

December 7, 2023

VIA ELECTRONIC FILING

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Administrator

Re: Docket No. 23-035-01
Rocky Mountain Power's Application for Approval of the 2023 Energy Balancing
Account
Rocky Mountain Power's Response Testimony

In accordance with the Scheduling Order and Notice of Hearings issued by the Utah Public Service Commission ("Commission") on May 11, 2023, PacifiCorp, d.b.a. Rocky Mountain Power (the "Company"), hereby submits for electronic filing its response testimony in the above referenced matter.

The Company's filing includes the Confidential response testimony of Messrs. Jack Painter, Brad Richards and Douglas R. Staples on behalf of the Company. Mr. Richards' testimony also includes two confidential exhibits. Confidential information has been uploaded to the Commission's SFTP site and separately provided to intervening parties in this matter who have filed an Appendix A, subject to Public Service Commission of Utah Rule 746-1-602 and 746-1-603.

Informal inquiries regarding this filing may be directed to Jana Saba at (801) 220-2823.

Sincerely,



Joelle Steward
Senior Vice President, Regulation and Customer & Community Solutions

cc: Service List Docket No. 23-035-01

CERTIFICATE OF SERVICE

Docket No. 23-035-01

I hereby certify that on December 7, 2023, a true and correct copy of the foregoing was served by electronic mail to the following:

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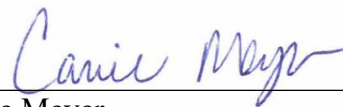
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Rocky Mountain Power

Docket No. 23-035-01

Witness: Jack Painter

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED

Response Testimony of Jack Painter

December 2023

1 **Q. Please state your name, business address and present position with PacifiCorp,**
2 **dba Rocky Mountain Power (“the Company”).**

3 A. My name is Jack Painter and my business address is 825 NE Multnomah Street, Suite
4 600, Portland, Oregon 97232. My title is Net Power Cost Specialist.

5 **Q. Are you the same Jack Painter who submitted direct testimony on behalf of the**
6 **Company in this proceeding?**

7 A. Yes.

8 **PURPOSE OF TESTIMONY**

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

A. My testimony responds to certain issues raised by the Utah Division of Public Utilities (“DPU”) in its energy balancing account (“EBA”) Audit Report and by Daymark Energy Advisors (“Daymark”), on behalf of the DPU. Specifically, I discuss the DPU's request to retain the ability to propose disallowances for calendar year 2022 EBA costs included in the EBA the Company will file May 1, 2024 for calendar year 2023 costs (“2024 EBA”). I address the DPU’s recommendation for certain workshops and additional information in the 2024 EBA. I present a correction to the replacement power cost calculation presented by Daymark for the proposed adjustments related to thermal generation plant events. I also provide an update to the Federal Energy Regulatory Commission (“FERC”) proceeding regarding FERC account 509 that was raised in my direct testimony.

21 **Q. Are any other Company witnesses filing testimony in response to issues raised by**
22 **the DPU and Daymark?**

23 A. Yes. Company witness Mr. Brad Richards provides testimony in response to the

24 proposed adjustments associated with certain generating plant events. Mr. Richards
25 explains that the Company was prudent in its operations and management of its thermal
26 generation plants. Additionally, Company witness Mr. Douglas R. Staples provides
27 testimony responding to the DPU's recommended adjustment to the recovery in this
28 case for power physical trades and provides support for the Company's trading and
29 hedging activities and explains that the Company was prudent when engaging in the
30 hedging transactions.

31 **PROPOSAL FOR PRESERVING ABILITY TO REVIEW CALENDAR YEAR**
32 **2022 EBA COSTS IN FUTURE EBA FILING**

33 **Q. What does the DPU recommend regarding its review of the dispatch of the**
34 **Company's coal generating fleet?**

35 A. The DPU claims that during extreme weather events and drought conditions the
36 Company did not economically dispatch its coal facilities to displace high-cost natural
37 gas and purchased power prices. The DPU notes that the Company is preparing a report
38 on the economics of its coal dispatch at the direction of the Idaho Public Utilities
39 Commission ("IPUC") as part of the annual Energy Cost Adjustment Mechanism
40 ("ECAM") for 2022. At the conclusion of the prudency review, the IPUC preserved the
41 ability to adjust the 2022 ECAM during the following ECAM period. The DPU
42 recommends the Public Service Commission of Utah ("Commission") follow a similar
43 process to allow additional time to review and requests the Commission allow parties
44 to propose adjustments for calendar year 2022 EBA costs in the Company's 2024 EBA
45 filing.

46 **Q. Does the Company agree with the DPU’s assertion that it did not prudently**
47 **dispatch its coal facilities during calendar year 2022?**

48 A. No. The Company generated 297 gigawatt-hours (“GWh”) more than its forecasted
49 coal generation and at a lower cost of \$20.47 per megawatt-hour (“MWh”) than its
50 forecasted cost of \$21.45/MWh. The increased generation combined with the lower
51 \$/MWh cost resulted in a decreased total coal cost of \$22 million when compared to
52 the forecast.

53 **Q. Were there any factors outside the Company’s control regarding its coal supply?**

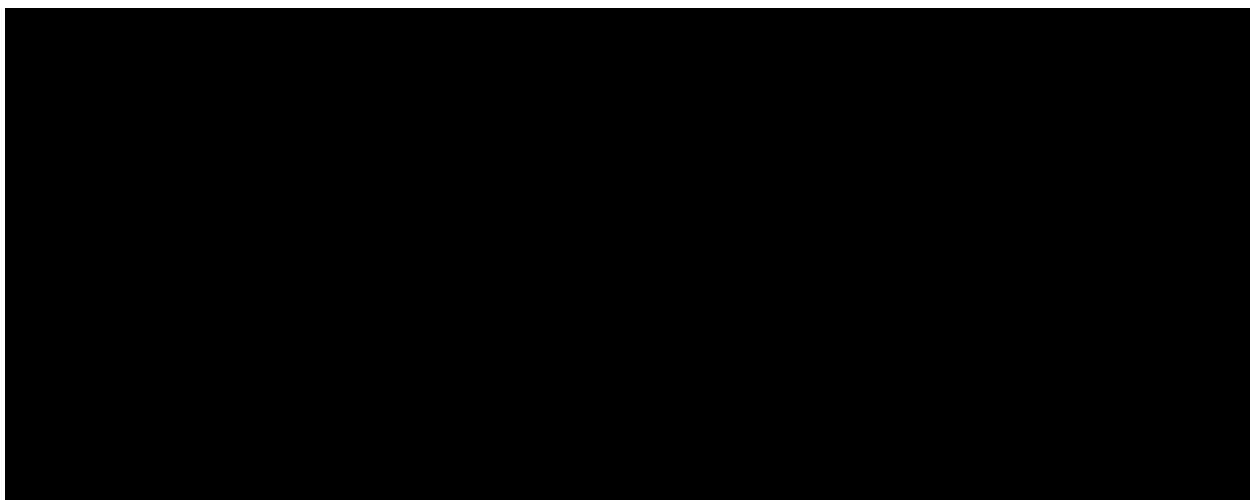
54 A. Yes. Toward the end of 2022, due to conditions outside of the Company’s control, coal
55 supply issues and force majeure claims causing delivery shortages began to impact the
56 dispatch at Utah’s Hunter and Huntington coal-generating plants. The operating mines
57 in Utah’s Book Cliffs and Wasatch Plateau coal fields experienced production
58 difficulties due to a variety of geological, logistical, and financial challenges.
59 Additionally, there was a mine fire at American Consolidated Natural Resources’ Lila
60 Canyon mine in September 2022. In recent years, the Lila Canyon mine has accounted
61 for more than 25 percent of Utah’s coal production.

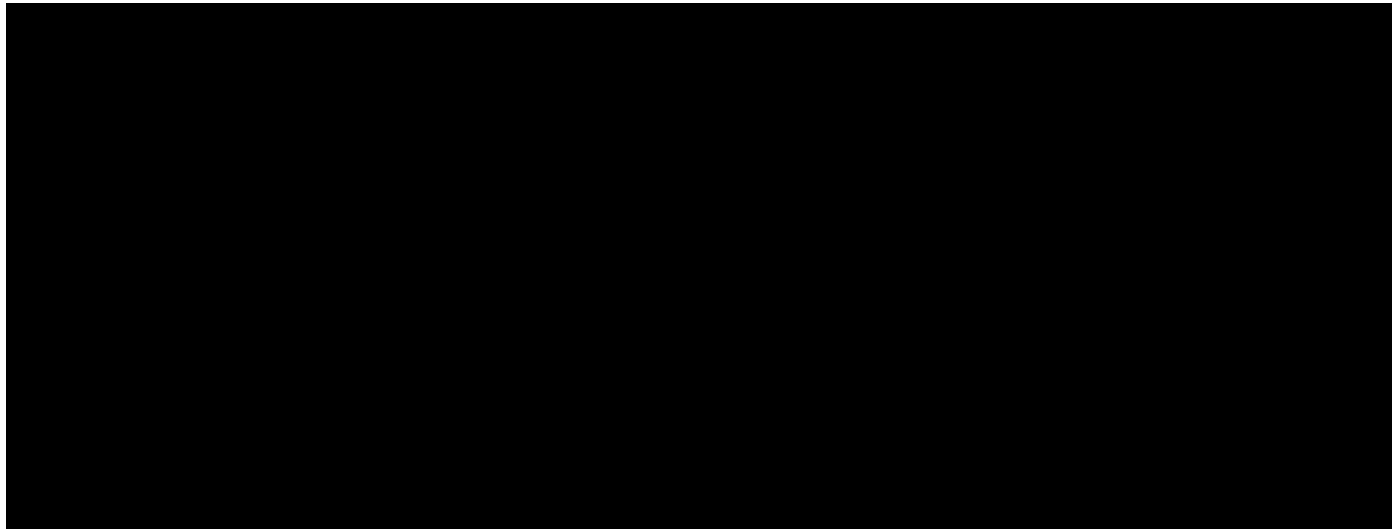
62 **Q. How does the Company’s system respond to the coal supply limitations?**

63 A. The Company operates its system on a least cost economic dispatch model. Simply put,
64 it dispatches its lowest cost resources first followed by its more expensive resources in
65 an increasing order. To further illustrate how this impacted coal and natural gas
66 dispatch, Figure 1 below depicts the MWh variance from Base net power cost (“NPC”) by
67 month for the Company’s coal and gas generating resources, and Table 1 below
68 depicts forecast and actual 2022 MWh for coal generation, gas generation, total

69 Company load, and wholesale sales with variances by month. Figure 1 shows that the
70 Company operated its coal generating resources above its forecasted levels from April
71 through October and then only decreased dispatch in November and December when
72 the coal supply constraints limited these resources. Correspondingly, the Company was
73 able to increase its gas generating resources in November and December by
74 approximately the same MWhs to replace the coal generation. Even with higher natural
75 gas prices in 2022, Company owned gas-generating plants were still least-cost dispatch
76 resources on average and more economic than market purchases. Additionally, actual
77 Company load was greater than forecasted load in November and December and the
78 Company's system was able to respond with a reduction to market sales. All these
79 operations indicate that the Company has managed its resources in a prudent and least
80 cost economic manner.

Confidential Figure 1



Confidential Table 1 – CY 2022 Actual vs Forecast Variances

81 **Q. Are the coal stockpile levels at the Company’s Utah plants reviewed by the DPU**
82 **and reported to the Commission, and were the Company’s actions necessary to**
83 **maintain an appropriate stockpile at these plants?**

84 A. Yes. Rocky Mountain Power’s fuel inventory policies are audited annually by the DPU
85 who reports to the Commission.¹ Because of the coal supply constraints that were
86 identified above, Rocky Mountain Power had to take action to maintain the minimum
87 stockpile reliability target of 45 days inventory. Accordingly, and based upon industry
88 standard practice regarding the dispatch of fuel limited resources (such as hydroelectric
89 resources), Rocky Mountain Power calculated the dispatch price for the fuel limited
90 Hunter and Huntington units to maintain minimum stockpile reliability coal inventories
91 and secure availability for the benefit of customers during critical periods. The dispatch

¹ The DPU in their report noted these coal inventory difficulties in their report: “The Lila Canyon mine fire has impacted Utah’s coal production. The Lila Canyon mine accounts for around a quarter of Utah’s coal production.⁸ Although the fire has been put out, production at the mine may not begin until late 2024 or early 2025. This and other factors reduced Utah’s coal production in the past year, thus lowering supply, increasing prices, and limiting the ability to cost-effectively restore inventory).” *Division of Public Utilities’ Audit of PacifiCorp’s 2022 Fuel Inventory Policies and Practices*, Docket No. 23-035-14 Memorandum at 6-7 (Mar. 29, 2022).

92 price for these units was calculated, to ensure an adequate coal stockpile, at \$50-\$70
93 per MWh at Hunter in September and later in November at Huntington. By the end of
94 2022, the price was recalculated to approximately \$90 per MWh. The higher dispatch
95 prices ensure the optimization models do not lower inventory to unacceptable levels.
96 The Company's decision to calculate the dispatch price based on the economics of fuel-
97 limited resources reflect its commitment to upholding reliability standards, and
98 ensuring the availability of coal units when they are most needed. Although this
99 calculation rendered the units less economically favorable to dispatch within the
100 operational optimization model in late 2022, it was necessary to maintain a prudent
101 coal stockpile level in the aftermath of the unprecedented force majeure claims made
102 by the units' two coal suppliers, and to ensure reliability during high-demand periods.

103 **Q. Did the DPU have adequate time to review the Company's coal dispatch to**
104 **propose a timely adjustment to calendar year 2022 costs in this docket?**

105 A. Yes. The company filed its annual EBA for the 2022 deferral period on May 1, 2023,
106 and Parties have had ample time to review and audit the Company's filing. Besides
107 conducting its own audit, the DPU has also contracted Daymark to assist with its audit.
108 There is no reason why the DPU could not have reviewed this issue during the time
109 between the filing on May 1 and its audit report on November 7.

110 **Q. How is the process in the Utah EBA different from the process of the Idaho**
111 **ECAM?**

112 A. The Company files its Idaho ECAM annually on April 1st and the proceeding concludes
113 with rates effective on June 1st. While some of the review begins prior to filing, the
114 entire formal proceeding is complete in two months. So it makes sense that the IPUC

115 would require additional time to study the Company's coal dispatch. In Utah, the EBA
116 proceedings are 300 days, and the DPU has 190 days to conduct its audit during the
117 formal proceeding.

118 **Q. Does the Company object to providing the DPU a copy of the study that is being**
119 **prepared for IPUC?**

120 A. No. The Company intends on providing the study once completed to the DPU and any
121 party who has intervened in a relevant regulatory proceeding and signed any required
122 non-disclosure agreements, if applicable.

123 **Q. Could the DPU and other intervening parties attempt to use the results of the**
124 **study to propose adjustments to the 2024 EBA?**

125 A. Yes. However, the DPU and other parties should only be able to propose adjustments
126 that relate to calendar year 2023 deferred costs that are presented in the 2024 EBA. The
127 Company is only opposed to the DPU's request to be able to preserve the ability to
128 propose adjustments to costs related to calendar year 2022 deferrals in the 2024 EBA.

129 **Q. Why should the Commission reject the DPU's recommendation to preserve the**
130 **prudence review of CY 2022 costs in the 2024 EBA?**

131 A. Utah Code Ann. § 54-7-13.5(2)(i)(ii) requires the Commission to issue a final order
132 establishing and fixing an electrical corporation's balancing account "before the
133 expiration of 300 days after the day on which the electrical corporation files a complete
134 filing." The Commission recently denied an Application by the Company to implement
135 a procedural schedule that did not comply with the 300-day statutory requirement
136 stating:

137 In principle, we find RMP's Application, and DPU's recommendation for its
138 approval, reasonable and in the public interest. However, we cannot approve a

process that is, on its face, contrary to law. As DPU noted, the Application contemplates an EBA filing on or about March 15 and an order on or about February 21 of the following year. This timeframe exceeds the period the law requires the PSC to issue a final order.²

Q. Has the Commission recently raised additional concerns about its ability to issue a decision that extends the review of EBA costs to a future date beyond the 300-day statutory period?

A. Yes, in the Company's most recent EBA order, the Commission provided some additional information specific to the Utah Association of Energy Users' ("UAE") recommendation that recovery for certain outages be deferred pending a final resolution of the issue:

With respect to UAE's request the PSC condition RMP's recovery for the Aeolus Outages pending a "final resolution of this issue," UAE fails to identify the legal authority under which it asks the PSC to make such an order, what would constitute such a resolution, or any particular process by which the PSC would revisit the issue in the future. Any litigation arising out of the Aeolus fire could take many years to resolve, and the PSC believes serious legal questions exist as to whether the PSC conditioning RMP's recovery on uncertain developments well into the future would constitute a lawful exercise of the PSC's jurisdiction. The PSC declines to invent such a remedy.³

The DPU is seeking a very similar remedy as UAE. They are attempting to condition recovery of the costs included in this EBA because of a report that is filed in another jurisdiction and extend the issue into the 2024 EBA, when they have had ample time and opportunity to review those costs in this proceeding.

² *Rocky Mountain Power's Application for Approval of its Proposed Energy Cost Adjustment Mechanism*, Docket No. 09-035-15, Order at 4 (Feb. 24, 2022).

³ *Rocky Mountain Power's Application for Approval of the 2022 Energy Balancing Account*, Docket No. 22-035-01, Order at 28 (Jan. 9, 2023).

163 **Q. Has the Company provided sufficient evidence to explain the coal dispatch**
164 **constraints in this proceeding?**

165 A. Yes. Even though the DPU has provided minimal explanation of its concerns related to
166 the coal dispatch of the Company's units in 2022, this testimony provides enough
167 evidence to describe the difficulties in maintaining coal stockpiles for the Company's
168 Utah coal plants in 2022 and the associated impact on coal generation that occurred.
169 The Company's actions were prudent and there is no factual basis for the Commission
170 to conclude that additional review or adjustments to the requested recovery are
171 warranted.

172 **ADDITIONAL WORKSHOPS AND INFORMATION**

173 **Q. Please describe the DPU's request for additional workshops and information for**
174 **the 2024 EBA filing related to its review of the dispatch of coal resources.**

175 A. The DPU has requested a series of workshops and certain information around the
176 Company's process for forecasting power costs in the Aurora model. Additionally, they
177 have requested certain information on the forecasted and actual generation at each plant
178 and an explanation for variances in forecasted generation greater than 10 percent from
179 the forecast on a monthly and annual basis.

180 **Q. Are these recommendations familiar to the Company?**

181 A. Yes, these are provisions that the Company has agreed to in the Company's most recent
182 Oregon Transition Adjustment Mechanism ("TAM") proceeding.⁴

⁴ *In the Matter of PacifiCorp d/b/a Pacific Power, 2024 Transition Adjustment Mechanism*, Docket No. UE 420, Order No. 23-404, Appendix A at ¶¶14-15 (Oct. 27, 2023).

183 **Q. Is the Company willing to provide additional information to assist the DPU in its**
184 **review of the dispatch of coal resources in the next EBA?**

185 A. Yes. The Company is producing this information for the TAM and can provide it in the
186 EBA. Some of this information is already contained in the existing standard data
187 requests that are provided with the Company's initial EBA filing. Any information that
188 is not already contained in those filings will be provided in the initial application.

189 However, regarding the requested workshops on Aurora, the Oregon TAM
190 proceeding deals with the forecasts of NPC, and the workshops requested by the DPU
191 related to Aurora are specifically designed to address the NPC forecast. The EBA
192 proceedings do not use forecast NPC like Oregon. In Utah, Forecast NPC are typically
193 used in the context of a general rate case to set the base NPC for the test period. The
194 Company is not opposed to holding these workshops for the DPU but would
195 recommend that they be requested in connection with the next general rate case and not
196 in conjunction with the 2024 EBA.

197 **REPLACEMENT POWER COSTS**

198 **Q. Please describe Daymark's proposed adjustment for generation plant events.**

199 A. Daymark recommends reducing NPC from the EBA by \$778,683, including interest,
200 on a Utah allocated basis associated with thermal plant events on the basis that the
201 Company acted imprudently. Daymark's adjustment consists of \$753,447 for the
202 replacement power costs and \$25,235 in interest.

203 **Q. Does the Company agree these proposed adjustments to the EBA recovery due to**
204 **the generation plant events are warranted?**

205 A. No. Company witness Mr. Brad Richards responds to the merits of Daymark's proposed

206 adjustments and provides support for the Company's position that plant operations
207 were prudent.

208 **Q. Did you review Daymark's calculation for the replacement power costs with the**
209 **generation plant events?**

210 A. Yes.

211 **Q. Notwithstanding the Company's objection to the proposed adjustments, does the**
212 **Company agree with Daymark's calculation of the replacement power costs?**

213 A. The Company agrees with Daymark's calculations relating to the thermal outage at its
214 Craig generating plant but disagrees with Daymark's calculations relating to the
215 thermal events at its Dave Johnston generating plant. Specifically, Daymark treated
216 their calculations for the Dave Johnston event as outages at the plant, but the events
217 were derates to the units, not complete outages. This affected Daymark's calculation
218 for the replacement power costs because the MWhs were calculated based upon a
219 complete outage and not the derated MWhs. Once this correction is made, the Company
220 agrees with the remaining aspects of Daymark's calculations.

221 **Q. What is the impact to the replacement power costs adjustments proposed by the**
222 **DPU after making the correction?**

223 A. Table 2 below shows the impact to the DPU's proposed adjustments. Detailed
224 calculations for these corrections are provided in confidential workpapers provided
225 with this response testimony.

Table 2

Derate	DPU Calculated		RMP Calculated	
	Total	EBA Allocated	Total	EBA Allocated
DJ 3	\$ 123,306	\$ 54,817	\$ 17,217	\$ 7,654
DJ 1	\$ 491,785	\$ 218,628	\$ 129,159	\$ 57,419
DJ 2	\$ 526,778	\$ 234,184	\$ 204,523	\$ 90,923
Total	\$ 1,141,869	\$ 507,629	\$ 350,898	\$ 155,995

Interest	\$ 18,989	\$ 5,735
Total DPU Proposed Adjustment	\$ 526,618	\$ 161,730

FERC ACCOUNTING UPDATES

Q. Did FERC issue its decision with respect to FERC account 509?

A. Yes. On June 29, 2023 the FERC posted a final ruling Order No. 898 on Accounting and Reporting Treatment of Certain Renewable Energy Assets in Docket No. RM21-11. These changes become effective January 1, 2025. The Company is still interpreting how the order applies to its accounting treatment of certain costs approved for deferral in the EBA.

Q. Does the Company agree to update Electric Service Schedule No. 94 (“Schedule 94”) when it files the 2024 EBA for the list of approved accounts?

A. Yes. The Company will update the list of accounts in Schedule 94 for the recent FERC decision, if applicable, along with general updates as recommended by Mr. Smith.

CONCLUSION

Q. What is your recommendation to the Commission?

A. The Company requests the Commission approve the Company’s request to recover \$175,029,815 as requested in its initial application.

241 **Q.** **Does this conclude your response testimony?**

242 **A.** Yes.

REDACTED

Rocky Mountain Power

Docket No. 23-035-01

Witness: Brad Richards

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED

Response Testimony of Brad Richards

December 2023

24 **Q. To what issues raised by Daymark in its testimony do you respond?**

25 A. My testimony addresses the recommendations contained in DPU Confidential Exhibit
26 2.3 Dir (“Daymark Audit Report”) to disallow recovery of replacement power costs
27 related to three separate availability events that occurred at the Company’s thermal
28 generation plants in 2022. My testimony also responds to Daymark’s general concerns
29 of [REDACTED] at Dave Johnson Unit 4.

30 **Q. Please list the specific thermal generating units and 2022 events being discussed.**

31 A. The events in question occurred at:

32 [REDACTED]
33 [REDACTED]
34 [REDACTED]

35 **Q. Does the Company agree that these adjustments are warranted?**

36 A. No. As described in further detail in my testimony, the Company has acted prudently
37 and diligently with respect to its plant operations.

38 **Q. Did Daymark make any errors in their analysis that need to be corrected?**

39 A. Yes, the Daymark Audit Report recommends a disallowance for separate events which
40 affected Dave Johnston Units 1 and 2, and Dave Johnston Unit 3. In their report
41 Daymark identifies these events as outages, however, these events were derates only.
42 This means that the units reduced generation but did not come offline. Therefore,
43 Daymark has miscalculated the megawatt-hours (“MWh”) lost due to these restrictions.
44 The event details, including the restrictions, and beginning and end times are shown in
45 Confidential Exhibit RMP____(BR-1R). The correct MWh losses are also shown on
46 page 2 of the applicable SER under the section titled Generation Losses. This section

47 also denotes that the losses came from derates rather than outages. Mr. Painter provides
48 the overall impact to Daymark's recommended adjustments in his response testimony.

49 **Q. Please explain the purpose of the Company's Significant Event Report process.**

50 A. The purpose of the Company's SERs is to collect and record observations and other
51 information which may be relevant to the immediate event, or potentially relevant to
52 the Company's operations going forward. Unlike regulatory documents such as those
53 submitted to North American Electric Reliability Corporation ("NERC") Generating
54 Availability Data System ("GADS"), SERs are internal engineering documents and are
55 not prepared specifically for regulatory purposes. While these documents are not
56 regulatory documents, they are discoverable and can be made available for review in
57 regulatory proceedings. The importance of this distinction is to note that the Company
58 considers SERs as an appropriate repository for observations and even some
59 speculation which the Company's personnel believe may have immediate or future
60 value to the operations of the Company's thermal generating units. SERs may be
61 reviewed and modified as needed but it is important to recognize that not all notes and
62 observations contained in its SERs are necessarily conclusive.

63 **Q. Daymark recommends the Company ensure links in the SERs are active or that a**
64 **copy of the referenced document is provided. Does the Company agree?**

65 A. Yes.

66 **CRAIG UNIT 1** [REDACTED]

67 **Q. Please describe the outage at Craig Unit 1.**

68 A. On [REDACTED] Craig Unit 1 was taken offline to perform a Mercury and Air
69 Toxics Standards ("MATS") inspection required by the Environmental Protection

Agency (“EPA”). This includes a variety of tests and inspections to ensure efficient combustion and proper function of installed equipment. This mandatory inspection is required every 36-months. MATS inspections are typically performed during a planned overhaul, but the 2022 overhaul was canceled given the Company’s plans to retire the unit at the end of calendar year 2025. While the primary purpose of the outage was to complete the MATS inspection, as with most scheduled outages, the plant took advantage of the time offline to address other important maintenance items. The other maintenance projects completed included [REDACTED]. The unit was returned to service on [REDACTED].

Q. What is Daymark’s rationale for the proposed disallowance related to this outage?

A. Daymark alleges that the Company acted imprudently by inconsistently canceling the overhaul but moving forward with the required testing. Daymark claims the Company should have pursued a waiver from the EPA for the MATS testing requirement. Daymark’s recommended adjustment for this outage is [REDACTED].

Q. Does the Company consider Daymark’s argument that attaining a waiver from the EPA to be a reasonable course of action for the Company?

A. No. Daymark’s recommendation is not a reasonable course of action. At the time, Craig Unit 1 still had more than three years to operate before retirement, meaning that obtaining a waiver of the requirement would result in the plant operating for over six years without a MATS inspection. Daymark does not provide any evidence that such a waiver would have been granted even if it had been requested. Additionally, while

93 PacifiCorp is committed to maintaining regulatory compliance, the Company is only a
 94 minor share owner of Craig Unit 1, which is operated by Tri-State Generation and
 95 Transmission. As the Company stated in discovery, “asking for a waiver would be
 96 inconsistent with corporate policy on compliance that states: “Tri-State’s objective is
 97 to be 100% compliant with regulatory requirements and will provide the necessary
 98 resources to ensure all regulatory requirements are met. Adherence to all applicable
 99 compliance regulations, requirements and standards is a guiding principle in the
 100 development of Tri-State's current and future business strategies and plans.”¹

101 Finally, the Company believes it is inappropriate for the Division to suggest the
 102 Company avoid the mandatory environmental inspection for a generation unit with [REDACTED]
 103 [REDACTED] remaining operating life.

104 **Q. How do you respond to the recommended disallowance for this outage?**

105 A. I recommend that the Commission reject the adjustment proposed by Daymark. The
 106 Company acted prudently by scheduling an outage for the fall season to perform a
 107 federally mandated environmental compliance inspection and to utilize the offline
 108 period to address other outstanding maintenance items.

109 **DAVE JOHNSTON UNIT 3 [REDACTED]**

110 **Q. Please summarize the derate event which affected Dave Johnston Unit 3 on**
 111 **[REDACTED].**

112 A. As stated in the SER for this event, and cited in the Daymark report, [REDACTED]
 113 [REDACTED]. As shown in Confidential Exhibit RMP___(BR-1R),
 114 Unit 3 was temporarily derated for [REDACTED]

¹ Confidential Exhibit RMP___(BR-2R) – Confidential DPU Data Request 9.1.

115 [REDACTED]

116 [REDACTED]

117 **Q. What is Daymark's rationale for the proposed disallowance related to this**
118 **outage?**

119 A. In addition to Daymark's error in classifying this as an outage event, Daymark also
120 attributes the MWh losses entirely to [REDACTED]. Daymark states that
121 "the dramatic increase in maintenance of [REDACTED] serves to demonstrate the past
122 imprudence of the Company".² Daymark alleges that the Company's maintenance
123 practice for the [REDACTED] is questionable because the [REDACTED] had not [REDACTED]
124 [REDACTED] prior to the event, and the Company's response was to implement
125 annual replacements of the [REDACTED] going forward. Although Daymark praises the
126 Company's efforts to implement additional maintenance measures, it claims this
127 demonstrates the Company has taken an imprudent "run-to-failure" approach to the
128 [REDACTED]. Daymark's recommended adjustment for this outage is [REDACTED]
129 [REDACTED].

130 **Q. What is the purpose of a [REDACTED]?**

131 A. [REDACTED]
132 [REDACTED]
133 [REDACTED]
134 [REDACTED]

² DPU Confidential Exhibit 2.3, Daymark Energy Advisors EBA Audit Report at 32 (Nov. 7, 2023).

135 **Q. Why was an SER created for an event with so few MWh lost?**

136 A. While the generation MWh lost related to this event were minimal, the [REDACTED]
137 [REDACTED]
138 [REDACTED], led the plant to compile the
139 information, including causes and lessons learned, into a report to better inform future
140 operations at the plant and communicate the failure to the rest of the fleet.

141 **Q. How do you respond to Daymark's recommendation?**

142 A. The basis of Daymark's recommendation is that the Company's efforts to implement
143 lessons learned in future plant operations are actually evidence of imprudence, because
144 the Company should have foreseen what neither the manufacturer of the [REDACTED],
145 nor decades of prior experience had taught. This reasoning also implies that the
146 Company must replace all kinds of otherwise used and useful components even in the
147 absence of any information about the likelihood or potential cost of failure.

148 In this case, the manufacturer of the [REDACTED]
149 [REDACTED]
150 [REDACTED]
151 [REDACTED]
152 [REDACTED] at regular intervals just as the Company does for other
153 components or equipment that warrant such replacement due to safety considerations
154 or known potential for severe damage. The Company acted prudently by formally
155 documenting the details of the events and developing an action plan to prevent future
156 occurrences of this failure.

157 **DAVE JOHNSTON UNITS 1 & 2** [REDACTED]

158 **Q. Please explain the background of the events affecting Dave Johnston Units 1**
 159 **and 2.**

160 A. The Dave Johnston plant utilizes Powdered Activated Carbon (“PAC”) to control
 161 mercury emissions via an Activated Carbon Injection (“ACI”) system. Beginning

162 [REDACTED]

163 [REDACTED]

164 [REDACTED]

165 [REDACTED]

166 [REDACTED]

167 [REDACTED]

168 [REDACTED] are shown in
 169 Confidential Exhibit RMP___(BR-1R).

170 **Q. What was submitted to NERC GADS as the narrative description for these**
 171 **events?**

172 A. The plant reported to NERC that it [REDACTED]

173 [REDACTED]

174 [REDACTED]

175 [REDACTED]

176 **Q. What additional information was included in the SER created for this event?**

177 A. In the SER created for this event, the engineers recorded their observations regarding

178 [REDACTED]

179 [REDACTED]

180 [REDACTED]

181 [REDACTED] As previously stated, a purpose of the SER report is to allow plant
 182 personnel to record observations which may have immediate or future value to the
 183 operations of the generating units.

184 **Q. What is the basis for Daymark's proposed disallowance related to these events?**

185 A. Daymark asserts that the cause of the event was a [REDACTED]
 186 [REDACTED]
 187 [REDACTED]
 188 [REDACTED]
 189 [REDACTED]

190 **Q. Do you believe Daymark's recommendation would have actually prevented this**
 191 **event?**

192 A. The premise of Daymark's argument is that [REDACTED]
 193 [REDACTED]
 194 [REDACTED] and that this would have prevented the event. However, the [REDACTED] that
 195 Daymark is recommending would presumably have disqualified the only available
 196 supplier at the time and would have therefore only [REDACTED]
 197 [REDACTED] rather than prevented the issue. The Company acted prudently in
 198 [REDACTED]
 199 [REDACTED]
 200 [REDACTED]
 201 [REDACTED] through the SER process to better inform continued operations at the
 202 plant.

203 **DAVE JOHNSTON UNIT 4 TUBE FAILURES**

204 **Q. Daymark expresses concern regarding the increase in [REDACTED] at Dave**
 205 **Johnston Unit 4. Can you please respond to these concerns?**

206 A. As noted in the Daymark report, Dave Johnston Unit 4 experienced [REDACTED]
 207 [REDACTED]
 208 [REDACTED]
 209 [REDACTED]
 210 [REDACTED]
 211 [REDACTED]
 212 [REDACTED]
 213 [REDACTED]
 214 [REDACTED]
 215 [REDACTED]

216 **Q. How do you respond to the Daymark allegation that the Company should place**
 217 **greater emphasis on identifying and mitigating the root cause(s) of [REDACTED]**
 218 **[REDACTED]**

219 A. In Docket No. 22-035-01, Daymark raised the issue and inquired about the Company's
 220 actions to address the [REDACTED] identified in the Dave Johnston Unit 4 [REDACTED].
 221 In response to the inquiries in that docket, the Company explained that the [REDACTED]
 222 [REDACTED] during the overhaul in 2022.³ In response to data requests in this
 223 docket the Company provided further explanations describing the [REDACTED]
 224 [REDACTED]

³ Confidential Exhibit RMP___ (BR-2R) –DPU Data Request 5.23 from the 2022 EBA.

225 [REDACTED]⁴ The Company believes that it has taken
226 adequate action to address the cause of the [REDACTED]

227 [REDACTED]

228 [REDACTED]

229 **CONCLUSION AND RECOMMENDATION**

230 **Q. Can you please summarize your testimony?**

231 A. The Company prudently manages its thermal generation fleet for the benefit of
232 customers. The disallowances proposed by the DPU through Daymark contain
233 erroneous information including misrepresentations of the events in question and
234 contradictory recommendations related to those events.

235 **Q. What is your recommendation to the Commission?**

236 A. I recommend that the Commission reject the recommended disallowances for the
237 thermal availability events addressed above. My testimony demonstrates the Company
238 was prudent in its actions.

239 **Q. Does this conclude your response testimony?**

240 A. Yes.

⁴ Confidential Exhibit RMP___(BR-2R) – Confidential DPU Data Request 10.1.

REDACTED

Rocky Mountain Power
Exhibit RMP____(BR-1R)
Docket No. 23-035-01
Witness: Brad Richards

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED

Exhibit Accompanying Response Testimony of Brad Richards

DJ Event Details

December 2023

THIS EXHIBIT IS CONFIDENTIAL IN ITS
ENTIRETY AND IS PROVIDED UNDER SEPARATE
COVER

REDACTED

Rocky Mountain Power
Exhibit RMP____(BR-2R)
Docket No. 23-035-01
Witness: Brad Richards

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED

Exhibit Accompanying Response Testimony of Brad Richards

Discovery Responses

December 2023

22-035-01 / Rocky Mountain Power
May 31, 2022
DPU Data Request 5.23

DPU Data Request 5.23

CONFIDENTIAL REQUEST - Outage Related Questions - The following questions relate to information provided in the file, “2021 Thermal Outage Summary_CFrates-UT_Filtered 72-Hours CONF” (Tab: Forced > 72) shared in response to DPU Data Request 1.6-1.

[REDACTED]

(a) [REDACTED] ?

(b) [REDACTED]

(c) [REDACTED]

(d) [REDACTED]

Confidential Response to DPU Data Request 5.23

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Confidential information is provided subject to R746-1-601–606 of the Utah Public Service Commission Rules.

23-035-01 / Rocky Mountain Power
August 28, 2023
DPU Data Request 9.1

DPU Data Request 9.1

CONFIDENTIAL REQUEST - Fossil Outage Follow-up - Craig 1 –

- (a) Given the pending retirement of this unit (12/31/2025) was any thought given to asking for [REDACTED] inspection requirements? If not, please explain.

Response to DPU Data Request 9.1

- (a) No. Tri-State is a co-owner of the Craig plant and operates Craig Unit 1 and Craig Unit 2 on PacifiCorp's behalf. Asking for a waiver would be inconsistent with Tri-State's Corporate Policy on Compliance that states: "Tri-State's objective is to be 100% compliant with regulatory requirements and will provide the necessary resources to ensure all regulatory requirements are met. Adherence to all applicable compliance regulations, requirements and standards is a guiding principle in the development of Tri-State's current and future business strategies and plans".

23-035-01 / Rocky Mountain Power
August 28, 2023
DPU Data Request 10.1

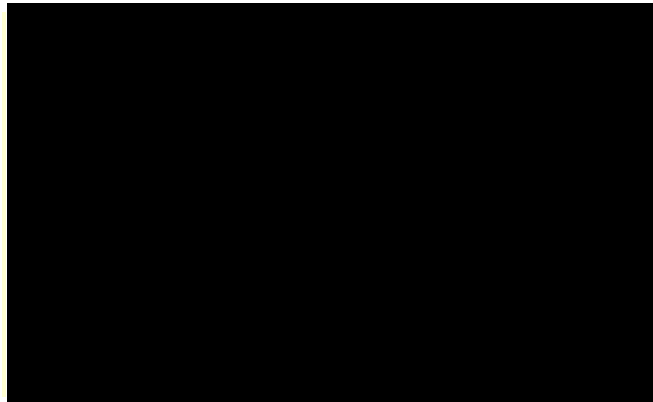
DPU Data Request 10.1

CONFIDENTIAL REQUEST - EBA Attach DPU 7.1-1 CONF –

[REDACTED]

The following confidential graph illustrates lost MWh related to [REDACTED] since 2018 for each unit of the Dave Johnston plant, using the Company's data from the attachment [REDACTED] from the response to DPU 7.1-1:

[REDACTED]



[REDACTED]

(i) What explanation can the Company offer for the exponential increase in [REDACTED] since 2020?

(ii) How does the Company plan to mitigate related [REDACTED] going forward?

Confidential Response to DPU Data Request 10.1

Note: in responding to this data request, the Company did not verify or validate the graph compiled by the Division of Public Utilities (DPU). Based on the foregoing caveat, the Company responds as follows:

(i) [REDACTED]

23-035-01 / Rocky Mountain Power
August 28, 2023
DPU Data Request 10.1

(ii)



Confidential information is provided subject to Public Service Commission of Utah (UPSC) Rules R746-1-601–606.

REDACTED

Rocky Mountain Power

Docket No. 23-035-01

Witness: Douglas R. Staples

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED

Response Testimony of Douglas R. Staples

December 2023

22 **Q. Have you testified in previous regulatory proceedings?**

23 A. Yes. I have previously filed testimony in Washington, Wyoming, California, and
24 Oregon.

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

26 A. The Purpose of my testimony is to respond to Daymark's recommendation that the
27 requested energy balancing account ("EBA") recovery be reduced by \$13.9 million
28 total Company, or \$6.5 million Utah-allocated, for physical power transactions, which
29 Daymark claims were imprudent due to lack of support for the trade purpose.

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

31 A. My testimony begins with an overview of the various types of hedging that the
32 Company performs and the associated goals for the program. Next, I address
33 Daymark's recommended adjustment within the context of PacifiCorp's hedging
34 program and explain why the Company has acted prudently when executing physical
35 power transactions.

36 **Q. Please summarize your recommendation to the Public Service Commission of**
37 **Utah ("Commission").**

38 A. My testimony will show that there is ample evidence that the Company acted prudently,
39 and the Company's front office personnel gave consideration to [REDACTED] when
40 making their decision to execute the trades that Daymark has identified. It will also
41 show that there is evidence for the reasonableness of those considerations in the
42 Company's record of its activities. Finally, it will show that the trade purpose report
43 documented that the trades were made [REDACTED]
44 [REDACTED]

45 [REDACTED] For those reasons, the trades in question were
46 fundamentally reasonable at the time of execution and should be found prudent.

47 **ROCKY MOUNTAIN POWER'S HEDGING PROGRAM**

48 **Q. What is hedging and what role does it play in utility operations?**

49 A. Fundamentally, price hedging is an attempt by companies to stabilize costs and/or to
50 manage market volatility. It is certainly used in that fashion in utility operations, but it
51 is well understood that it is not possible to completely remove risk to overall costs or
52 revenues for a variety of reasons. It also is not possible for utilities to hedge perfectly
53 (i.e., optimally), given the imperfect information and imperfect financial instruments
54 available to market participants when they make hedging decisions.

55 Price hedging is distinct from supply hedging, which is not necessarily intended
56 to manage price volatility risk, but to ensure access to adequate supply and
57 deliverability for the physical operability of the system. All physical purchase
58 transactions can be considered part of a supply hedge portfolio, as they introduce
59 physical length into the system.

60 **Q. What is the role of a hedging policy at a utility?**

61 A. A hedging policy typically sets minimum limits for hedging activity. In most
62 companies, the policy is written to offer both guidelines and flexibility to front office
63 personnel, who are referred to as traders, because it is preferable to have these subject
64 matter experts managing the operational risk dynamically. Documents can be changed
65 but, due to the review and approval requirements of making changes to a hedging
66 policy, they are not dynamic enough to keep pace with volatility that may occur in
67 energy markets. Policies should define minimum acceptable limits to support the goal

68 of delivering safe, affordable, and reliable energy. The remainder of the decisions
69 around hedging and/or procurement are normally managed by front office personnel.

70 **Q. What role does each type of hedging have in utility operations?**

71 A. Price hedging can help reduce volatility in power costs, though its impact on net power
72 costs can vary depending on the fixed price of the hedge relative to market conditions.
73 Supply hedging has a slightly different focus and is primarily concerned with ensuring
74 adequate supply is available to meet system obligations.

75 **Q. Is there any such thing as a perfect hedge?**

76 A. Yes, but only in financial markets and physical markets for which there is no potential
77 for volumetric variability and the financial products available can perfectly offset the
78 physical and financial risk. Banks and other market makers typically transact in
79 standard contract sizes, so eliminating their open positions (long or short) is easily
80 accomplished.

81 For companies operating in a utility space, customer loads, generation resource
82 availabilities, energy resource production, and other variable factors can only be
83 forecasted, so it is not possible to perfectly hedge physical or financial risk. Essentially,
84 utilities do not know years or months ahead of time precisely what their load will be,
85 what the hourly shape of the loads will be, what generation resources will be available
86 to serve it, or how sensitive it might be to external factors (macroeconomic factors,
87 ambient temperatures, etc.). There is simply more ambiguity around the precise size
88 and even the overall direction (long or short) of their position, even though forecasts
89 provide reasonable estimates.

90 **Q. What are the overall goals of PacifiCorp's hedging program?**

91 A. Energy supply management manages the energy commodity position and utilizes
92 PacifiCorp's assets and liabilities (loads, generating resources, contractual rights, and
93 obligations) to a) ensure reliable sources of electric power are available to meet
94 PacifiCorp's customers' needs, and b) reduce volatility of net power costs for
95 PacifiCorp's customers.

96 **DAYMARK'S RECOMMENDATIONS**

97 **Q. Based on their review, what does Daymark recommend with respect to the**
98 **Company's hedging activities?**

99 A. Daymark recommends a disallowance related to several hedging transactions identified
100 during their audit totaling approximately [REDACTED] on a Utah-allocated basis.
101 Daymark asserts that these transactions are examples of [REDACTED]
102 [REDACTED] according to
103 the Company's long-term dispatch model. Daymark notes that these were [REDACTED]
104 [REDACTED] and claims the Company misjudged the balance of
105 risk between short and long positions and lacks documentation and analysis to support
106 its decisions. Daymark also proposes an enhanced level of review since [REDACTED]
107 [REDACTED].

108 **Q. Does the Company object to the overall evaluation methodology employed by**
109 **Daymark?**

110 A. No. Daymark makes use of contemporaneously developed documentation provided by
111 the Company in order to assess the reasonableness of the Company's actions based on
112 what it knew or should have known at the time of execution. That, along with a review

113 of adherence to written policies and respect for governance limits form the basis of
114 their review, which is focused on individual transactions and/or operational decisions.
115 This is a reasonable approach to evaluating prudence in the context of utility hedging
116 and operational decisions.

117 **Q. Please explain the Company's hedging policy and the limits it places on power**
118 **transactions.**

119 A. The Company's hedging program, which was modified in July 2021, specifically
120 indicates that its establishment serves [REDACTED]
121 [REDACTED]
122 [REDACTED]
123 [REDACTED]
124 [REDACTED], which serves to limit both price risk and supply risk, as outlined
125 above.

126 A key feature of the revised hedging program is that the Company developed
127 [REDACTED]
128 [REDACTED]
129 [REDACTED]
130 [REDACTED]

131 **Q. How does the Company determine policy compliance?**

132 A. The company uses a physical dispatch model to determine the level of [REDACTED]
133 [REDACTED]
134 [REDACTED]

135

136

137 **Q. Please explain how the Company calculates the physical position.**

138 A. The Company uses a least-cost algorithm to forecast future operations on an hourly
139 basis, using:

140 1. load forecast,

141 2. generation unit characteristics, such as heat rates, ramp rates, stable operating
142 ranges, and startup costs,

143 3. transmission topology (limitations on the Company's ability to move power
144 across the system), and

145 4. forward prices for power and gas.

146 **Q. Are there aspects of the long-term position report that seem to be ignored in**
147 **Daymark's testimony?**

148 A. Yes. Daymark states that the Company was imprudent because it was [REDACTED]
149 [REDACTED]. However, Daymark's recommendation
150 ignores the conditions that were present at the time the Company made the transactions.
151 At the time of the transactions, factors existed outside of the long-term position reports
152 that were relevant to the [REDACTED] of the Company's system.
153 Daymark's recommendations do not appropriately consider certain aspects of the long-
154 term position report including:

155 1. The information is from a P50 report, meaning it includes a P50 forecast of the
156 peak hour;

- 157 2. The availability of the generation fleet includes adjustments for high
158 temperatures, also known as ambient derates, which cannot be accurately
159 forecasted in a granular fashion in the model inputs;
- 160 3. The equivalent forced outage (“EFOR”) rate is spread equally across the 12
161 months when forecasted; and,
- 162 4. The market was sending strong signals that power scarcity was anticipated,
163 increasing the likelihood of a reliability event.

164 I further explain each of these factors and why they were taken into consideration by
165 the Company’s traders when making the decision to [REDACTED] when the
166 Company was [REDACTED]

167 **Q. Please explain what a P50 report is.**

168 A. The Company’s P50 report is created on a daily basis by the risk management group in
169 order to [REDACTED]
170 [REDACTED], but it comes with some
171 important limitations. P50 reports are designed to be median condition reports, meaning
172 the Company can reasonably assume that approximately half of the time loads will be
173 higher than depicted in the report, and approximately half of the time loads will be
174 lower than depicted in the report. Importantly, this is true of not just the overall load
175 level in a month or calendar year, but in the peak hour as well. Furthermore, loads can
176 be higher than forecast and resources can be lower than forecast at the same time in
177 actual operations, which can create or exacerbate a load-resource balance issue.

178 **Q. Please explain how Daymark used the P50 report in its review.**

179 A. Daymark relied on the P50 report in its claims that the Company was imprudent

180 because the Company's trader was [REDACTED]
181 [REDACTED]
182 [REDACTED]¹ However Daymark's conclusion does not account for the fact that if the risk
183 of [REDACTED]
184 [REDACTED]
185 [REDACTED]
186 [REDACTED]
187 [REDACTED]
188 [REDACTED] This leaves the Company open to a possible event
189 where its position is shorter than the forecast, compromising the Company's ability to
190 serve customers in [REDACTED]. The Company's traders must be given the extra
191 flexibility required to manage the uncertainty of the position in a manner they believe
192 is prudent and in keeping with the goal of providing safe, reliable, affordable power.

193 **Q. Please explain what ambient derates are.**

194 A. Generating units have limited operational capabilities based on ambient temperatures.
195 As a general rule, hot weather decreases the maximum dependable output level of
196 thermal generators. This means that hot weather tends to impact the Company twice
197 since it simultaneously increases customer demand while decreasing the output
198 capabilities of the generating resources upon which the Company relies to meet that
199 demand.

¹ DPU Exhibit 2.3, Daymark Energy Advisors EBA Audit Report at 97 (Nov. 7, 2023).

200 **Q. Please explain how ambient derates are reflected in the Company's long-term**
201 **position report.**

202 A. Ambient derates were applied only to the months of June through August during 2022
203 (this has recently been expanded to include September), but the derate is applied on an
204 average basis, and not shaped to match the anticipated temperatures, either by month
205 or by hour. The fundamental issue is that, while this is a practical choice from a
206 modeling and forecasting perspective, it does not account for [REDACTED]

207 [REDACTED]

208 [REDACTED]

209 [REDACTED] This is a known issue, but there is
210 no easy way to correct it since it would require an hourly temperature forecast,
211 including an ambient derate function that scales the size of the derate, months or years
212 into the future. The Company's Front Office personnel are aware of the inherent limits
213 of forecasting and factors it into decisions on when to [REDACTED] in the
214 forward market.

215 **Q. How are forced outages represented in PCI?**

216 A. The EFOR rate is applied to each generator in the PCI study to represent the likelihood
217 that a resource is unable to perform when called upon. It essentially provides a "haircut"
218 to output capabilities in the amount of the annualized probability of forced outage
219 multiplied by the generator's maximum dependable output, resulting in a probabilistic
220 annual generation forecast, which is important for the calculation of a gas requirement.
221 However, those rates are applied in a uniform fashion across all months in the forecast
222 period. This conflicts with the operational reality, where plants either perform or don't

223 perform, and [REDACTED]
224 [REDACTED] This is also a factor that is considered by
225 the Company's front office personnel when [REDACTED] in the forward
226 market.

227 **Q. Please explain what the market conditions were indicating at the time when the**
228 **power hedges identified by Daymark were being executed.**

229 A. The market was sending strong signals that scarcity was the primary driving factor in
230 setting prices, and weather forecasts were calling for widespread heat in the Western
231 United States. As Daymark notes in their testimony, these trades were executed at times
232 "of high prices and high price volatility" but it is worth exploring in greater detail what
233 that means.²

234 **Q. How is a market price for power typically set?**

235 A. Traditional economics would indicate that the market, or clearing price, for power is
236 the marginal cost of production for the last incremental megawatt-hour ("MWh") of
237 power sold in the open market. Given that plants are dispatched in an ascending cost
238 order, meaning the more economic units are dispatched first, but as demand increases,
239 the cost of power will escalate accordingly.

240 **Q. What do periods of extremely high pricing and volatility indicate in a market with**
241 **these types of dynamics?**

242 A. Once market prices go past what is a reasonable incremental cost of generation for a
243 baseload generation unit, a reasonable way of viewing that market is that it is primarily
244 driven by fear of scarcity, as opposed to dispatch economics. If the market is

² DPU Exhibit 2.3, Daymark Energy Advisors EBA Audit Report at 97 (Nov. 7, 2023).

245 anticipating and signaling scarcity, that means that there may not be [REDACTED]
246 [REDACTED], which is why [REDACTED]
247 [REDACTED].

248 **Q. What sort of market activity was the Company experiencing during 2022?**

249 A. Importantly, [REDACTED]
250 [REDACTED]
251 [REDACTED]
252 [REDACTED]

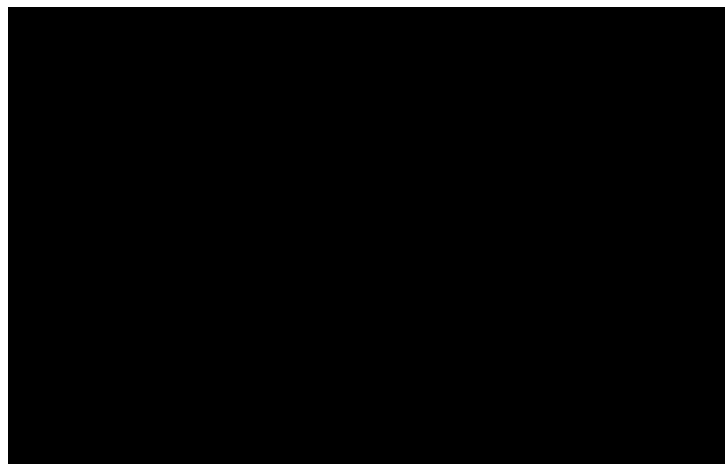
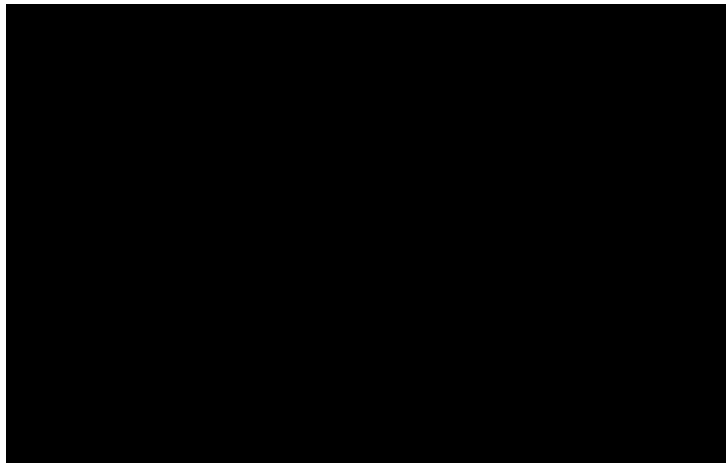
253 [REDACTED] Please note that these purchases net of sales figures have all been prepared
254 using exclusively day-ahead and real-time transactions, [REDACTED]

255 [REDACTED]
256 [REDACTED]
257 [REDACTED]
258 [REDACTED]
259 [REDACTED]
260 [REDACTED]

261 [REDACTED] Confidential Figures 1 through 3

262 below provide more detail.

REDACTED



263 **Q. How does this information about the conditions that the Company was**
264 **experiencing provide important context around the actions taken by the**
265 **Company's traders?**

266 A. This information provides context on how the factors mentioned above can and do
267 impact actual operations and establishes that the decisions made by Rocky Mountain
268 Power's front office personnel are fundamentally reasonable, informed by expertise
269 and grounded in the reality of ensuring [REDACTED]
270 This is what is indicated when the Company refers to its pursuit of a "least-cost, least-
271 risk" solution. [REDACTED]

272 [REDACTED]

273 [REDACTED]

274 [REDACTED]

275 **Q. How does this relate to Daymark's contention that there wasn't sufficient**
276 **documentation of trade rationale related to these transactions?**

277 A. The Company's documentation specified that the purpose of those trades was to [REDACTED]
278 [REDACTED] In
279 addition, Daymark acknowledges that the markets in which the Company was
280 transacting are [REDACTED]. Combined with the very real [REDACTED]
281 concerns of the Company's front office personnel, outlined above, failing to execute
282 these transactions may [REDACTED]

283 [REDACTED]

284 [REDACTED]. That is the reason the trade purpose report specifically calls

285 out [REDACTED] as one of the primary factors in deciding to execute
286 the hedges, and why these should be considered [REDACTED] hedges.

287 **Q. Does the fact that these transactions have [REDACTED] as opposed to [REDACTED]**
288 **[REDACTED] disqualify them from being considered [REDACTED] hedges?**

289 A. No. As mentioned earlier in my testimony, all [REDACTED] are reliability hedges
290 in some sense, and the goal of the Company's hedging program is not solely to manage
291 power costs. Ensuring reliability and deliverability of energy is an equally important
292 goal. The fact that these are [REDACTED] does not change that. In addition,
293 a [REDACTED] is inherently reasonable if the Company is concerned that it may
294 [REDACTED], since those conditions tend to result [REDACTED]
295 [REDACTED]

296 **Q. Why does the Company not provide the additional detail in its position report to**
297 **include the additional factors considered by front office personnel?**

298 A. In some cases, there simply is not a practical way to get the type of granular data that
299 would be required into the model (ambient derates being the easiest example to point
300 to). In other cases (load, for example), including a P90 or P95 value in place of a P50
301 value would overstate other model outputs and lead to unintended consequences, like
302 a gas requirement that is too high. Essentially, the P50 forecast makes the most sense
303 for the majority of the Company's needs, and the added flexibility allows front office
304 to manage [REDACTED] in a manner that reflects their expert judgement about [REDACTED]
305 [REDACTED].

SUMMARY AND RECOMMENDATION

306

307 **Q. Please summarize your argument and recommendation.**

308 A. The Company disagrees with Daymark's specific recommendation for a disallowance
309 related to a [REDACTED]. There are factors of which the front office personnel
310 are aware, but which resist inclusion in the long-term position report, and those factors
311 are primarily related to [REDACTED]. Those factors – for which there is evidence in
312 the Company's record of its actual operations – were weighed by front office personnel,
313 who judged that it was prudent and in keeping with PacifiCorp's [REDACTED] goals to
314 pursue [REDACTED] length in order to hedge uncertainty around [REDACTED].
315 That rationale was recorded in the trade purpose report. For those reasons, the Company
316 recommends that the Commission acknowledge that those trades were reasonable at
317 the time of execution and reject the proposed disallowance.

318 **Q. Does this conclude your response testimony?**

319 A. Yes.