

October 3, 2023

VIA ELECTRONIC FILING

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

Attention: Gary Widerburg
Commission Secretary

RE: **Docket No. 23-035-06 – PacifiCorp’s Semi-Annual Hedging Report
Rocky Mountain Power’s Reply Comments**

In accordance with the Notice of Filing and Comment Period issued by the Public Service Commission of Utah (“Commission”) on September 18, 2023, PacifiCorp d. b. a. Rocky Mountain Power (“the Company”) submits its reply comments in response to the comments filed on September 18, 2023, by the Division of Public Utilities (“Division”).

Background

As part of the general rate case in Docket No. 10-035-124, a collaborative process was initiated to discuss the Company’s hedging policies and develop reporting requirements for an ongoing semi-annual hedging report to the Commission. The Company has since filed the semi-annual hedging reports for six-month periods ending June and December of each year, as required. The Division is tasked with reviewing PacifiCorp’s semi-annual hedging reports for compliance and providing recommendations to the Commission. On February 15, 2022, the Company filed its semi-annual hedging report for the period ending December 31, 2021, that reflected changes to the Company’s hedging practices. The changes were fully described in PacifiCorp’s confidential technical conference presentation held on March 29, 2022. The Company’s semi-annual hedging report for the period ending June 30, 2023, that was filed on August 15, 2023, is the fourth hedging report filed since the Company implemented changes to its hedging practices.

Response to Division’s Comments

A. Rocky Mountain Power worked extensively with Parties to address their concerns.

In comments, the Division notes that the Commission has not been asked to approve or acknowledge the Company’s semi-annual hedging report but states that the changes to the Company’s semi-annual hedging report to align with the Company’s current hedging practices continues to evade the Division’s ability to sufficiently understand the performance, and therefore the prudence, of the Company’s hedging program. The Division reports that it and the Company have been working towards identifying enhancements to the semi-annual hedging report to enable the Division to conduct a meaningful review. The Division has made similar claims in its comments on the last four semi-annual hedging reports. The Company remains committed to working with the Division and has made considerable efforts to address the Division’s concerns. Over the course of two years, the Company has met with the Division on at

least eight occasions (including technical conferences and informal meetings) and answered over ninety data requests in Docket No. 22-035-06 and Docket No. 23-035-06.

Across these meetings, the Company received feedback requesting additional information such as: better commentary on figures, data and figures that better facilitate understanding of change between reports, more granularity of components of hedging positions, and data to demonstrate compliance with hedging limits, including:

Semi-Annual Hedging Report Figure Guide (Word Document):

- This report was prepared for the April 20, 2023, meeting and gives detailed information about every figure in the semi-annual hedging report as well as the location of the underlying data in Confidential Attachment A to the semi-annual hedging report. The Company commits to updating this file to reflect any changes in figures in future semi-annual hedging reports.

New Hourly Position Summary (Excel Spreadsheet):

- This report was also first presented at the April 20, 2023, meeting and has been added as a regular attachment to the semi-annual hedging report. The Hourly Position Summary contains capacity positions for every hour in the PCI Energy Solutions (PCI) long-term study used as the basis for power and natural gas positions. There are also callouts for the specific hours used as the basis for the positions in the Power Volume Hedging program.
- The Hourly Position Summary was created in response to the Division's request for data analogous to the "total system requirement" present in the semi-annual hedging reports prior to 2022.
- The hourly information provided in this report allows the Division to compare the new single hour capacity-based Power Volume Hedge program to the former average energy based To Expiry Value-at-Risk (TEVaR) program. The Company detailed how to conduct this comparison during the April 20, 2023, meeting.

New Content Added to the Semi-Annual Hedging Report:

- The Company created new figures depicting the various components of the hedging program, including load, available resources, hedges, and positions before and after hedges. This allows the Division to see changes in loads, resources, and hedges, and their resulting effects on net open positions. The semi-annual hedging report includes prior report values and the change between reports.
- The Company replaced month end natural gas percent hedged values with daily natural gas percent hedged values. This allows the Division to view compliance with the risk limits on a daily basis.
- The Company added new figures to illustrate minimum power hedge requirements and hedges in place to demonstrate compliance with the Power Volume Hedge program.
- The Company now includes a description of major changes to metrics in the new figures.

Based on the extensive discussions and modifications that the Company has made in response to the Division's issues, the Company remains concerned by the Division's comments in this proceeding, which are not reflective of the Company's experience. The Company has worked diligently to address the concerns that have been raised by the Division through multiple

meetings and is surprised by the tenor of their comments after the extensive time and effort that has been spent on these issues by both parties.

B. The Division's Comments go beyond hedging and attempt to address larger resource selection issues.

The Division has raised numerous questions that go beyond a hedging program and delve into the Company's portfolio and resource selection. Specifically, the Division raises a number of questions about whether the Company should build a new Peaker plant or engage in additional energy storage.¹ These questions go beyond whether the Company has a well-developed hedging program, and such issues and questions are best addressed in the Company's Integrated Resource Planning (IRP) process. The purpose of the Company's hedging activities is to protect customers against energy price volatility. It is not within the purview of the hedging policy to make resource decisions or even evaluate the Company's open market position.

It is through the IRP that the Company evaluates its reliance on market purchases as part of the portfolio of resources necessary to serve customers. In PacifiCorp's 2023 IRP, the Company completed an "assessment of market reliance in addition to consideration of its active participation in wholesale power markets"² and as a result, established restrictive limits on market purchases / exposure "based on future market availability concerns [...] and as a hedge against the risk of future high market reliance."³ The 2023 IRP evaluated historical market purchases and its associated trends and found that in the short term,⁴ the least-cost portfolio was one which incorporated some measure of market purchases and that this is the least-cost option for customers. To the extent that the Division wants to evaluate the use of market purchases over other resource options, the appropriate forum to have those discussions is the Company's IRP proceeding and stakeholder input meetings.

Conclusion

The Company will continue to work with the Division, and other interested parties, to facilitate understanding and the sharing of information that will help the Division conduct a thorough and meaningful review of the Company's semi-annual hedging reports.

¹ *Comments from the Division of Public Utilities* at 3 (Sept. 18, 2023).

² *2023 Integrated Resource Plan, PacifiCorp* at 125-126 (May 31, 2023), available at https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2023-irp/2023_IRP_Volume_I_Final_WA_5-31-23.pdf.

³ *Id.*

⁴ Short term defined as now till end of calendar year 2027.

Public Service Commission of Utah

October 3, 2023

Page 4

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

Sincerely,

A handwritten signature in blue ink that reads "Joelle Steward". The signature is written in a cursive style with a large initial "J" and "S".

Joelle Steward

Senior Vice President, Regulation and Customer & Community Solutions

Enclosures

CC: Service List

CERTIFICATE OF SERVICE

Docket No. 23-035-06

I hereby certify that on October 3, 2023, a true and correct copy of the foregoing was served by electronic mail to the following:

Utah Office of Consumer Services

Michele Beck mbeck@utah.gov
Alyson Anderson akanderson@utah.gov
Bela Vastag bvastag@utah.gov
Alex Ware aware@utah.gov
Jacob Zachary jzachary@utah.gov
ocs@utah.gov

Division of Public Utilities

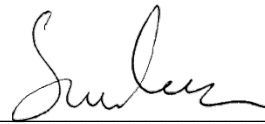
dpudatarequest@utah.gov

Assistant Attorney General

Patricia Schmid pschmid@agutah.gov
Robert Moore rmoore@agutah.gov
Patrick Grecu pgrecu@agutah.gov

Rocky Mountain Power

Data Request Response Center datarequest@pacificorp.com
Jana Saba jana.saba@pacificorp.com
utahdockets@pacificorp.com



Santiago Gutierrez
Coordinator, Regulatory Operations