ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

1407 W. North Temple, Suite 330
Salt Lake City, UT 84116

October 9, 2025

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 Administration

RE: **Docket No. 25-035-10 – PacifiCorp's Semi-Annual Hedging Report**
Rocky Mountain Power's Confidential Reply Comments

Per the August 25, 2025, Notice of Filing and Comment Period in Docket No. 25-035-10, PacifiCorp, d.b.a. Rocky Mountain Power ("Company") submits these reply comments. On September 22, 2025, the Division of Public Utilities ("Division") filed comments on the Company's Semi-Annual Hedging Report. The Division's comments recommend no action from the Public Service Commission of Utah ("Commission") but noted several areas of concern. PacifiCorp's reply comments respond to the Division's concerns.

Company Comments

Background

As part of a 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 DPU is tasked with reviewing PacifiCorp's semi-annual hedging reports for compliance and providing recommendations to the Commission. On February 1, 2022, the Company filed its hedging report for the period ending December 31, 2021, that reflected changes to the hedging practices. The changes were fully described in PacifiCorp's confidential technical conference presentation, which was held on March 29, 2022. The Company's semi-annual hedging report for the six-month period ending June 30, 2025, that was filed on August 15, 2025, is the latest hedging report filed since the Company implemented changes to its hedging practices.

Response to Division's Comments

1. ***The Company's natural gas hedging program is functioning as intended.***

The Division criticizes the Company's hedge program along two primary lines of argument. First, they note that the Company's hedges have settled out of the money over the last twelve months, noting that "consistent overpayment may indicate a need for reevaluation of the hedging program."[1] Second, they note an area of concern related to the fact that the Company sometimes executes physical gas sales in the spot market, under the impression that such activity reflects on the hedge program.

On the first topic, evaluating the usefulness of a hedge program based on settlement values of swaps that the Company cannot predict in advance is hindsight review, and should not factor into any evaluation of prudence. Second, the Company hedges ratably over time to "average-in" the cost of its hedges so that the price paid begins to resemble the way that the market has priced future deliveries of energy over time. In the last four Semi-Annual Hedging Reports, the Company has noted declines in natural gas prices on both sides of the system. When executing hedges in a consistently declining price environment, it is a natural consequence that swaps will settle out of the money because the Company executes transactions at or around the market price at the time of execution, and prices may continue to decline through settlement. The Company would point out that: 1) it does not know where prices will eventually settle, so ratable execution of requirements based on a model that is responsive to price changes is a prudent and reasonable way to hedge, and 2) the purpose of hedging is to stabilize costs, not to minimize costs. In addition, the Company hedges a portion of its forecasted requirements, allowing customers to enjoy the benefits of a decline in prices through avoided costs when the Company makes purchases of unhedged volumes in the spot market.

Regarding spot natural gas sales, the Company notes that [redacted]. The Company primarily [redacted]. Forward index-priced physical purchases represent procurement of supply, but do not factor into the Company's hedge ratio. Fixed price financial purchases directly inform the Company's hedge ratio but cannot supply natural gas fired plants with fuel for generation. In other words, [redacted]. It simply means that economics or operational drivers caused the Company not to require all purchased physical gas.

The Division claims that the Company "has not explained how it could be hedged at 65% of the total requirement and still need to sell 3,754,126 MMBtu of excess gas purchases for generation."[2] Dispatch economics vary from day to day, and [redacted] the Company has engaged in. In addition, the Division is focused entirely on sales and have overlooked the Company's spot purchases entirely. That activity totaled 19,896,590 MMBtu, dwarfing the purchase activity by a multiple of more than five. As a result, the Company continues to be a net purchaser of gas in the spot market, meaning it is neither over-hedged nor oversupplied.

[1] Comments from the Division of Public Utilities, at 6.
[2] DPU Comments, at 10

The existence of sales is not an indication that there is something wrong with the Company's hedging or procurement activities.

In addition, it is imperative to net purchases and sales when evaluating spot activity in physical commodities because they can be impacted by physical conditions. As an example of this, the Company executed a number of offsetting purchases and sales over the course of September (notably, those were not included in this Semi-Annual Hedging Report because they occurred after the publication date) because of pipeline work that restricted the Company's ability to move physical gas to its generators. That maintenance work necessitated those purchases and sales so that the gas would be delivered to a location that would allow it to be used for generation. Finally, the actual hedge percentage calculation in the Company's Energy Balancing Account filing submitted for the second quarter of 2025 indicates that the actual hedge percentage was 67%, even on a backwards looking basis. This demonstrates that sales are a function of day-to-day variability in fuel requirements, and the program is functioning as intended.[3]

2. *Division comments on the power hedging program*

The Division's comments on the power hedging program are largely consistent with their comments on prior Semi-Annual Hedging Reports. First, the Division claims that the Company's hedge program results in the purchase of many hours of unneeded heavy load power. In the 2024 general rate case, the Company provided evidence that this is not correct when evaluating the Company's historical utilization of forward power hedge volumes.[4]

Second, the Division continues to indicate that they believe that hedging somehow reflects on the level of benefits the Company generates from the Energy Imbalance Market (EIM). In fact, the hedging strategy employed by the Company is part of what allows for participation in the EIM. To participate in the EIM, the Company is required to pass a resource sufficiency evaluation (RSE) to show that it can serve load without reliance on EIM. One of the things considered during the RSE is the existence of firm power purchases since that reduces the burden placed on generating resources, helping the Company to participate in EIM with greater frequency. In other words, those forward purchases are part of what allows EIM benefits to exist so that they may be passed along to customers. If there is a relationship between hedging and EIM benefits (which is debatable, given the vastly different time horizons impacted by each activity), it is that forward hedging makes the Company eligible to participate with greater frequency (in some measure), which increases EIM benefits for customers. To be clear, the Company hedges in order to reduce the volatility of net power costs and ensure sufficient supply is available to serve load at times of peak demand, not to participate in EIM. The Division's claim that hedging decreases EIM benefits is unfounded.

---

[3] *Rocky Mountain Power's Q2 2025 Energy Balancing Account Report*, Docket No. 25-035-01, RMP Exhibit 1B – Supporting Trade Data [CONFIDENTIAL], see "Table 1 CONF", row 11 (August 29, 2025).

[4] *Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations.* Docket No. 24-035-04, Phase I Rebuttal Testimony of Michael G. Wilding, at lines 420 to 452 (November 15, 2024); see also, Wilding Confidential Workpapers, Exhibit RMP___(MGW-2R) CONF.

Finally, the Company notes that it has increased its use of index-priced transactions as the market has evolved to make those instruments more available. In fact, the Company's position in fixed price hedging instruments is slightly short on a forward basis, though it has also executed index-priced physical purchases for reliability assurance. The Division's comments are silent on this point, but in fairness this is not immediately clear from the Semi-Annual Hedging Report, given that those index-priced transactions are not considered hedges and are not directly addressed in the report because the report is focused on hedging activity as opposed to all procurement activities (that fact is only included in the report as a single number in Confidential Figure: Active Hedge Table). However, it is very much at odds with Division's portrayal of the Company as an entity that is purchasing too much power at high, fixed prices and losing the potential to capitalize on cheaper day-ahead and real-time market pricing.

Conclusion

The Company appreciates this opportunity to provide reply comments to the Division's initial comments filed on September 22, 2025. The Company looks forward to continued discussions on its hedging program through its future semi-annual hedging reports as well as the upcoming technical conference on PacifiCorp's risk management and hedging program scheduled for October 29, 2025, in Docket No. 25-035-50.

Sincerely,

Jana Saba

Jana Saba
Director, Regulatory Affairs and Operations

CERTIFICATE OF SERVICE

Docket No. 25-035-10

I hereby certify that on October 9, 2025, 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
	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
Max Backlund	max.backlund@pacificorp.com

Rick Loy

Rick Loy
Coordinator, Regulatory Operations