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September 28, 2021

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem OR 97301

Re: In the Matter of PACIFICORP, dba PACIFIC POWER
2022 Transition Adjustment Mechanism.
Docket No. UE 390

Dear Filing Center:

Please find enclosed the Reply Brief on behalf of the Alliance of Western Energy Consumers (“AWEC”) in the above-referenced docket.

Please note that AWEC’s Reply Brief contains protected information that is being handled in accordance with Order No. 16-128. The confidential version of AWEC’s brief has been encrypted with 7-zip software and is being transmitted electronically to the Commission and qualified persons.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

Enclosures

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the **Confidential Reply Brief of the Alliance of Western Energy Consumers** upon the parties shown below by sharing an encrypted copy via electronic mail and by posting to the Huddle workspace in this docket.

Dated this 28th day of September, 2021.

Sincerely,

/s/ Jesse O. Gorsuch

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 390

In the Matter of)
)
PACIFICORP, dba PACIFIC POWER)
)
2022 Transition Adjustment Mechanism)
_____)

**REPLY BRIEF
ON BEHALF OF THE
ALLIANCE OF WESTERN ENERGY CONSUMERS**

September 28, 2021

(REDACTED)

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I. INTRODUCTION

Pursuant to Administrative Law Judge Rowe’s (“ALJ”) Memorandum Regarding Updated Schedule for Evidentiary Hearing, dated June 14, 2021, the Alliance of Western Energy Consumers (“AWEC”) hereby files this Reply Brief with the Oregon Public Utility Commission (“Commission”).

This proceeding contains the final modeling of net power cost forecasts (“NPC”) by PacifiCorp d/b/a Pacific Power (“PacifiCorp” or “Company”) using the GRID model to establish the NPC baseline to be included within 2022 Transition Adjustment Mechanism (“TAM”). PacifiCorp requests an increase of \$1.1 million resulting from a proposed change to the modeling framework associated with market capacity modeling input used in the GRID model. As discussed below, the Commission has previously rejected the average-of-averages framework again proposed by PacifiCorp and the Company has failed to demonstrate why the Commission should revert to an inferior modeling framework for this final GRID model run. While PacifiCorp encourages the Commission to reverse its decision related to the market capacity input as a step toward increased accuracy^{1/}, the Company opposes adjustments proposed by AWEC, and other parties, designed to increase accuracy of identified shortfalls within the Company’s modeling process and development of the TAM. Specifically, AWEC has proposed increased accuracy related to the costs associated with fuel received at the Jim Bridger thermal facility from the Company-affiliated Bridger Coal Company. Additionally, AWEC proposes

^{1/} PacifiCorp’s Opening Brief at 2, citing In re PacifiCorp, dba Pac. Power Request for a Gen. Rate Revision, Docket No. UE 374, Order No. 20-473 at 130 (Dec. 18, 2020).

increased accuracy regarding the known and measurable increase in revenue generated from the sale of fly ash, a by-product of the combustion of coal and therefore intertwined with the NPC and its inclusion of coal costs. Finally, AWEC supports the proposal initially proposed by Calpine Energy Solutions, LLC (“Calpine”) to allow the Customer Opt-Out Charge (“COOC”) to maintain its full accuracy and not be artificially constrained as a non-negative value. Each of these adjustments seeks to improve the accuracy of the modeling and the ultimate development of the TAM, and each of these improvements is opposed by PacifiCorp.

The Commission is currently presented with a suite of modeling adjustments, each purporting to improve the accuracy of the TAM. However, the market capacity adjustment proposed by the Company will be obviated within the next 12 months resulting from the transition from the GRID model to AURORA. As such, the Company’s claim of increased accuracy cannot be verified, nor can its effects be fine-tuned and improved over time to accomplish the goal of an accurate TAM forecast. Given this temporal limitation, the Commission should proceed with caution and should not return to a dismissed modeling framework at the expense of one it has found to be “superior”.^{2/} At the same time, the Commission should approve the long-lived modeling adjustments associated with discrete cost elements, such as those proposed by AWEC associated with costs and revenues related to the Jim Bridger facility, as these improvements will continue within the AURORA model and will promote the long-term accuracy of the NPC within the TAM. Additionally, the Commission should reject the Company’s attempt to impose artificial boundaries on TAM modeling elements

^{2/} Docket No. UE 245, Order 12-409 at 7 (Oct. 29, 2012).

such as the Customer Opt-Out Charge. All stakeholders deserve the benefits of an accurate and verifiable TAM, including those actually paying the transition adjustment.

II. DISCUSSION

A. The Commission Should Reject PacifiCorp’s Proposal to Modify the Market Capacity Modeling Input.

1. The Commission has previously rejected the average-of-averages modeling input.

In seeking to convince the Commission to reverse its prior decision regarding the average-of-averages modeling input for market capacity, PacifiCorp claims that “the only position the Commission rejected outright was the argument that market caps should be completely eliminated.”^{3/} Furthermore, PacifiCorp asserts that “[t]he Commission made clear that it adopted the maximum-of-averages approach to allow additional sales volumes, not because the average-of-averages approach was fundamentally flawed or unreasonable.”^{4/} A plain language review of the Commission’s prior rulings shows the Company is wrong and has presented an inaccurate history of the Commission’s actions.

Within Order 12-409, the Commission noted that “[t]he parties raise[d] two fundamental questions: (1) Does Pacific Power’s GRID model need market caps to produce realistic estimates of sales; and, if so, (2) What is the nature of the market caps that should be adopted?”^{5/} While the Commission opined that “the real question [was]...whether the GRID model itself should be fixed”^{6/}, the Commission nonetheless found that “...some form of market

^{3/} PacifiCorp Opening Brief at 13.

^{4/} Id.

^{5/} Docket No. UE 245, Order 12-409 at 7 (Oct. 29, 2021).

^{6/} Id.

caps continue to be needed in GRID as it is now constructed.”^{7/} Moreover, and critically for the present discussion, the Commission held that maximum-of-averages input, advocated by Staff and AWEC’s predecessor (the Industrial Customers of Northwest Utilities (“ICNU”)), was “superior to Pacific Power’s revised market cap [method].”^{8/} Indeed, the Company admits that the “average of averages” method was adopted as a placeholder in UE 227, “on a non-precedential basis to allow an opportunity for additional review.”^{9/} PacifiCorp further admits that, after Staff and ICNU successfully demonstrated that “the average-of-averages market cap [method] overstates expected NPC”, the Commission authorized the “maximum-of-averages” approach.^{10/} Notwithstanding this admission, the Company claims that the change from average-of-averages to maximum-of-averages after “additional review” was not a rejection of the average-of-averages approach.^{11/} The Company is wrong. Contrary to PacifiCorp’s unsupported claims, the Commission has in fact rejected the average-of-averages framework for the “superior” maximum-of-averages approach. Accordingly, PacifiCorp bears the burden to demonstrate that the method previously found inferior should now be favored by the Commission. PacifiCorp has failed to carry this burden. The average-of-averages approach should be, again, rejected.

2. PacifiCorp has failed to carry its burden of proof and burden of persuasion.

Initially, as discussed by AWEC^{12/}, the Oregon Citizens’ Utility Board

^{7/} Id.

^{8/} Id.

^{9/} PacifiCorp Opening Brief at 7.

^{10/} Id. at 8 (internal punctuation omitted).

^{11/} Id. at 10.

^{12/} AWEC/100, Mullins/16:10 – 17:3.

(“CUB”)^{13/}, and Commission Staff^{14/}, any challenges with PacifiCorp’s GRID modeling system will be obviated as a result of the Company’s pending switch to the AURORA model.

Accordingly, AWEC maintains its recommendation against experimenting with modifications to the current model as neither prudent nor a wise investment of the Commission’s time.^{15/}

As the party seeking to increase charges by way of the NPC baseline, PacifiCorp “ha[s] the burden of establishing the reasonableness of those rates to the satisfaction of the Commissioner.”^{16/} “O.R.S. 757.210 establishes the burden of proof, and provides that, in a rate case, the utility shall bear the burden of showing that the rate of schedule of rates proposed to be established or increased or changed is fair, just and reasonable.”^{17/} “There are two aspects to burden of proof: the burden of persuasion and the burden of production.”^{18/} The Commission has further elaborated that the “phrase ‘burden of proof’ has two meanings: one refers to a party’s burden of producing evidence; the other to a party’s obligation to establish a given proposition in order to succeed. To distinguish these two meanings, we refer to the burden of production and the burden of persuasion.”^{19/} Accordingly, the Company “must submit evidence showing that its proposed rates are just and reasonable.”^{20/} “For any change proposed by PacifiCorp that is disputed by another party, PacifiCorp must still show, by a preponderance of

^{13/} CUB/100, Jenks/3:5-13; 8:6-10.

^{14/} Staff/800, Dlouhy, 30:18-31:4.

^{15/} See AWEC/100, Mullins/17.

^{16/} Pacific Northwest Bell Tel. Co. v. Sabin, 21 Ore. App. 200, 213-214; 534 P.2d 984, 991 (Or. Ct. App. 1975); see also O.R.S. §747.210(1)(a).

^{17/} Docket No. UE 374, Order No. 20-473 at 5.

^{18/} In Re Portland General Electric Company’ Application to Amortize the Boardman Deferral, Docket No. UE 196, Order No. 09-046 at 7.

^{19/} Docket No. UE 374, Order No. 20-473 at 5.

^{20/} Id. at 5.

the evidence, that the change is just and reasonable.”^{21/} If the Company fails to meet this burden, either through failing to present initial adequate information, or because another party presented persuasive evidence in opposition to the proposal, “PacifiCorp does not prevail because it has not carried its burden of proof.”^{22/}

In support of the proposed market capacity modeling input change, PacifiCorp states “[a] lower market cap reduces the market depth at each hub, which reduces market sales modeled in GRID, and results in fewer wholesale sales[,] which increases NPC.”^{23/} The Company asserts that “reverting to [the] original, pre-2013 TAM market cap [method will] increase the accuracy of [the] GRID NPC forecast.”^{24/} In essence, the Company equates increased NPC with increased accuracy, and requests the Commission authorize the increased rates for the sake of an increase. However, evidence in the record, including multiple admissions by PacifiCorp, demonstrates that the requested rate increase will not improve the accuracy of the NPC forecast. Rather, the proposed modeling change will only ensure increased revenue recovery for PacifiCorp.

Indeed, PacifiCorp admitted repeatedly that implementing the proposed change will not eliminate the alleged under-recovery of NPC. Specifically, Company witness Mr. Staples provided the following question/answer in his Sur-Rebuttal Testimony:

Q. Does this indicate that the change in market caps will not fully solve the issue of sales over-forecasting in the TAM?

^{21/} Id.

^{22/} Id.

^{23/} PAC/100, Webb/12:5-7.

^{24/} PAC/400, Staples/17:20-21.

A. Yes. The Company believes that the problem of over-forecasting sales will continue even after this change....^{25/}

Additionally, Mr. Staples further testified that “the evidence would suggest that even the approach favored by the Company is unlikely to fully address the over-forecasting of sales in the TAM....”^{26/} At the other end of the spectrum, AWEC demonstrated that the Company’s proposed average-of-averages modeling approach would result in a MWh sales forecast that is lower than any of the Company’s actual sales volumes in the last five years, after accounting for adjustments related to DA/RT and sales to Public Service Company of Colorado,^{27/} which the Company agreed should be removed for purposes of comparing historical actual and forecasted sales.^{28/} Accordingly, PacifiCorp’s proposed modification may produce an NPC forecast ranging anywhere from incrementally lower than prior forecasts^{29/} to a value that under-forecasts as compared with actual MWh sales over recent years, resulting in over-collection of revenue from ratepayers.^{30/}

PacifiCorp has failed to demonstrate how its modeling change proposal, resulting in such a divergent spectrum of potentials, is “accurate” and, therefore, just and reasonable. PacifiCorp has failed to carry its burden of proof related to the proposed modeling adjustment and, therefore, the Commission should reject the Company’s request.

^{25/} PAC/1000, Staples/34:13-16.

^{26/} Id. at 51:5-7.

^{27/} Confidential Hearing Transcript 31:14-17; see also Confidential Figure 3, PAC/1000/Staples/34; Confidential AWEC/202, Mullins/1.

^{28/} PAC/1000, Staples/33:15-22.

^{29/} See, e.g., PacifiCorp’s Opening Brief at 11.

^{30/} AWEC/202.

3. Comparisons of current with discussions in prior proceedings

PacifiCorp contends that AWEC has presented an argument in the present case that is inconsistent with AWEC's arguments in Docket UE 374, the Company's 2020 rate case.^{31/} The Company contends that the Commission "must reject such contradictions and affirm its [prior] conclusions...."^{32/} The Company's assertions misrepresent AWEC's prior advocacy before this Commission and set aside details within its own prior sworn testimony. As such, the Company's arguments should be rejected.

Within Docket UE 374, Company witness Mr. Graves, testified that "[a] review of the past several years of NPC forecasts and actual costs shows that there has been a systematic under-recovery of those actuals...."^{33/ 34/} Mr. Graves further testified that "[his] review show[ed] that the largest and most persistent component of these shortfalls has been the costs of purchases and sales in the wholesale market(s) to balance the system (e.g. when the renewables produce more or less than expected, or load is different than forecast) and to simply trade economically with other utilities that have their own imbalances or less/more cost-effective units available."^{35/} Finally, Mr. Graves testified that "...it is extremely difficult to forecast when, where, and at what price or cost these numerous short-term transactions will take place [and] it is not likely that modeling improvements could be made to reduce this problem...."^{36/} Based on

^{31/} See PacifiCorp's Opening Brief at 2.

^{32/} Id.

^{33/} Docket No. 374, PAC/600, Graves/3 ("Graves Direct") (Feb. 14, 2020).

^{34/} To the extent necessary, AWEC requests the Commission take administrative notice of this testimony provided by PacifiCorp in Docket No. 374, pursuant to OAR 860-001-0460(1).

^{35/} Graves Direct at 3:22-4:3.

^{36/} Graves Direct at 4:6-10.

these positions, in UE 374 PacifiCorp advocated for eliminating the PCAM altogether (as it had done multiple times before) in favor of dollar-for-dollar power cost recovery.

It was this claim that no modeling improvements could be made to reduce the inability of PacifiCorp to accurately forecast the price and timing of renewable energy-related balancing transactions to which Dr. Kaufman was responding when he asserted that the specific problem “almost surely lies in [PacifiCorp’s] power cost model.”^{37/} The proper and entire context of AWEC’s testimony in Docket UE 374 shows the assertions and positions taken in that proceeding, e.g., PacifiCorp’s alleged inability to accurately forecast the costs and timing of renewable energy-related balancing transactions are not the same as those at issue in the present matter, e.g., the modeling of market liquidity. PacifiCorp’s assertion that AWEC’s opposition to the proposed market capacity modification should be rejected is a misdirection based on a flawed, inaccurate, and incomplete representation of fact and should have no effect upon the Commission’s decision.

In the event that the Commission determines to evaluate AWEC’s original context related to the modeling of renewable energy-related balancing transactions, as PacifiCorp proposes, AWEC submits it is appropriate and proper to evaluate the related assertions made by PacifiCorp in Docket No. UE 374. Within Docket No. UE 374, PacifiCorp requested, *inter alia*, a replacement of the Power Cost Adjustment Mechanism (“PCAM”) and the Transition Adjustment Mechanism (“TAM”) with a new Annual Power Cost Adjustment (“APCA”),

^{37/} Docket No. UE 374, AWEC/500 at 28 (July 24, 2020).

accompanied by modifications to the TAM Guidelines. This proposal was opposed by AWEC, and other parties, within Docket No. 374.

Specifically, AWEC would draw the Commission’s attention to PacifiCorp witness Graves’ statement that “...the main problem that PacifiCorp faces is not the forecasting model itself. Rather, it is the inherent difficulty in forecasting one year in advance the hourly demand and prices of purchases and sales, as well as the generation profile of renewable resources, including hydropower.”^{38/ 39/} Additionally, Mr. Graves testified that his

review [of NPC recovery shortfalls] shows that the largest and most persistent component of these shortfalls has been the costs of purchases and sales in the wholesale market(s) to balance the system (e.g., when the renewables produce more or less than expected, or load is difference than forecast) and to simply trade economically with other utilities that have their own imbalances or less/more cost-effective units available.^{40/}

Finally, Mr. Graves further testified that “...it is extremely difficult to forecast when, where and at what price or cost these numerous short-term transactions will take place...[and, therefore] it is not likely that modeling improvements could be made to reduce this problem....”^{41/}

Incorporating the discussion within Docket No. UE 374 regarding NPC forecasting, as currently proposed by PacifiCorp, the Company stated in Docket No. UE 374 that the source of NPC under-recovery was the difficulty of forecasting the price and demand of

^{38/} Docket No. UE 374, PAC/3000, Graves/30 (June 25, 2020).

^{39/} To the extent necessary, AWEC requests the Commission take administrative notice of this testimony provided by PacifiCorp in Docket No. 374, pursuant to OAR 860-001-0460(1)

^{40/} Docket UE 374, PAC/600, Graves/3:22-4:3.

^{41/} Id. at 4:6-9.

renewable generation, not the Commission-approved cap on market liquidity now complained of by the Company. While AWEC's testimony referenced by PacifiCorp addresses two nuanced differences within the Company's complaints regarding NPC forecasting and related cost recovery, between Docket No. UE 374 and the instant proceeding, the Company has presented two, independent and competing rationale for its claimed under-recovery of NPC. The Company has failed to carry its burden to demonstrate how the Company's claimed under-recovery will be resolved with the proposed market capacity limit change, in particular in light of the Company's sworn testimony within Docket No. UE 374. As such, the Company's proposed modified modeling method should be rejected.

4. If the Commission makes any change to its prevailing market cap method, it should adopt AWEC's alternative proposal.

In rebuttal testimony, Mr. Mullins showed that the maximum of averages method for market caps the Commission currently uses results in over-forecasting sales and some market hubs and under-forecasting sales at other market hubs.^{42/} He also showed that PacifiCorp's average-of-averages method would result in under-forecasting at every market hub.^{43/} Thus, the Commission-approved method is a more accurate representation of market sales. Nevertheless, to correct for the historical over- and under-forecasting from the Commission-approved method, Mr. Mullins performed a series of GRID runs that prevented sales from exceeding the historical four-year average at each market hub.^{44/}

^{42/} AWEC/200, Mullins/8-9 (Table 3-REB).

^{43/} Id.

^{44/} Id. at 19:1-4 (Table 4-REB).

PacifiCorp identified no significant flaw with Mr. Mullins' alternative analysis. While it voiced concern about whether this analysis would "ultimately produce a truly accurate forecast," as noted above the Company has admitted that its own proposal also would not produce a truly accurate forecast. Additionally, while it complained that Mr. Mullins' alternative proposal would be "cumbersome" to implement,^{45/} it admitted that it would not be impossible.^{46/}

B. The Commission Should Include PacifiCorp's Updated Forecast Fly-Ash Revenue Forecast Within the Net Power Cost Baseline.

Within its presentation in this proceeding, AWEC recommended the Commission include revenue received by PacifiCorp related to the sale of fly ash within the Other Revenue category when calculating the NPC forecast.^{47/} As discussed by AWEC witness Mr. Mullins, fly ash is a by-product from the combustion of coal at the Company's coal-fired thermal facilities, and in particular the Jim Bridger facility.^{48/} Additionally, as admitted by PacifiCorp, the Company now forecasts an increase in revenue received in 2021 from fly ash sales of almost \$9 million over that previously forecast when setting current rates.^{49/} AWEC recommends that the Commission include in Other Revenues the amount forecasted on page 4 of Exhibit AWEC/302, or \$15,761,142.

1. Fly ash sales are appropriately included in the TAM as Other Revenue.

As discussed below, PacifiCorp's opposition to AWEC's proposed adjustment is unpersuasive, contradictory and would leave the Commission's inclusion of "Other Revenues"

^{45/} PAC/1000, Staples/36:17-20.

^{46/} Public Tr. at 30:4-25.

^{47/} See AWEC/100, Mullins/21. See also AWEC/200, Mullins/24-25.

^{48/} See AWEC/100, Mullins/21:1-13.

^{49/} See AWEC/302 at 4. (\$15,761,142 - \$6,851,586 = \$8,909,556.)

within the NPC forecast superfluous. Accordingly, the Company's opposition should have no influence on the Commission's decision. The Commission should approve AWEC's proposed adjustment related to fly ash revenue.

The foundation of PacifiCorp's argument against updating the fly ash revenue forecast is its claim that "fly-ash sales are not specifically identified in Order No. 10-363 as an Other Revenues item that can be updated as part of a stand-alone TAM proceeding, nor is the account where fly-ash sales revenue is booked, FERC account 456, included in the TAM."^{50/} Addressing the second element of this argument first, Hearing Exhibit AWEC/301 shows FERC account 456 includes both "Flyash/by-product sales" and "Wind-based ancillary services".^{51/} PacifiCorp has previously included the Seattle City Light – Stateline Wind Farm revenue within the Other Revenues adjustment in prior TAM modeling, and initially sought to include it in the present matter.^{52/} When afforded the opportunity to clarify another possible FERC account for wind-based ancillary services in the present matter, the Company was unable to do so.^{53/} Thus, PacifiCorp's assertion that FERC account 456 revenues are not included within the TAM is incorrect. Inclusion within FERC account 456 does not preclude inclusion within Other Revenues under the TAM.

Turning to PacifiCorp's first argument prong, claiming that Order No. 10-363 does not specify fly ash revenue as Other Revenue^{54/}, PacifiCorp's admissions and a plain

^{50/} PacifiCorp Opening Brief at 18.

^{51/} Hearing Exhibit AWEC/301 at 2.

^{52/} AWEC/100, Mullins/20:1-10.

^{53/} Public Hearing Transcript, 39:3-19.

^{54/} See PacifiCorp Opening Brief at 18:8-9.

reading of Order No. 10-363 demonstrate the Company's argument fails. With respect to the treatment of Other Revenues in TAM proceedings, the Stipulation addressed in Order No. 10-363 states:

In future stand-alone TAM filings, the Company will reflect changes in Other Revenues for items that have a direct relation to NPC, for which a revenue baseline has been established in rates in Docket UE 217. Exhibit B contains the revenue baselines from Docket UE 217 for the storage and exchange agreements for Seattle City Light Stateline and the non-Company Foote Creek projects, revenue from the Bonneville Power Administration associated with the South Idaho Exchange, steam revenues for Little Mountain and royalty offset revenues for the Georgia Pacific Camas contract.

While Exhibit B does include *examples* of select revenue baselines, nowhere in Order No. 10-363, nor the Stipulation underlying it, is it specified that those, and only those, sources of revenue identified in Exhibit B would be considered as Other Revenue for purposes of TAM forecasting. PacifiCorp's interpretation of the scope of Other Revenues for purposes of TAM forecasting would render the category superfluous and provide no benefit to ratepayers, as Company witness Staples testified at hearing that the projects specified in Exhibit B "have all expired with the exception of Stateline, which expires this year and obviously has no – no impact on...this case."^{55/} There is no suggestion in Order No. 10-363 that the Other Revenues adjustment was intended to be temporary. Further, this Commission holds an unfavorable view of language interpretation that renders language superfluous.^{56/} As such, PacifiCorp's interpretation of the limiting effect of Exhibit B to the Stipulation in Docket No. UE 217 should

^{55/} Public Hearing Transcript, 33:21-23.

^{56/} See In Re Idaho Power Co. – Request for General Rate Revision, Docket No. 233, Order No 13-416, 2013 Ore. PUC LEXIS 405, *10.

be rejected.

The final element of PacifiCorp's argument against inclusion of an adjustment for increased fly ash revenue forecast is that a baseline revenue for the Other Revenue item must have been established in Docket No. UE 217. Again, the Company's argument fails on its own admissions. Indeed, the Company concedes in its Opening Brief that "[f]ly-ash revenues have been in base rates since at least the 2011 TAM when the Commission adopted the Other Revenues line item in the TAM Guidelines."^{57/}

Accordingly, fly ash revenues had a baseline established in Docket No. UE 217. As Mr. Mullins testifies, "Fly ash is a direct byproduct of burning coal and therefore directly related to fuel costs at coal fired power plants."^{58/} These revenues, therefore, also have a direct relation to NPC. The Company's claim that fly ash revenue is tracked in a FERC account different than where other "Other Revenue" accounts are tracked is incorrect. Moreover, the Company's complaint that no party has raised concerns regarding changes in fly ash revenue in prior TAM proceedings is feckless and unpersuasive. In the present matter, fly ash sales are of interest principally due to the nearly 4-fold increase in forecast sales revenue above that presented in last year's rate case. That prior stand-alone TAM proceedings have not presented such a factual scenario does not foreclose AWEC highlighting it now, nor the Commission's current consideration of an appropriate adjustment. The Company's arguments against AWEC's proposed adjustment fail, and the Commission should approve the adjusted fly ash revenue forecast as proposed by AWEC.

^{57/} PacifiCorp Opening Brief at 18:10-12.

^{58/} AWEC/200, Mullins/25:7-9.

2. PacifiCorp’s evidentiary objections to AWEC’s recommendation on fly ash revenues are unsupported.

PacifiCorp also makes a series of objections to the evidence AWEC submitted on the level of fly ash revenues, none of which are supported by the record or rules of evidence. First, the Company argues that AWEC’s “adjustment has been in flux” because AWEC’s adjustment first relied on 2020 fly ash revenues, then proposed the Company’s own projections for these revenues for year-end 2021.^{59/} While the total level of AWEC’s adjustment did change, the basis for its adjustment has been clearly articulated since Opening Testimony. PacifiCorp has had ample opportunity to challenge the basis for AWEC’s adjustment (and has done so). The amount associated with that adjustment is not reasonably disputable, as the amounts for 2021 are directly from PacifiCorp’s own filings. If the Commission agrees with the basis for AWEC’s adjustment, then it should apply the most accurate number to that adjustment.

The Company also claims that AWEC’s initial adjustment using 2020 revenues was incorrect.^{60/} This is a red herring because, even if that is true, AWEC is now proposing to use PacifiCorp’s own numbers for 2021 as the more accurate representation of fly ash revenues for the 2022 power cost period. Finally, with respect to the 2021 fly ash revenues, PacifiCorp claims that Mr. Mullins “cited the incorrect non-normalized figure from the Company’s Idaho filing.”^{61/} This is nothing but a distraction. At the hearing, Mr. Mullins referred to the total fly ash revenues for 2021.^{62/} The “normalized” figure PacifiCorp refers to on page 4 of AWEC/302

^{59/} PacifiCorp Opening Br. at 20.

^{60/} Id. at 20-21.

^{61/} PacifiCorp Opening Br. at 21.

^{62/} Public Tr. at 198:16-199:22.

is simply the \$15.7 million for 2021 subtracted from the \$6.8 million included from 2020.^{63/}

AWEC has never proposed to include the entire \$15.7 million as Other Revenues in the TAM, as this would double-count the \$1.1 million already reflected in customer rates. The Commission should, of course, include the net amount of fly ash revenues in power costs.

Finally, it is worth noting that, as Exhibit AWEC/303 shows, the 2021 fly ash revenues largely offset the cost increase associated with excluding revenues from the Seattle City Light Stateline Wind contract, which PacifiCorp initially included in the TAM, then removed on rebuttal despite failing to provide responsive documents requested in discovery.^{64/} The net impact of removing the Stateline Wind contract and including 2021 fly ash revenues is \$395,055. PacifiCorp did not object to this exhibit.

C. The Commission Should Adjust the Net Power Cost Baseline to Account for PacifiCorp’s Forecasting Errors Related to the Bridger Coal Company.

In reviewing PacifiCorp’s application and underlying analysis, AWEC identified a consistent overestimation of material and supply expenses related to the Bridger Coal Company (“BCC”), passed on to ratepayers through coal costs included within the NPC baseline.^{65/} Specifically, AWEC recommended “an adjustment based on the historical variances”^{66/} identified between the forecast amounts and the expenses actually incurred, and identified a \$4,632,013 system-wide NPC reduction, resulting in a \$1,175,112 reduction to Oregon NPC.^{67/}

^{63/} AWEC/302 at 4.

^{64/} AWEC/200, Mullins/23:22-24:13.

^{65/} See AWEC/100, Mullins/22-23.

^{66/} See AWEC/100, Mullins/22.

^{67/} AWEC/200, Mullins/23:8-10.

In response, PacifiCorp claims that the reason “the materials and supplies expense *appeared* overstated in the last three years is because the materials and supplies expenses were incurred both for coal production and reclamation activities and that reclamation activities were much higher in the last three years.”^{68/} Additionally, the Company contends that since “[o]verall BCC costs have been within [REDACTED] of the forecasted amount over the last five years, indicating that PacifiCorp’s overall BCC costs estimated have been reasonable and accurate”^{69/}, there is no need for an adjustment to address the inaccuracy of the materials and supplies budget. However, as noted by AWEC witness Mr. Mullins, “PacifiCorp did not attempt to explain why its materials and supplies expenses were so misstated relative to its forecast.”^{70/} AWEC has provided evidence of a substantial and recurring inaccuracy in PacifiCorp’s cost forecasting, and has proposed a remedy to improve the accuracy of BCC supplies and materials cost forecasting.

Additionally, PacifiCorp’s “appearance” argument ignores that, regardless of how BCC spends the money it receives from ratepayers from NPC charges, either to coal production, reclamation activity, or something else, ratepayers see these costs as power costs within the NPC at issue in this proceeding. PacifiCorp has asserted that its modeling adjustments, and in particular the proposed adjustment to the market capacity input that increase the NPC baseline, are necessary to produce greater accuracy in the NPC baseline forecast.^{71/} However AWEC’s proposed adjustment to the materials and supplies cost forecast to more accurately represent

^{68/} PacifiCorp Opening Brief at 48 (emphasis in original).

^{69/} PacifiCorp Opening Brief at 49 (emphasis added).

^{70/} AWEC/200, Mullins/22:12-13.

^{71/} See, e.g., PacifiCorp Opening Brief at 2, 11, 14.

actually incurred expenses is vehemently opposed by the Company, notwithstanding its intention to replicate the Company's stated goal of increased accuracy.

PacifiCorp has failed to demonstrate, “by a preponderance of evidence”^{72/}, that the adjustment proposed by AWEC, resulting in a more accurate cost forecast, is not just and reasonable. Indeed, the Company admits that, from 2018 through 2020, coal costs incurred at the Jim Bridger plant from BCC were [REDACTED] less than rates estimated in the relevant TAM proceedings.^{73/} PacifiCorp has admitted its supplies and materials cost forecasting for BCC is inaccurate, and AWEC has proposed a solution to remedy the concern. AWEC's proposed adjustment should be approved.

D. The Commission Should Allow the Consumer Opt-Out Charge to Become a Credit.

PacifiCorp has a “consumer opt-out charge” (“COOC”) that applies to long-term direct access customers. The COOC is a transition adjustment in that it “is intended to represent the fixed generation costs incurred by the company to serve all customers offset by the value of freed-up power made available by the departing customers” in years 6-10 of the transition period.^{74/} In its Opening Testimony, Calpine noted that this calculation – taking fixed generation costs and subtracting the value of freed-up power – produced a negative COOC.^{75/} Importantly, there is no dispute that this is true; this would be the result from PacifiCorp's own workpapers if the Company did not artificially constrain the calculation to prohibit it from going negative.^{76/}

^{72/} Docket No. UE 374, Order No. 20-473 at 5.

^{73/} See Hearing Exhibit PAC/600, Ralston/32.

^{74/} Docket No. UE 267, Order No. 15-060 at 4 (Feb. 14, 2015).

^{75/} Calpine Solutions/100, Higgins/16:8-15.

^{76/} Id.

PacifiCorp’s only argument in favor of its decision to prevent a negative COOC is that the term has the word “charge” in it. It should go without saying that names are not always accurate descriptors^{77/}. Indeed, if PacifiCorp’s argument is correct, then its own proposal to set the COOC at zero is inappropriate as well, since \$0 is not a charge either.

It is certainly true that the Commission implemented the COOC to protect against cost-shifting, based on the record in UE 267, but that is not the same as requiring that the COOC always be a charge. As Calpine noted, “the only reason that the [COOC] can become a credit is if there are substantial net power costs savings attributed to the departed opt-out load in years 6 through 10 Consequently, costs are not shifted to non-direct access customers if the Consumer Opt-Out Charge is negative”^{78/} Indeed, the Commission has clearly contemplated and allowed credits to departing customers when this circumstance exists. OAR 860-038-0160(1) specifies that “each Oregon retail electricity consumer of an electric company *will receive a transition credit* or pay a transition charge equal to 100 percent of the net value of the Oregon share of all economic utility investments and all uneconomic utility investments of the electric company” Portland General Electric provided a negative transition charge to departing customers in 2008.^{79/} Thus, if anything, PacifiCorp’s proposal to prevent the COOC from going negative violates Commission rules and policy.

Furthermore, the decision whether the COOC should go negative is not a policy issue that should be deferred to UM 2024. Certainly, whether the COOC should continue to

^{77/} The Defense of Marriage Act did many things, but defending marriage was not one of them.

^{78/} Calpine Solutions/100, Higgins/18:16-22.

^{79/} AWEC/205.

exist in its current form is a policy question squarely within the scope of UM 2024, but that issue is not being litigated in this case. A negative COOC is not policy, it is just math. The Commission already made the applicable policy determination by approving the COOC in the first place, and it should be applied as designed unless or until it is revised or eliminated.

III. CONCLUSION

For the reasons stated above, the Commission should reject PacifiCorp's proposal to modify the market capacity modeling input to an average-of-averages approach. The Commission should affirm its approval of the maximum-of-averages method currently in use. In the event the Commission does deem it necessary to modify the market capacity input, AWEC's alternate proposal should be approved as offering an effective proxy for trading markets resulting in just and reasonable rates.

The Commission should approve the adjustments proposed by AWEC related to supplies and materials costs associated with the Jim Bridger thermal facility and the Bridger Coal Company. Additionally, the Commission should approve the known and measurable increase in fly ash sales revenue and affirm that "Other Revenues" should continue to be credited for the benefit of ratepayers. Finally, the Commission should acknowledge that the Customer Opt-Out Charge can result in a negative value and should not be constrained as a non-negative number, at the expense of accuracy.

Dated this 28th day of September, 2021

Respectfully submitted,

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