 kilowatt-hours per month by $11.09.

Respectfully submitted this 15th day of June, 2023.

By: _____

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Attorney for PacifiCorp

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of PACIFICORP DBA PACIFIC POWER & LIGHT COMPANY, 2022 Power Cost Adjustment Mechanism	Docket UE-23_____ PACIFICORP'S MOTION FOR STANDARD PROTECTIVE ORDER (**Expedited Treatment Requested**)

I. RELIEF REQUESTED

1 In conjunction with its 2022 Power Cost Adjustment Mechanism (PCAM) filing, submitted on June 15, 2023, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) moves for the entry of the standard protective order by the Washington Utilities and Transportation Commission (Commission) under WAC 480-07-420(1). PacifiCorp seeks expedited treatment of this motion to ensure that its confidential information is covered by a standard protective order as promptly as possible. PacifiCorp's contact information for this proceeding are:

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II. BACKGROUND AND AUTHORITIES IN SUPPORT

2 On June 15, 2023, PacifiCorp submitted its 2022 PCAM filing. In Order 09 of Docket UE-140762, the Commission approved a PCAM to allow the Company to recover the difference between the actual net power costs incurred to serve Washington customers and the net power costs collected through base rates established in a general

rate case. PacifiCorp's 2022 PCAM filing includes confidential workpapers in support of its filing. Pending entry of the Commission's standard protective order, the Company requested confidential treatment of the information under the Commission's general rule on confidentiality, WAC 480-07-160, and under RCW 80.04.095.

3 The information that PacifiCorp marked "confidential" includes commercially sensitive information regarding the Company's pricing strategy, fuel costs, contracts, reports, and other terms that could be misappropriated by parties for their commercial benefit and to the Company's and its customers' detriment. In discovery, parties to this proceeding may request other types of information that is commercially valuable to the Company or involves confidential information of customers, employees, business counter-parties, or other third-parties. PacifiCorp minimized the amount of information it designated as confidential to promote the ability of the public to review the filing and participate in this case.

4 The Commission has authority to grant PacifiCorp's motion under WAC 480-07-420(1), which allows the Commission to enter "a standard form of protective order to promote the free exchange of information when parties reasonably anticipate that discovery in a proceeding will call for the production of confidential information." There is ample Commission precedent for the entry of protective orders in cases involving the company's net power costs, including the protective order the Commission entered in PacifiCorp's most recent power cost only rate case.[1]

5 The material PacifiCorp seeks to protect in this case is the type of information that is intended to be eligible for confidential protections under WAC 480-07-420 and WAC

[1] *Washington Utils. & Trans. Comm. v. PacifiCorp d/b/a Pacific Power & Light Company,* Docket No. UE-210402, Order 02 (June 15, 2021).

480-07-160. Public release of any of the confidential information could compromise the Company's ability to compete fairly and impose a business risk to the Company. The result would be increased costs for PacifiCorp and, ultimately, its customers.

III. CONCLUSION

6 For the reasons set forth above, PacifiCorp respectfully requests that the Commission enter its standard form of protective order in this case.

Respectfully submitted this 15th day of June 2023.

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Attorney for PacifiCorp

Exhibit No. JP-1T
Docket UE-23____
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-23____

PACIFICORP

DIRECT TESTIMONY OF JACK PAINTER

June 2023

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ATTACHED EXHIBITS

Q. Please state your name, business address, and present position with PacifiCorp dba Pacific Power & Light Company (PacifiCorp or Company).

A. My name is Jack Painter and my business address is 825 NE Multnomah Street, Suite 600, Portland, Oregon 97232. My title is Net Power Cost Specialist.

QUALIFICATIONS

Q. Briefly describe your education and professional experience.

A. I received a Bachelor of Arts degree in Business Administration with a Finance major from Washington State University in 2007. I have been employed by PacifiCorp since 2008 and have held positions in the regulation and jurisdictional loads departments. I joined the regulatory net power costs group in 2019 and assumed my current role as a Net Power Cost Specialist in 2020.

Q. Have you testified in previous regulatory proceedings?

A. Yes. I have previously provided testimony to the public utility commissions in Washington, Oregon, California, Utah, Wyoming, and Idaho.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. My testimony presents and supports the Company's calculation of the Power Cost Adjustment Mechanism (PCAM) for the 12-month period from January 1, 2022, through December 31, 2022 (Deferral Period). More specifically, I provide the following:

- Background on the PCAM and an accounting of how the PCAM balance was calculated for the Deferral Period;

- Discussion of the main differences between adjusted actual net power costs (Actual NPC) and net power costs in rates (Base NPC), both allocated on a Washington Inter-Jurisdictional Allocation Methodology (WIJAM) basis;[1]

- Discussion about the Company's participation in the Western Energy Imbalance Market (WEIM) with the California Independent System Operator (CAISO) and the benefits from the WEIM that are passed through to customers; and

- Background on the Production Tax Credit (PTC) Tracker and an accounting of how the PTC balance was calculated for the Deferral Period.

Additionally, PacifiCorp's filing includes testimony from Ramon J. Mitchell, who addresses the prudence of PacifiCorp's risk management practices and hedging activities as required by the Commission order from the 2022 Power Cost Only Rate Case.[2]

Q. Please explain the settlement stipulation in PacifiCorp's last general rate case in docket UE-191024 (2021 Rate Case).

A. The parties to the 2021 Rate Case originally settled the proceeding in July of 2020 and agreed to an update to the Base NPC calculation that would occur in October of 2020 (October Update). The October Update reflected a $17.9 million increase to Base NPC over the $101.7 million that was estimated in the original settlement. Since the October Update NPC increase was greater than the balance of the PCAM deferred balancing account at that time, to make up for the shortfall between the Base NPC from the October Update and the estimated baseline established in the Stipulation, the Parties proposed, and the Washington Utilities and Transportation Commission

[1] The new WIJAM was approved in the Company's last general rate case in Docket No. UE-191024 and became effective beginning January 1, 2021.
[2] *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-210402, Order 06 at ¶154 (Mar. 29, 2022).

(Commission) approved, the reflection of this difference in the PCAM deferred balancing account.

Q. How is the incremental increase in Base NPC from the October Update reflected in the PCAM deferral account?

A. A step is added to the calculation of the 2022 PCAM deferral balance to include the deferred portion of the Base NPC: the Deferred NPC Baseline Adjustment (DNBA). The DNBA is equal to the $/megawatt-hour (MWh) difference between the October Update (October NPC) and Base NPC multiplied by the actual sales.

$$Deferred\ NPC\ Baseline\ Adjustment$$
$$= (October\ NPC_{\$/MWh} - Base\ NPC_{\$/MWh}) \times Actual\ Sales_{MWh}$$

The DNBA is calculated and added to the PCAM balance monthly. This amount does not run through the dead and sharing bands but is added in after the bands are applied. Interest accrues monthly consistent with the past operation of the PCAM.

Q. When do rates for the 2021 Rate Case and therefore the DNBA end?

A. The 2021 Rate case is in effect from January 1, 2021, through April 30, 2022.

Q. When do rates for the 2022 Power Cost Only Rate Case (PCORC) docket UE-210402 begin?

A. Rates for the 2022 PCORC begin on May 1, 2022. The 2022 PCORC established new Base NPC rates, new Base PTC rates, and eliminated the DNBA.

Q. Are you proposing a rate change to Schedule 97 as part of this proceeding?

A. Yes. If the cumulative PCAM deferred balancing account meets the surcharge or credit threshold of $17 million, there would be a proposed change to Tariff Schedule 97. Since the ending balance in the 2022 PCAM deferred balancing account

is a $71.5 million surcharge, the Company proposes to change Tariff Schedule 97 using a 24-month amortization period beginning January 1, 2024. Over the course of the amortization period, the Company expects to recover a total of $77.3 million, which includes interest through the two-year amortization period as shown in workpaper 4.[3] Any difference between the amount the Company expects to collect and actual customer collections at the end of the amortization period will be included in the 2025 PCAM deferred balancing account to be filed in June 2026.

SUMMARY OF THE PCAM DEFERRAL CALCULATION

Q. Please briefly describe the Company's PCAM authorized by the Commission.

A. The Commission's Order 09 in docket UE-140762 approved the PCAM to allow the Company to track unexpected variations in power costs in the PCAM deferral account. In most years, if the cumulative positive or negative balance in the PCAM deferral account, including monthly interest, exceeds $17 million, either a surcharge or sur-credit is triggered.

Q. Please summarize the Company's calculation of the PCAM deferral for the Deferral Period.

A. For the Deferral Period, the cumulative PCAM differential was a $72.7 million charge before application of the deadband and asymmetrical sharing bands. After application of the deadband and asymmetrical sharing bands, the filing results in a deferral charge of $59.4 million. The DNBA adjustment when applied to actual Washington sales results in a charge of $6.2 million. Including interest, the total PCAM recovery for the deferral period is $71.5 million.

[3] NEW-PAC-PCAM-WP4-6-15-23.xlsx

Q. Have you provided detailed support for the calculation of the PCAM balance with your testimony?

A. Yes. Exhibit No. JP-2 includes a detailed calculation of the Company's 2022 PCAM deferral on a monthly basis. Detailed confidential workpapers supporting Exhibit No. JP-2 are provided separately.

2022 PCAM CALCULATION

Q. Please describe the Company's calculation of the PCAM deferral for the Deferral Period.

A. As previously noted, the PCAM deferral is calculated on a monthly basis as the difference between Base NPC collected through general rates and Actual NPC. The accrued PCAM variance is subject to the following parameters:

- Symmetrical Deadband: Any PCAM difference between negative $4 million and positive $4 million will be absorbed by the Company.
- Asymmetrical sharing of the PCAM difference as follows:
  - Between $4 and $10 million; shared 50 percent by customers and 50 percent by the Company;
  - Greater than $10 million; shared 90 percent by customers and 10 percent by the Company;
  - Between -$4 and -$10 million; shared 75 percent by customers and 25 percent by the Company; and
  - Less than -$10 million; shared 90 percent by customers and 10 percent by the Company.
- Amortization of Deferral: The amortization of PCAM variances are deferred until the balance of the deferral balancing account results in either a surcharge or credit greater than $17 million.

For the Deferral Period, the PCAM differential was a $72.7 million charge. After application of the deadband and asymmetrical sharing bands plus the DNBA adjustment, the Company is seeking approval to charge the PCAM balancing account

with $71.5 million including interest. A summary of the deferral calculation is shown in Table 1.

Table 1
Summary of PCAM Account Balance

Calendar Year 2022 PCAM Deferral	
Actual PCAM Costs ($/MWh)	$ 50.81
Base PCAM Costs ($/MWh)	33.48
PCAM Cost Differential ($/MWh)	17.33
Washington Sales (MWh)	4,181,079
Total PCAM Differential*	$ 72,671,801
Total Deferrable ABOVE Deadband	-
Total Deferrable BELOW Deadband	68,671,801
Washington Deferral after Sharing	59,404,621
DNBA Adjustment	6,235,305
Interest Accrued through December 31, 2022	703,704
Interest Accrued January 1, 2023 through March 31, 2023	1,052,084
Interest Accrued April 1, 2023 through June 30, 2023	1,271,584
Interest Accrued July 1, 2023 through December 31, 2023	2,799,978
Requested PCAM Recovery	**$ 71,467,276**

* *Calculated monthly*

Q. How is the PCAM differential calculated on a monthly basis?

A. The PCAM differential is calculated by subtracting the NPC collected in base rates from the PCAM Adjusted Actual Costs as shown in the formula below:

$$\text{PCAMC} - (\text{Base NPC}_{\$/\text{MWh}} \times \text{Actual Sales}) = \text{PCAM Differential}$$

Where:

PCAMC - Adjusted actual WIJAM NPC costs allocated to Washington using allocation factors calculated with actual jurisdictional load

Base $NPC_{\$/MWh}$ - Base NPC unit cost; calculated by dividing Washington-allocated NPC as established in a rate proceeding by the Washington sales-at-meter used to set rates in the rate proceeding

Actual Sales - Actual Washington retail sales at the meter

The cumulative PCAM variance is first compared against the symmetrical deadband. Cumulative amounts in excess of the symmetrical deadband are then subject to the sharing bands. The customer portion of the PCAM variance is tracked in the deferral balancing account and monthly balances accrue interest at the current Federal Energy Regulatory Commission (FERC) interest rate. A rate change is triggered when the customer surcharge or credit exceeds $17 million.

Q. What were the WIJAM-adjusted Actual NPC for the Deferral Period and how were they determined?

A. The WIJAM-adjusted Actual NPC in the Deferral Period was approximately $212 million. This amount captures all components of NPC as defined in the Company's general rate case and power cost only rate case proceedings and modeled by the Company's Generation and Regulation Initiative Decision Tool (GRID) model and Aurora model respectively. Booked NPC are adjusted to reflect a balanced WIJAM consistent with the methodology used in the 2021 Rate Case and the 2022 PCORC. Specifically, it includes amounts booked to the following FERC accounts:

Account 447 - Sales for resale;

Account 501 - Fuel, steam generation; excluding fuel handling, start-up fuel (gas and diesel fuel, residual disposal) and other costs that are not modeled in GRID;

Account 503 - Steam from other sources;

Account 547 - Fuel, other generation;

Account 555 - Purchased power; and

Account 565 - Transmission of electricity by others.

Q. What adjustments are made to Actual NPC and why are they needed?

A. The Company adjusts Actual NPC to reflect the ratemaking treatment of several items, including:

- out of period accounting entries booked in the Deferral Period that relate to operations before implementation of the PCAM on April 1, 2015;
- reductions to coal costs for legal fees related to fines and citations;
- revenue from a contract related to the Leaning Juniper wind resource;
- an adjustment for costs related to participation in the Western Power Pool's (WPP)[4] Western Resource Adequacy Program (WRAP); and
- an adjustment for costs of the WEIM Body of State Regulators (BOSR) fees charged for commission related work as a participant in the WEIM.

Q. Please state the amount of the adjusted Actual NPC that were allocated to Washington and describe how the amount was calculated.

A. Washington-allocated Actual NPC were approximately $212.4 million during the Deferral Period. To arrive at this value, the Company applied the allocation methodology approved by the Commission using actual allocation factors from calendar year 2022.

[4] Western Power Pool was formerly known as Northwest Power Pool.

Q. How much of base PCAM costs did the Company collect from Washington customers during the Deferral Period?

A. During the Deferral Period, the Company received $139.8 million in base PCAM revenue from Washington customers, $72.7 million less than Washington-allocated Actual NPC.

Q. What was the total amount of the deferral over the Deferral Period?

A. After application of the deadband and asymmetrical sharing bands to the NPC differential plus the DNBA adjustment, the deferral was a $71.5 million charge including interest, as shown in Table 1.

Q. Please describe how the interest on the PCAM deferral balance was determined.

A. Interest is accrued monthly on the PCAM deferral balance during the deferral period and from the end of the deferral period until Schedule 97 rates become effective January 1, 2024, at the FERC interest rates that are published quarterly. As shown in Table 1, the 2022 PCAM accrued $5.8 million of interest. Additionally, interest accrues through the amortization period while rates are being collected. The Company expects to collect $5.9 million throughout the amortization period.

Q. Are costs related to Western Power Pool's (WPP) Western Resource Adequacy Program (WRAP) and the CAISO WEIM Body of State Regulators (BOSR) included in the PCAM?

A. Yes. Costs have been included related to the participation in the WRAP and the WEIM BOSR. Both costs were included in the 2023 Rate Case in docket UE-230172 for rates effective on March 1, 2024. Because this PCAM filing covers the 2022 deferral period, calendar year 2022 costs have been included in this filing and 2023

costs will be included in the 2023 PCAM, but costs will not be included in the 2024 PCAM filing if approved in the 2023 Rate Case. Washington allocated costs are $4,428 for participation in the WEIM BOSR and $35,688 for participation in the WPP WRAP.

Q. Is the Company requesting a rate change with this filing?

A. Yes. The PCAM balancing account exceeds the customer surcharge or credit threshold of $17 million and the Company is requesting a rate change to schedule 97 with a 24-month amortization period beginning January 1, 2024. Please refer to Table 2 below for a summary of the deferred balancing account.

Table 2
Deferred Balancing Account

	Washington Customers
Balancing Account Activity	
Beginning Deferral Balance	$ -
2022 PCAM Deferral	59,404,621
DNBA Adjustment	6,235,305
Interest	703,704
Activity Through December 31, 2022	66,343,630
Interest Accrued January 1, 2023 through March 31, 2023	1,052,084
Interest Accrued April 1, 2023 through June 30, 2023	1,271,584
Interest Accrued July 1, 2023 through December 31, 2023	2,799,978
December 31, 2022 Ending Balance	$ 71,467,276

DIFFERENCES IN NPC

Q. On a WIJAM basis, what was the difference between Actual NPC and Base NPC for the Deferral Period?

A. Actual NPC for the Deferral Period were $212 million, which was $75 million more than Base NPC for the Deferral Period. Table 3 below provides a high-level summary of the difference between the Base NPC and Actual NPC by category on a WIJAM basis.

Table 3
Net Power Cost Reconciliation ($millions)

Base NPC	**$**	**137**
Increase/(Decrease) to NPC:		
Wholesale Sales Revenue		(0)
Purchased Power Expense		43
Coal Fuel Expense		(2)
Natural Gas Expense		31
Wheeling and Other Expense		2
Total Increase/(Decrease)		75
2021 GRC Settlement Adjustment		0
Total Company NPC Difference	**$**	**75**
Adjusted Actual NPC	**$**	**212**

Q. Please describe the Base NPC the Company used to calculate the NPC component of the PCAM deferral.

A. Two Base NPC rates were used to calculate the 2022 PCAM deferral. First, the 2021 Rate Case established Base NPC of $122 million using a test period of January 2021 through December 2021 and became effective January 1, 2021, and ended April 30,

2022. Second, the 2022 PCORC established Base NPC of $146 million using a test period of January 2022 through December 2022 and became effective May 1, 2022.

Q. Please describe some of the weather events that impacted NPC during the Deferral Period.

A. Similar to 2021, calendar year 2022 was also marked by several extreme and unforeseeable weather events that had a collective impact on Actual NPC during the year. Multiple heat waves across the Company's service territories throughout July, August, and September had a significant effect on market prices, ultimately leading to an increase in NPC. Cumulatively, the NPC differential for those months amounted to $16.4 million, or almost a quarter of the entire $72.7 million variance on a Washington-allocated basis.

Additionally, ongoing drought in the West, which began in the summer of 2020, continued to impact Actual NPC because it reduced the availability of the Company's hydro resources. In 2022, actual generation from hydro resources were 34,893 MWhs, or 13 percent, lower than forecast generation and needed to be replaced to meet customer demand either through system dispatch of other resources, reduced market sales, increased market purchases, or any combination of these options. The estimated impact to WIJAM NPC in 2022 due to decreased hydro MWhs from drought is $4.5 million.

Finally, in December 2022 a historic winter cyclone event occurred across the majority of the U.S., which impacted both market prices and natural gas prices, along with an increase in demand. Natural gas prices across the Company's delivery points drastically increased. At the Sumas natural gas trading hub, average prices were

401 percent higher in December 2022 as compared to December 2021, while market prices at the Mid-Columbia and Four-Corners trading hubs were, on average, 406 percent higher across all load hours. The NPC differential in December alone is $38.6 million, over half of the total Washington-allocated NPC variance.

Q. How has the conflict in Ukraine impacted regional natural gas fuel prices?

A. The ongoing conflict in Ukraine has resulted in decreased availability of natural gas in Europe, which was previously sourced from Russian imports. With decreased European supply, the associated European demand has turned to U.S. domestic supply to fill the gap. This has resulted in increased competition over domestic supply, which has driven regional natural gas fuel prices upwards due to domestic production being unable to keep pace with the increased demand. This increase in natural gas fuel prices correspondingly increases regional natural gas market prices and regional power market prices, in that order. It is difficult to predict (or forecast) how long, and in what direction, these factors will continue to impact regional prices.

Q. Please describe the differences between Actual NPC and Base NPC.

A. Actual NPC were higher than Base NPC due to a $43 million increase in purchased power expense, a $31 million increase in natural gas fuel expense, and a $2 million increase in wheeling and other expenses. These increased expenses were partially offset by a $2 million reduction in coal fuel expense and a $200 thousand increase in wholesale sales revenue.

Q. Please explain the changes in wholesale sales revenue.

A. Wholesale sales revenue increased by $200 thousand relative to Base NPC because the average price of actual wholesale sales market transactions (represented in GRID

and Aurora as short-term firm and system balancing sales) was $30.91/MWh, or 94 percent, higher than Base NPC. The increase in the average price of actual wholesale sales market transactions was partially offset by a decrease in actual wholesale market volumes of 39 gigawatt-hours (GWh), which were 45 percent lower than Base NPC.

Q. Please explain the changes in purchased power expense.

A. Purchased power expense increased primarily due to higher market purchases of $43.4 million (represented in GRID and Aurora as short-term firm and system balancing purchases) with the most significant impact tied to several heat waves throughout July, August, and September, further compounded by ongoing drought dating back to the summer of 2020. Actual market purchases were approximately 90 GWh, or 8 percent, lower than Base NPC, but the average price of actual market purchase transactions was $48.67/MWh, or 97 percent, higher than Base NPC. Company witness Ramon Mitchell also provides additional information on the Company's hedging practices and discusses market exposure in Washington-allocated NPC.

During the summer 2022 heat waves, the Mid-Columbia market hub saw an average increase in heavy load hour market prices of 103 percent, or just over double, in August and September as compared to the same timeframe in 2021. This is significant considering 2021 also experienced an extreme heat dome and drought. The Four Corners market hub saw an average increase in heavy load hour market prices of 151 percent for the same period.

Q. Please explain the changes in coal fuel expense.

A. Coal generation volume decreased by 13 GWh compared to Base NPC and overall coal fuel expense decreased due to the lower average cost of coal generation from $24.43/MWh in Base NPC to $23.67/MWh, or 3 percent, in the Deferral Period.

Q. Please explain the changes in natural gas fuel expense.

A. The total natural gas fuel expense in Actual NPC increased by $31.1 million compared to Base NPC due to an increase in the average cost of natural gas generation from $39.17/MWh in Base NPC to $61.33/MWh, or 57 percent in the deferral period caused by conflict in Ukraine and a historic winter weather event as discussed above. Additionally, natural gas volumes were 335 GWh, or 71 percent, higher than Base NPC during the Deferral Period. Even with higher natural gas prices in 2022, Company owned gas-generating plants were still least-cost dispatch resources, on average, and more economic than market purchases leading to the increase in natural gas output.

IMPACT OF PARTICIPATING IN THE WEIM

Q. What is the CAISO Western Energy Imbalance Market?

A. The CAISO WEIM is an advanced real-time energy market that automatically finds low-cost energy to serve real-time consumer demand across the west by allowing participants to buy and sell power close to the time electricity is consumed. Since its launch in 2014, the WEIM has enhanced grid reliability, improved the integration of renewable resources, lowered carbon emissions, and generated significant cost savings for its participants.

Q. Are the actual benefits from participating in the WEIM included in the PCAM deferral?

A. Yes. Participation in the WEIM provides significant benefits to customers in the form of reduced Actual NPC. The benefits are embedded in Actual NPC through lower fuel costs, lower purchased power costs, and higher wholesale sales revenue.

Q. What are the actual WEIM benefits included in the PCAM deferral?

A. CAISO's WEIM benefits report indicates that PacifiCorp has received $200 million in benefits in 2022. Since inception of the WEIM, PacifiCorp has received $591.4 million in total benefits.

PTC TRACKER

Q. What are PTCs?

A. Renewable electricity PTCs are tax credits derived from the generation at certain eligible company-owned facilities. For each kilowatt-hour of energy generated, the Company receives a credit for a duration of 10 years beginning on the date which the facility became commercially operational. The credit is included as an offset to the Company's federal income taxes and is credited to customers for rate-making purposes.

Q. What is the PTC Tracker?

A. In the 2021 Rate Case, the settlement stipulation and order outlined that PTCs will be credited to customers in a manner that matches the cost in the PCAM without running through the mechanism. Instead, the differences between Base PTCs and Actual PTCs will receive separate accounting treatment and be trued-up on an annual basis. The

PTC Tracker will return or recover the variance in Base PTCs as compared to Actual PTCs on an annual basis consistent with the structure of the PCAM.

Q. Please summarize the Company's calculation of the PTC Tracker for the Deferral Period.

A. For the Deferral Period, the cumulative PTC differential was a $1.4 million charge. Including interest, the total PTC recovery for the deferral period is $1.6 million. In the Company's limited-issue rate case, docket UE-210532, Parties agreed that a one-time refund be issued to customers to update for the delayed in-service dates for these plants, but did not address the differential to the related PTCs at that time because the PTC Tracker existed and was intended to address these discrepancies. A summary of the PTC Tracker calculation is shown in Table 4.

Q. Have you provided detailed support for the calculation of the PCAM balance with your testimony?

A. Yes. Exhibit No. JP-3 includes a detailed calculation of the Company's 2022 PTC deferral on a monthly basis. Detailed confidential workpapers supporting Exhibit No. JP-3 are provided separately.

Table 4
Summary of PTC Tracker Deferral

Calendar Year 2022 PTC Tracker		
Actual PTCs ($/MWh)	$	4.47
Base PTCs ($/MWh)		4.81
PTC Differential ($/MWh)		(0.35)
Washington Sales (MWh)		4,181,079
Total PTC Differential*		$ 1,437,075
Interest Accrued through December 31, 2022		2,495
Interest Accrued January 1, 2023 through March 31, 2023		22,829
Interest Accrued April 1, 2023 through June 30, 2023		27,592
Interest Accrued July 1, 2023 through December 31, 2023		60,756
Requested PTC Recovery		**$ 1,550,746**

* *Calculated monthly*

CONCLUSION

Q. Please summarize your testimony.

A. The PCAM deferral of $71.5 million, including interest for the calendar year 2022 Deferral Period was accurately calculated in compliance with the PCAM tariff and previous Commission orders. The increase is driven by extreme weather events, increased market purchases, and both higher market prices and natural gas fuel prices.

Q. Does this conclude your direct testimony?

A. Yes.

Exhibit No. JP-2
Docket UE-23____
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-23____

PACIFICORP

EXHIBIT OF JACK PAINTER

2022 PCAM Deferral Calculation

June 2023

Washington Power Cost Adjustment Mechanism
Deferral Period: January 1, 2022 - December 31, 2022
Exhibit No. JP-2: Power Cost Adjustment Mechanism Calculation

Line No.						
Base NPC in Rates:			**UE-191024**			**UE-210402**
1	Total Annual NPC in Rates	(4.1)	$ 119,524,079		Total Annual NPC in Rates	$ 145,191,095
2	Retail Sales @ Meter in Rates	(7.1)	4,081,607		Retail Sales @ Meter in Rates	4,081,607
3	NPC $/MWh - Final NPC October Update	Line 1 / Line 2	$ 29.28		NPC $/MWh In Rates	$ 35.57
3a	NPC $/MWh - Settlement NPC in Rates	Settlement / Line 2	$ 24.91			
3b	Difference Between Final NPC and Settlement NPC	Line 3 - Line 3a	$ 4.38			

Deferral:		**Jan-22**	**Feb-22**	**Mar-22**	**Apr-22**	**May-22**	**Jun-22**	**Jul-22**	**Aug-22**	**Sep-22**	**Oct-22**	**Nov-22**	**Dec-22**	**Total**
4	Base NPC in Rates	Line 3	$ 29.28	$ 29.28	$ 29.28	$ 29.28	$ 35.57	$ 35.57	$ 35.57	$ 35.57	$ 35.57	$ 35.57	$ 35.57	$ 35.57	
5	Actual WA Sales (MWh)	(7.1)	435,632	345,610	322,249	321,197	286,307	291,422	383,373	387,859	301,832	278,671	388,113	438,812	
6	Actual Collections of Base NPC	Line 4 x Line 5	12,756,875	10,120,689	9,436,611	9,405,804	10,184,526	10,366,488	13,637,361	13,796,942	10,736,790	9,912,909	13,805,990	15,609,456	139,770,441
7	WIJAM Allocated Adjusted Actual NPC	(3.1)	18,931,288	12,536,034	9,763,844	11,709,037	11,567,819	9,031,792	18,769,502	20,832,793	14,980,447	10,647,666	19,509,338	54,162,682	212,442,241
8	Total Monthly PCAM Differential - Above or (Below) Base	Line 7 - Line 6	6,174,412	2,415,345	327,232	2,303,233	1,383,294	(1,334,696)	5,132,141	7,035,851	4,243,657	734,757	5,703,348	38,553,226	
9	Cumulative PCAM Differential - Above or (Below) Base	Line 8 + Prior Month Line 9	$ 6,174,412	$ 8,589,757	$ 8,916,989	$ 11,220,223	$ 12,603,516	$ 11,268,820	$ 16,400,961	$ 23,436,812	$ 27,680,469	$ 28,415,226	$ 34,118,574	$ 72,671,801	$ 72,671,801
Deadband:															
10	Deadband +/-$4 Million														4,000,000
11	PCAM Differential Outside of Deadband		2,174,412	2,415,345	327,232	2,303,233	1,383,294	(1,334,696)	5,132,141	7,035,851	4,243,657	734,757	5,703,348	38,553,226	
12	Cumulative PCAM Differential Outside of Deadband		$ 2,174,412	$ 4,589,757	$ 4,916,989	$ 7,220,223	$ 8,603,516	$ 7,268,820	$ 12,400,961	$ 19,436,812	$ 23,680,469	$ 24,415,226	$ 30,118,574	$ 68,671,801	$ 68,671,801
Asymmetrical Sharing Band :															
13	Amount Deferrable between $4 million and $10 million, 50/50 Sharing		$ 1,087,206	$ 1,207,672	$ 163,616	$ 541,505	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
14	Amount Deferrable greater than $10 million, 90/10 Sharing		-	-	-	1,098,200	1,244,964	(1,201,226)	4,618,927	6,332,266	3,819,291	661,281	5,133,013	34,697,904	
15	Amount Deferrable between ($4 million) and ($10 million), 75/25 Sharing		-	-	-	-	-	-	-	-	-	-	-	-	
16	Amount Deferrable less than ($10 million), 90/10 Sharing		-	-	-	-	-	-	-	-	-	-	-	-	
17	Total Incremental Deferral After Sharing		$ 1,087,206	$ 1,207,672	$ 163,616	$ 1,639,706	$ 1,244,964	$ (1,201,226)	$ 4,618,927	$ 6,332,266	$ 3,819,291	$ 661,281	$ 5,133,013	$ 34,697,904	$ 59,404,621
Deferred Balancing Account:															
18	FERC Interest Rate - Published Quarterly	FERC	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.60%	3.60%	3.60%	4.91%	4.91%	4.91%	
19	Beginning Balance		$ -	$ 2,997,853	$ 5,729,927	$ 7,321,552	$ 10,390,966	$ 11,665,758	$ 10,494,500	$ 15,151,839	$ 21,539,059	$ 25,428,696	$ 26,195,376	$ 31,446,073	
20	Incremental Deferral After Sharing	Line 17	1,087,206	1,207,672	163,616	1,639,706	1,244,964	(1,201,226)	4,618,927	6,332,266	3,819,291	661,281	5,133,013	34,697,904	
20a	DNBA Adjustment	Line 3b x Line 5	1,906,593	1,512,599	1,410,359	1,405,755									
20b	Total Adjustment	Line 20 + Line 20a	2,993,799	2,720,271	1,573,975	3,045,460	1,244,964	(1,201,226)	4,618,927	6,332,266	3,819,291	661,281	5,133,013	34,697,904	
20c	Incremental Deferral After Sharing and DNBA Adjustment	Line 19 + Line 20b	2,993,799	5,718,124	7,303,902	10,367,013	11,635,930	10,464,532	15,113,427	21,484,105	25,358,350	26,089,977	31,328,389	66,143,977	
21	Carrying Charge	Line 19 * (Line 20b + 50%) x Line 18/12	4,054	11,803	17,650	23,953	29,828	29,968	38,412	54,954	70,346	105,399	117,684	199,653	
22	**Ending PCAM Balance**	Line 20c + Line 21	**$ 2,997,853**	**$ 5,729,927**	**$ 7,321,552**	**$ 10,390,966**	**$ 11,665,758**	**$ 10,494,500**	**$ 15,151,839**	**$ 21,539,059**	**$ 25,428,696**	**$ 26,195,376**	**$ 31,446,073**	**$ 66,343,630**	**$ 66,343,630**

Exhibit No. JP-3
Docket UE-23____
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-23____

PACIFICORP

EXHIBIT OF JACK PAINTER

2022 PTC Tracker Calculation

June 2023

Washington PTC Tracker
January 1, 2022 - December 31, 2022

Line No.		
Base PTC in Rates:		
1	Total Company PTC in Rates	Line 3 / Line 2
2	Washington SG Allocation Factor	UE-191024 / UE-210402
3	WA Allocated PTC Baseline in Rates ($/MWh)	UE-191024 / UE-210402
4	Retail Sales @ Meter in Rates	UE-191024 / UE-210402
5	PTC $/MWh	Line 3 / Line 4
Actual PTCs:		
6	Federal Tax Rate	21.000%
7	Net to Gross Bump up factor = (1/(1-tax rate))	1.2658
8	Washington Actual SG Allocation Factor	7.966%
9	Total Company Actual PTC	
10	Total Company Actual PTC Tax Affected	Line 9 * Line 7
11	Washington Allocated PTC	Line 10 * Line 8
Deferral:		
12	Base PTC in Rates	Line 5
13	Actual WA Sales (MWh)	PCAM
14	Actual Collections of Base PTC	Line 12 * Line 13
15	Washington Allocated Actual PTC	Line 11
16	Total Monthly PTC Differential - Above or (Below) Base	Line 15 - Line 14
17	FERC Interest Rate - Published Quarterly	FERC
18	Beginning Balance	
19	Incremental Deferral	Line 15
20	Carrying Charge	Line 18 * (Line 19 + 50%) x Line 17/12
21	**Ending PTC Balance**	
22	Interest Accrued January 1, 2023 through March 31, 2023	Line 21 * (1 + 1.0631% / 12) ^ 3 - Line 21
23	Interest Accrued April 1, 2023 through June 30, 2023	(Line 21 + 22) * (1 + 1.075% / 12) ^ 3 - (Line 21 + 22)
24	Interest Accrued July 1, 2023 through December 31, 2023	(Line 21 + 22 + 23) * (1 + 1.0802% / 12) ^ 6 - (Line 21 + 22 + 23)
25	**Total PTC Recovery**	∑ Lines 21:24

Docket No. UE-191024	Docket No. UE-210402
$ (244,821,306)	$ (254,614,159)
7.811%	7.811%
$ (19,123,247)	$ (19,888,177)
4,081,607	4,081,607
$ 4.69	$ 4.87

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
	$ (21,662,816)	$ (20,967,899)	$ (18,376,808)	$ (18,968,014)	$ (15,965,992)	$ (11,549,742)
	(27,421,286)	(26,541,644)	(23,261,782)	(24,010,144)	(20,210,116)	(14,619,927)
	$ (2,184,403)	$ (2,114,330)	$ (1,853,053)	$ (1,912,669)	$ (1,609,955)	$ (1,164,636)
	$ 4.69	$ 4.69	$ 4.69	$ 4.69	$ 4.87	$ 4.87
	435,632	345,610	322,249	321,197	286,307	291,422
	(2,041,035)	(1,619,259)	(1,509,810)	(1,504,881)	(1,395,069)	(1,419,994)
	(2,184,403)	(2,114,330)	(1,853,053)	(1,912,669)	(1,609,955)	(1,164,636)
	$ (143,368)	$ (495,071)	$ (343,243)	$ (407,788)	$ (214,886)	$ 255,359
	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
	$ -	$ (143,562)	$ (639,692)	$ (985,133)	$ (1,396,141)	$ (1,615,099)
	(143,368)	(495,071)	(343,243)	(407,788)	(214,886)	255,359
	(194)	(1,059)	(2,197)	(3,220)	(4,072)	(4,028)
	$ (143,562)	**$ (639,692)**	**$ (985,133)**	**$ (1,396,141)**	**$ (1,615,099)**	**$ (1,363,769)**

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total
	$ (9,094,285)	$ (8,286,791)	$ (9,553,493)	$ (12,150,765)	$ (16,084,877)	$ (22,477,742)	$ (185,139,224)
	(11,511,753)	(10,489,609)	(12,093,029)	(15,380,715)	(20,360,604)	(28,452,838)	(234,353,448)
	$ (917,036)	$ (835,611)	$ (963,341)	$ (1,225,241)	$ (1,621,943)	$ (2,266,577)	$ (18,668,796)
	$ 4.87	$ 4.87	$ 4.87	$ 4.87	$ 4.87	$ 4.87	
	383,373	387,859	301,832	278,671	388,113	438,812	
	(1,868,036)	(1,889,896)	(1,470,718)	(1,357,863)	(1,891,135)	(2,138,173)	(20,105,871)
	(917,036)	(835,611)	(963,341)	(1,225,241)	(1,621,943)	(2,266,577)	(18,668,796)
	$ 951,000	$ 1,054,284	$ 507,377	$ 132,623	$ 269,192	$ (128,405)	$ 1,437,075
	3.60%	3.60%	3.60%	4.91%	4.91%	4.91%	
	$ (1,363,769)	$ (415,433)	$ 639,187	$ 1,149,242	$ 1,286,838	$ 1,561,846	
	951,000	1,054,284	507,377	132,623	269,192	(128,405)	
	(2,665)	335	2,679	4,974	5,816	6,128	
	$ (415,433)	**$ 639,187**	**$ 1,149,242**	**$ 1,286,838**	**$ 1,561,846**	**$ 1,439,570**	**$ 1,439,570**
							22,829
							27,592
							60,756
							$ 1,550,746

Exhibit No. RJM-1T
Docket UE-23____
Witness: Ramon J. Mitchell

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP dba PACIFIC POWER & LIGHT COMPANY Respondent.	Docket UE-23____

PACIFICORP

DIRECT TESTIMONY OF RAMON J. MITCHELL

June 2023

TABLE OF CONTENTS

ATTACHED EXHIBITS

I. INTRODUCTION

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

A. My name is Ramon J. Mitchell, and my business address is 825 NE Multnomah Street, Suite 600, Portland, Oregon 97232. My title is Manager, Net Power Costs and I am testifying for PacifiCorp.

II. QUALIFICATIONS

Q. Please describe your education and professional experience.

A. I received a Master of Business Administration degree from the University of Portland and a Bachelor of Arts degree in Economics from Reed College. I was first employed by the Company in 2015 and during my time at the Company I have held various positions in the regulation, merchant, and transmission departments. After a brief departure from the Company, in 2021 I returned as Manager, Net Power Costs. In my current role I am responsible for leading and overseeing various efforts associated with the Company's net power costs filings.

Q. Have you testified in previous regulatory proceedings?

A. Yes. I have previously provided testimony to the Washington Utilities and Transportation Commission (Commission), as well as commissions in California, Oregon, and Wyoming.

III. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of this testimony?

A. This testimony is a part of the 2022 Power Cost Adjustment Mechanism (PCAM). In the 2022 Power Cost Only Rate Case (PCORC) the Commission ordered the Company as follows:

> "In its next PCAM filing, the Company must address the issue of the prudency of its power costs, specifically the prudency of its risk management practices for hedging for its Washington-allocated resources over calendar year 2022 and its choice of market exposure for its Washington-allocated portfolio given the concerns raised by the Commission over a number of years."[1]

This testimony is that "next PCAM filing" and complies with the Commission's order.

Q. Please elaborate on the genesis of the Commission's order.

A. In the 2022 PCORC order, the Commission further stated:

> "The Commission has warned the Company over a 10-year period of the need to fully evaluate the risks of its reliance on the market, the need for an active risk management program, and the need to demonstrate the prudency of relying on market transactions to recover power costs. Despite these clear indications from the Commission, the Company continues to rely heavily on market purchases to meet Washington customers' load. The Company also hedges for its system as a whole and does not separately hedge for its Washington-allocated resources and Washington load. The cumulative effect of all of these choices—surrounding both the Company's long-term portfolio strategy and the application of its risk management program to Washington customers' loads and resources—raise significant concerns regarding the prudency of its power costs for Washington customers."[2]

[1] *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-210402, Order 06 at ¶154 (Mar. 29, 2022).
[2] *Id.* at ¶147.

Q. Please provide a summary of your testimony.

A. My testimony explains how the Company prudently hedges for Washington on an operational basis, and how the Washington Inter-Jurisdictional Allocation Methodology (WIJAM) automatically includes a hedging mechanism for the market exposure that results from this cost allocation methodology. Additionally, I explain how the Company's market exposure is assessed as part of long-term planning.

Q. How is this testimony organized?

A. *First*, in Section A, I define hedging to frame the discussion and I discuss the robustness of the Company's risk management program. *Second*, in Section B, I touch on the West Control Area Inter-Jurisdictional Allocation Methodology (WCA) and the WIJAM and how the WIJAM hedges for the market exposure created by the ratemaking exercise of the cost allocation methodology. *Third*, in Section C, I describe the Company's current long-term portfolio strategy around market purchases/exposure and discuss how Washington's market exposure differs from the Company's other states.

IV. HEDGING

A. PacifiCorp's Hedging Program

Q. What is hedging?

A. Fundamentally, hedging is protecting customers against energy price volatility. Practically speaking, in the power markets, the Company hedges for market exposure of a certain volume of energy by locking in a certain price for a specified time. This locking in of a price reduces exposure to future price changes (volatility). It is important to note however that hedging is *not* for the purpose of minimizing energy

costs; rather the purpose of hedging programs is to manage energy price volatility.[3] That is to say, those forward market purchases (hedges) may be at a price above or below the day-ahead or real-time market prices (spot market prices) for any given day of operation, but either way the objective of hedging is achieved; to manage price volatility by locking in a specific energy price ahead of time.

Q. How does the Company hedge for its system?

A. Typically, the Company hedges ratably over time, with hedges increasing as time to expiration decreases and the most actively managed hedging period is the 12-month forward looking period at any given point in time.

Q. Does the Company have an active risk management program?

A. Yes, as a six-state regulated utility, the Company's risk management program is active. Specifically, it is robust, with regulatory oversight, independent review, and conforms to industry standards.

Q. Has the Company's risk management program been reviewed by the Company's regulators?

A. Yes. The Company regularly updates commission staff in all jurisdictions on the Company's hedging practices. The Company compiles and provides a semi-annual hedging report in multiple jurisdictions which details the current market conditions that the Company is facing and provides details on the Company's hedging practices. Additionally, when the Company has made changes to the Company's risk and hedging policies, it has regularly provided presentations to commission staff in many

[3] *WUTC v. Avista Corporation*, Docket No. UE-200900, Exh. CGK-8, Avista Power Cost Modeling Review by Energy and Environmental Economics, Inc. (E3) at 3 (Oct. 30, 2020).

of the Company's jurisdictions. The Company most recently presented to Washington Commission staff on April 19, 2021.

Q. Is Washington a part of the Company's entire system?

A. Yes. The Company dispatches its generation resources across its transmission resources to serve its entire system, including its Washington service area, which enables the Company to be as efficient as possible. Therefore, for the actual power that flows across transmission lines, the Company hedges for Washington in line with its active risk management policy, ratably over time.

Q. Does the Company separately hedge for Washington?

A. From the perspective of real market transactions through physical power hedges, the Company does not separately hedge for Washington. There is no separate hedge book for transactions allocated to Washington, or any other state, specifically. Rather, the Company hedges its entire system holistically.

Q. Why is it more economically favorable to hedge for the entire system holistically than to hedge for each state separately?

A. Geographical diversity drives the economic benefit. As a hypothetical example, there may be a long-term drought in the West Coast states of the United States. Under such a scenario, the projections for generation from hydroelectric facilities located in Washington may decline and drive an increased reliance on market purchases to offset the generation loss. However, with a geographically diverse system that extends eastward to the Rocky Mountains, it may be that there are projections of favorable wind generation in that Rocky Mountain region which would translate into a position where energy from the eastern Rocky Mountain region can flow across Company

transmission to the west and into Washington and help alleviate what would otherwise be that increased reliance on market purchases to cover the projected hydroelectric generation decline in Washington. In this hypothetical example, hedging solely from the perspective of and for one state as an independent system limits the ability of that system to absorb unfavorable shocks. On the other hand, expanding the geographical footprint of the system to encompass multiple states across multiple geographic regions limits the risks of those state specific unfavorable shocks and this geographical diversity is in and of itself a type of hedge. Using a real example, the Western Energy Imbalance Market owes its success and cost savings primarily to geographic diversity as a system whose footprint extends from the province of British Columbia, Canada to the state of New Mexico, United States.

Q. Please provide another example of why it is more economically favorable to hedge for the entire system holistically than to hedge for each state separately.

A. If the Company were to hedge solely from the perspective of and for one state as an independent system, then that state could compete for market purchases with the other states within the system and incur higher costs. For example, consider a hypothetical scenario in which the Company's system had two distinct northern and southern areas that were not holistically hedged for. If customer load were to peak during the winter on the northern system and peak during the summer on the southern system then during the winter, the northern system would increase reliance on market purchases as its customer load peaked, and potentially compete with the southern system for those same market purchases. However, if the system were hedged for holistically then during the winter, energy from the non-peaking southern system

could be transferred to the northern system across the Company's transmission to decrease the north's reliance on market purchases. In this holistic system, the load conditions across the two areas (northern and southern) would average out and diminish reliance on market purchases during stressed peak load conditions. This translates into a situation wherein there are less hedges and associated costs in a holistic system as compared to hedging for states on an isolated basis.

Q. How can the Company separately hedge for Washington?

A. The WIJAM does not reflect a system allocation of all Company generation resources. The result is a ratemaking market exposure (short position) in place of resources not reflected in rates. Using a forecast of the Washington load and resource balance per the WIJAM, the Company could purchase market instruments in the real power markets to use physical energy to hedge for Washington's short position. However, as I point out above this is inefficient and I discuss later how this would increase NPC for Washington customers. Additionally, I more fully describe the WIJAM and its associated ratemaking market exposure below in my testimony.

Q. Absent that option of purchasing real physical energy to hedge for the WIJAM's ratemaking market exposure which would increase NPC for Washington customers, is there any other way to hedge for Washington?

A. Yes, as an accounting exercise. This type of hedging is already done for Washington today in the WIJAM and is both functionally identical to the hedging that the Company does operationally for the entire system and cheaper, as I describe in detail below in my testimony.

B. Hedging in the WCA and the WIJAM

Q. What is the WIJAM?

A. The Company recovers the costs of providing retail electric service to customers through retail rates established in regulatory proceedings in each state. To ensure states receive the appropriate allocation of costs and benefits from the Company's integrated system, the collaborative Multi-State Process (MSP) has been used to address allocation issues. This collaborative process has led to the development and adoption of a series of inter-jurisdictional cost allocation methods over time, with the most recent being the 2020 Protocol. Since 2006, Washington has used a different methodology than the Company's other jurisdictions, and this methodology was known as the WCA. Along with the negotiations around the 2020 Protocol, the Company worked directly with Commission Staff, Public Counsel, and the Packaging Corporation of America to transition from the WCA to the WIJAM. In the order approving the 2021 GRC, the Commission adopted the WIJAM for NPC allocations in Washington.[4]

Q. What was the WCA?

A. The WCA was the inter-jurisdictional cost allocation methodology adopted by the Commission in 2006 to allocate costs and benefits of the Company's system to Washington.

The WCA isolated the costs and revenues associated with assets electrically interconnected to the PacifiCorp West Balancing Authority Area (PACW) and allocated to Washington a proportionate share of the costs and benefits based

[4] *WUTC v. Pac. Power & Light Co*., Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981, and UE-180778, Final Order 09 / 07 / 12 at ¶112 (Dec. 14, 2020).

primarily on Washington's relative contribution to demand and energy requirements within PACW. The WCA included loads, generation and transmission assets, and wholesale contracts for facilities located in California, Oregon, and Washington. It also included transmission and generation assets located outside of California, Oregon, and Washington that are electrically interconnected to PACW, such as the Jim Bridger coal plant, which is physically located in the PacifiCorp East Balancing Authority Area (PACE). The WCA excluded all loads and assets located within PACE except for Jim Bridger Units 1-4 (Jim Bridger) and the associated transmission facilities.

Q. Please describe the WIJAM's changes to the WCA.

A. The WIJAM has four primary components that changed from the WCA:

- Costs and benefits associated with PacifiCorp's entire transmission system will use a system allocation.
- Costs and benefits associated with PacifiCorp's existing and new non-emitting, non-qualifying facility (QF) resources will use a system allocation. Non-emitting, non-QF resources include all wind, solar, hydro, and geothermal generating resources.
- NPC will be allocated using a spreadsheet method that reflects assets included in Washington rates, including the allocation of EIM benefits.
- Jim Bridger and Colstrip Unit 4 (Colstrip) will be depreciated by December 31, 2023, in Washington rates.

Q. Does the Company separately hedge for Washington as part of the WIJAM?

A. From the perspective of the WIJAM, yes, the Company separately hedges for Washington as part of this ratemaking and cost allocation exercise.

Q. How can the Company not separately hedge for Washington operationally but yet separately hedge for Washington in the WIJAM?

A. Due to the WCA and the WIJAM, Washington has a higher market exposure for ratemaking purposes because of the different allocation treatment for generation resources. In order to cover the market exposure in ratemaking, and consistent with the WIJAM, a certain volume of energy is locked in at a spreadsheet-calculated price for the forecast period.

Recall that in its actual operations the Company hedges for market exposure of a certain volume of energy by locking in a certain price for a specified time. Similarly, under the WIJAM, the Company addresses this ratemaking market exposure of energy volumes not served by allocated resources by locking in a certain price for a specified time (forecast period), which is the definition of hedging. Therefore, the Company does in fact separately hedge for Washington in the WIJAM.

Q. Isn't this "hedge" for Washington customers simply semantics?

A. No. The ratemaking hedging in the WIJAM from a NPC perspective is functionally identical to real world hedging as NPC allocation is in and of itself a ratemaking exercise. Furthermore, it is also cheaper than real world hedging as I explain below in my testimony.

Q. Why has this process, which is built into the WIJAM, not been recognized as a separate hedge for Washington?

A. I address why it should be. Recall that hedging is *not* for the purpose of minimizing energy costs; rather the purpose of hedging programs is to manage energy price volatility. In this era of rising energy costs, prices within the ratemaking world of

WIJAM are locked in at the currently high prices which are reflective of the prevailing market prices at which the Company hedges the entire system holistically. However, and as previously noted, the utility practice of hedging is for the purpose of minimizing volatility in prices, not for the purpose of reducing NPC. As such, the hedging treatment provided for under the WIJAM accomplishes this by minimizing spot market price exposure.

Q. How is the WIJAM ratemaking hedging cheaper than operationally hedging for Washington separately from the system?

A. As alluded to above, in the WIJAM there is currently a supply/demand deficit which leaves Washington without enough supply to serve its customers' demand (load). This supply/demand deficit becomes market exposure because under the WIJAM this deficit (open position) must be closed at prevailing market prices. However, and to customers benefit, the elimination of this market exposure locks in a price calculated not at prevailing market *purchase* prices but firstly at prevailing market *sales* prices and then at prevailing market purchase prices. The Company's sales prices are on average lower than purchase prices and so Washington receives the benefit of a lower "locked in" price for its volume of energy that is represented by the open position across the forecast period; therefore, this hedging occurs at a lower cost than would be experienced under real world conditions.

Q. If the Company could hedge for Washington separately in operations instead of this ratemaking exercise, would this be more economically favorable for Washington customers?

A. No. In this 2022 PCAM it would be a $7.1 million increase to NPC as shown in Exhibit No. RJM-2.

C. Long Term Portfolio Strategy and Market Exposure

Q. Has the Company fully evaluated the risks of its reliance on the power market?

A. Yes. In the 2023 Integrated Resource Plan the Company completed an "assessment of market reliance in addition to consideration of its active participation in wholesale power markets"[5] and as a result, established restrictive limits on market purchases / exposure "based on future market availability concerns […] and as a hedge against the risk of future high market reliance."[6]

Q. Is there still some reliance on the power market within the 2023 IRP?

A. Yes. The 2023 IRP evaluated historical market purchases and its associated trends and found that in the short term,[7] the least cost portfolio was one which incorporated some measure of market purchases and that this is the least-cost option for customers.

Q. Is it possible to rely on no power market purchases / exposure?

A. Yes. The Company could contract or build generation for which all costs and benefits will be one hundred percent allocated (situs) to Washington. This would reduce market purchases and by consequence limit market exposure. With enough situs generation, it is possible to have zero market purchases / exposure.

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[5] Pages 125-126: https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2023-irp/2023_IRP_Volume_I_Final_WA_5-31-23.pdf

[6] *Id.*

[7] Short term defined as now till end of calendar year 2027.

Q. Is the most economical portfolio for customers the one which relies on no power market purchases /exposure in the short term?

A. No. The conclusion of the 2023 IRP is that it is to the economic *disadvantage* of customers to overbuild / over-procure long-term firm generation to serve all reasonable annual load profile forecasts. Based upon the seasonality of load wherein a few days during the summer or winter call for high levels of generation to maintain the energy supply/demand balance, it is expected that any strategy which procures enough long-term firm generation to serve all customer load for all hours of the year will result in total Company expense that is higher than a strategy which relies on some market purchases / exposure.

Q. Please explain the ratemaking market exposure that resulted from the WCA and continues in the WIJAM.

A. As mentioned above in my testimony, to date under the WCA and WIJAM, Washington load exceeds Washington-allocated resources. This results in an energy supply/demand deficit that drives an outcome where Washington does not have enough allocated energy to serve its customer load despite the fact that the system, as operated holistically in the real world, does in fact provide enough energy to serve Washington customer load. This WCA and WIJAM energy supply/demand deficit creates an open position which becomes a ratemaking market exposure since under any cost allocation methodology, this open position must be closed. Under the approved spreadsheet WIJAM model, this open position is closed at prevailing market prices. This ratemaking market exposure has real NPC implications for Washington customers. When market prices are below the resource costs of the

Company's thermal generation in Utah, Idaho, and Wyoming, Washington customers may see lower NPC than the rest of the system. However, when market prices are above the resource costs of the thermal generation in Utah, Idaho, and Wyoming, Washington customers may see higher net power costs than the rest of the system.

Q. Did the Commission acknowledge this higher market exposure for Washington customers when the WCA was established?

A. Yes, the Commission noted the Company's testimony in its order approving the original WCA that it "must meet a higher proportion of its retail load with market purchases than is the case in the east control area."[8]

Q. Did the move to the WIJAM from the WCA improve Washington's access to new generation resources?

A. Yes, the WIJAM allows Washington to take advantage of a system share of the Company's non-emitting resources. The WIJAM better reflects the Company's integrated system when compared to the WCA and recognizes the value of the non-emitting, non-QF resources and transmission located in PACE while accounting for Washington's energy policy, including the need for increased access to renewable generation.

Q. What steps are being taken to further reduce Washington's market exposure from these cost allocation methodologies?

A. The Company continues to work with Washington stakeholders to engage them in the Framework Issues Working Group of the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol that was developed through the Multi-State Protocol negotiations.

[8] *WUTC v. PacifiCorp d/b/a Pacific Power& Light Co.*, Docket No. UE-061546, Order 08 at ¶50 (Jun. 21, 2007).

This process allows Washington to better align the ratemaking reliance on the market to a level that is consistent with the operational reality of the rest of the Company's system.

Q. Does this conclude your testimony?

A. Yes.

Exhibit No. RJM-2
Docket UE-23____
Witness: Ramon J. Mitchell

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP dba PACIFIC POWER & LIGHT COMPANY Respondent.	Docket UE-23____

PACIFICORP

EXHIBIT OF RAMON J. MITCHELL

NPC Impact - Hedging with Purchases

June 2023

Scenario	WA-Allocated NPC	Delta to As-Filed
WA-Allocated NPC as Filed with the WIJAM	$ 212,404,313	
WA-Allocated NPC if covering Market Exposure Solely with Market Purchases	$ 219,580,288	$ 7,175,974