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Redacted

Docket No. 25-035-47
Exhibit DPU 2.0 DIR
Direct Testimony of Timothy M. Lenell

ATTACHMENTS

DPU Exhibit 2.1 Resume of Timothy M. Lenell

DPU Exhibit 2.2 RMP Responses to Data Requests Referenced in this
Testimony

CONFIDENTIAL DPU Exhibit 2.3 - RMP Response Attachment to DPU Data
Request 8.14-2

CONFIDENTIAL DPU Exhibit 2.4 RMP Response Attachment to DPU Data
Request 8.14-2

CONFIDENTIAL DPU Exhibit 2.5 - RMP Response Attachment to DPU Data
Request 6.1

1 **I. INTRODUCTION**

2 **Q. Please state your name, and business address.**

3 A. My name is Timothy Lenell. My business address is 370 Main Street, Suite 325,
4 Worcester, MA 01608.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Daymark Energy Advisors Inc. (Daymark) as a Lead Consultant.

7 **Q. Please summarize Daymark and its business.**

8 A. Daymark Energy Advisors brings deep knowledge and an integrated view of
9 energy infrastructure, regulation, and markets, delivering advisory services and
10 analysis to our client partners across six main practice areas: clean energy, power
11 markets, power system planning, procurements and portfolios, rates and pricing,
12 and regulatory economics. Daymark serves clients across the U.S. and Canada
13 and has a 45-year track record providing strategic advice to industry executives
14 and boards and expert testimony in state, provincial, and federal regulatory
15 proceedings.

16 **Q. Please summarize your education.**

17 A. I have a bachelor's degree in economics from Northern Illinois University and a
18 master's degree in economics from Iowa State University.

19 **Q. Please describe your relevant work experience.**

20 A. I am an economist with over six years of economic analysis experience for the
21 State of Nebraska. I have an additional five years of experience in rates and pricing
22 for electric utilities. I worked for Omaha Public Power District (OPPD) in various

23 roles, concluding my tenure as the Manager of Pricing and Rates before joining
24 Daymark. At OPPD, I led the development of several technical studies including:
25 the cost-of-service study (COSS), the load loss study, development of demand
26 management programs, design of rates and renewable rider offerings, and a
27 number of other associated studies.

28 Since joining Daymark, I have assisted clients in rate design, cost-of-service
29 analysis, and revenue requirement analysis in Massachusetts and Louisiana, as
30 well as other projects throughout the U.S.

31 My experience and qualifications are described in more detail in my resume and
32 selected testimony appendix, which is attached as DPU Exhibit 2.1.

33 **Q. Have you previously testified before the Public Service Commission of Utah**
34 **(Commission)?**

35 A. Yes, in Docket No. 25-035-06.

36 **II. PURPOSE OF TESTIMONY**

37 **Q. What is the purpose of your testimony?**

38 A. Daymark was retained by the Division of Public Utilities (Division) to assist in
39 reviewing Rocky Mountain Power's (Company or RMP) application (Application)
40 seeking approval of the 2026 Inter-Jurisdictional Cost Allocation Protocol (2026
41 Protocol).

42 The Division's primary objectives are to:

- 43 • Ensure that the cost allocation protocol appropriately assigns costs to Utah
44 customers consistent with cost causation principles;
- 45 • Protect Utah ratepayers from unilateral risk transfers from state-specific
46 policy decisions;
- 47 • Support compliance with Utah energy policy set forth in Utah Code section
48 79-6-301(1)(a) and Utah’s preference for dispatchable generation as
49 established in SB 224;¹
- 50 • Require transparency and accountability for how dynamic allocations and
51 situs assignments are evaluated, including appropriate reporting
52 requirements;
- 53 • Ensure that the 2026 Protocol does not provide implicit or premature
54 endorsement of a multi-phase approach that has not been sufficiently
55 detailed in this Application; and
- 56 • Provide frameworks for evaluating compliance with state policy goals while
57 ensuring that Utah does not subsidize outcomes in other jurisdictions.

58 This direct testimony presents the results and the conclusions from that review.

59 **Q. What information did you review in preparing your testimony?**

60 **A. I reviewed the following sets of information:**

- 61 • RMP’s Application;²
- 62 • The direct testimonies, exhibits, and workpapers of RMP witnesses
63 Shelley E. McCoy,³ Cindy A. Crane,⁴ Rick T. Link,⁵ Ramon J.
64 Mitchell,⁶ and Michael G. Wilding;⁷ and
- 65 • RMP responses to data requests (DRs) submitted by all parties.

¹ Utah Code Ann. § 54-17-1001.

² RMP’s Application for Approval of the 2026 Inter-Jurisdictional Allocation Protocol.

³ Direct Test. of Shelley E. McCoy (Aug. 5, 2025).

⁴ Direct Test. of Cindy A. Crane (Aug. 5, 2025).

⁵ Direct Test. of Rick T. Link (Aug. 5, 2025).

⁶ Direct Test. of Ramon J. Mitchell (Aug. 5, 2025).

⁷ Direct Test. of Michael G. Wilding (Aug. 5, 2025).

66 **III. SUMMARY OF FINDINGS AND RECOMMENDATIONS**

67 **Q. Please summarize your findings and recommendations.**

68 A. While the 2026 Protocol advances important considerations such as the ability to
69 accommodate divergent state policies, it should not be approved as proposed. The
70 2026 Protocol as proposed would benefit from establishing additional cost
71 protections through more robust long-term analysis and clearer governance
72 provisions. Based on my review and the primary objectives of the Division as
73 outlined above, I offer the following findings and recommendations:

74 1. Insufficient long-term analysis of portfolio reassignment – the Company has not
75 provided sufficient analysis to ensure cost impacts from the portfolio
76 reassignment remains fair and equitable to states within the Five-State
77 Portfolio, Oregon, California, Idaho, Utah, and Wyoming. I recommend:

78 a. Establishing safeguards to protect the Five-State Portfolio states from
79 absorbing the existing share of the Washington Fixed Portfolio’s long-
80 term legacy costs, such as decommissioning costs, originally associated
81 with resources that are being reallocated away from Washington;

82 b. Ensuring that exposure to short-term firm market purchases is not
83 increased, or, if it is, that such exposure is properly mitigated through
84 hedge book reassignment or other means; and

85 c. Evaluating portfolio reassignment’s long-term impact on resource
86 adequacy risk, with appropriate mitigation where persistent and material
87 changes occur.

- 88 2. Insufficient governance, oversight, and decision criteria – the Company has not
89 provided sufficient governance or oversight standards relating to portfolio
90 segmentation or fixed allocations. I recommend:
- 91 a. Establishing clear criteria for potential future portfolio segmentation;
 - 92 b. Ensuring ongoing oversight of fixed allocation factors to prevent material
93 divergence over time;
 - 94 c. Defining clear rules and default strategies for the assignment of new
95 resources—situs or otherwise; and
 - 96 d. Clearly delineating Phase 1 from Phase 2, including appropriate
97 reopener and sunset provisions.

98 The remainder of my testimony discusses these findings and recommendations in
99 detail.

100 **IV. OVERVIEW OF KEY CHANGES FROM THE 2020 TO 2026**
101 **PROTOCOL**

102 **Q. What is the key change from the 2020 Protocol to the 2026 Protocol?**

103 A. The key change is the Company proposes allocations based on two resource
104 portfolios—one Washington-specific portfolio based on a fixed allocation, referred
105 to as the “Washington Fixed Portfolio” and the “Five-State Portfolio” (Oregon,
106 California, Idaho, Utah, and Wyoming) with dynamic allocation.⁸ Within these two
107 portfolios are four subsets of resources: (i) those allocated to all states; (ii) the
108 Five-State Portfolio; (iii) resources situs-assigned exclusively to Washington; and

⁸ Direct Test. of Rick T. Link at 17:324-39.

109 (iv) a subset for Rolling Hills Wind facility, which excludes Oregon but includes
110 Washington.⁹

111 **Q. What financial impacts does the Company estimate the 2026 Protocol will**
112 **have on Utah ratepayers?**

113 A. The Company estimated that the changes in the 2026 Protocol will increase the
114 estimated revenue requirement by \$23.5 million or approximately a 1% increase.
115 This includes \$8.2 million for Net Power Cost (NPC) changes forecast for 2026
116 and \$15.3 million for other cost impacts.¹⁰

117 **Q. What risks does the 2026 Protocol introduce to Utah customers compared**
118 **to the 2020 Protocol?**

119 A. Compared to the 2020 Protocol, the 2026 Protocol alters how risks will be allocated
120 to Utah customers. The 2026 Protocol introduces portfolio separation based on
121 state-specific policy. The Company has not adequately studied or quantified the
122 long-term risks associated with the transition to the Five-State Portfolio. These
123 risks may have significant long-term rate effects for Utah customers, even if short-
124 term cost changes appear modest.

125 Furthermore, the 2026 Protocol introduces regulatory risk through Washington's
126 fixed allocation and the addition of portfolio segmentation to address state-policy
127 preferences. Also, the 2026 Protocol does not define the conditions under which
128 fixed allocation or segmentation should be reviewed or triggered.

⁹ *Id.*

¹⁰ *Id.* at 14:272-79.

129 **Q. How is the remainder of your testimony organized?**

130 A. The remainder of my testimony examines how the 2026 Protocol as proposed in
131 the Application introduces increased risk from both a financial and regulatory
132 perspective. Section VI.A provides the financial perspective and outlines the
133 specific cost exposures resulting from changes in the resource portfolio. Section
134 VI.B provides the regulatory perspective and outlines the safeguards needed to
135 ensure just and reasonable outcomes under the 2026 Protocol.

136 **VI. RISK TO UTAH RATEPAYERS**

137 **A. RESOURCE TRANSITION COST EXPOSURE**

138 **Q. Please describe resource transition cost exposure.**

139 A. Resource transition cost exposure, as described in my testimony, refers to the
140 potential allocation-driven financial impacts to the revenue requirement and NPC
141 that may result from the portfolio segmentation of the integrated resource portfolio,
142 rather than from operational or reliability drivers. This includes: (i) exposure to
143 altered fixed-cost recovery and new capital spending for replacement resources;
144 (ii) potential increased exposure to short-term market purchases; and (iii) cost
145 impacts associated with maintaining resource adequacy under the narrowed
146 portfolio.

147 **1. INTERACTION OF CHEHALIS REASSIGNMENT AND REMOVAL OF COAL**
148 **FROM THE WASHINGTON FIXED PORTFOLIO ON LONG-TERM FIXED**
149 **COST EXPOSURE**

150 **Q. The 2026 Protocol proposes to remove Chehalis from the shared multiple-**
151 **state portfolio and allocate Chehalis as a situs resource to Washington.**
152 **Please describe how the 2026 Protocol’s proposed assignment of Chehalis**
153 **affects Utah from a long-term cost perspective?**

154 A. Under the 2026 Protocol, the Chehalis generation facility is assigned exclusively
155 to Washington, which removes the resource from the shared portfolio and allocates
156 the costs and benefits only to Washington. Thus, the 2026 Protocol materially and
157 persistently changes Utah’s resource mix and increases dependence on remaining
158 units—many of which have different remaining useful lives—thereby altering
159 Utah’s future replacement timing and cost exposure. The removal of Chehalis and
160 dependency on the narrowed Five-State Portfolio changes Utah’s long-term cost
161 exposure and creates a more complex assessment challenge. These impacts must
162 be quantified to understand Utah’s long-term cost exposure under the 2026
163 Protocol.

164 **Q. Have the long-term impacts been quantified by the Company?**

165 A. No. RMP witness Ms. McCoy’s estimate of \$24.1 million provides only a short-term
166 snapshot of the revenue requirement impact associated with reallocating units.¹¹
167 It does not provide a long-term assessment needed to evaluate risks associated
168 with portfolio realignment and lifetime fixed cost asymmetries. Additionally, Ms.
169 McCoy states that the \$24.1 million estimate “does not contemplate certain state-

¹¹ Direct Test. of Shelley E. McCoy at 5:92-103.

170 specific regulatory adjustments[,]”¹² and that the Company expects to refine the
171 calculation.¹³

172 Furthermore, while the Company proposes that, once approved, the 2026 Protocol
173 remain effective indefinitely “until superseded by a future amendment or new
174 protocol approved by the state commission,”¹⁴ it has not submitted any study of
175 long-term impacts beyond 2026. The Company states its intent to file a Phase 2
176 filing with “additional elements” to be effective no later than 2030,¹⁵ but Phase 2 is
177 described only conceptually. Given that the Company intends the 2026 Protocol,
178 or Phase 1, to remain in effect for the entire 2026-2030 period, the Company
179 should have provided long-term analysis for that timeframe. Furthermore, if the
180 Company contemplates that a new allocation mechanism will be in place no later
181 than 2030, the 2026 Protocol should expire before then. The Commission should
182 not approve a proposal that promises a next phase but fails to include the
183 appropriate transitional sunset provisions needed to accompany a phased
184 approach.

185 **Q. What does the initial proceeding granting resource acquisition approval by**
186 **the Commission (the “Chehalis Proceeding”) indicate about cost recovery**
187 **and benefits over time?**

¹² *Id.* at 5:98-99.

¹³ *Id.* at 5:92-103.

¹⁴ Direct Test. of Rick T. Link at 16:305-06.

¹⁵ *Id.* at 16:307-16.

188 A. The original economic analysis submitted by the Company in the Chehalis
189 Proceeding¹⁶ provides a time-sequenced account of projected benefits.

190 [Redacted]

191 [Redacted]

192 [Redacted]

193 [Redacted]

194 [Redacted]

195 [Redacted]

196 [Redacted]

197 [Redacted]

198 [Redacted]

199 [Redacted]

200 [Redacted]

201 [Redacted]

202 [Redacted]

203 [Redacted]

204 [Redacted]

205 [Redacted]

¹⁶ Request of RMP for a Waiver of the Solicitation Process and for Approval of Significant Energy Resource Decision, Docket No. 08-035-35.

¹⁷ Confidential Attachment DPU 8.14-2; Confidential Direct Test. of Gregory N. Duvall at 2-3:40-49. (Attached as CONFIDENTIAL DPU Exhibit 2.3)

¹⁸ *Id.* at 4:68-87.

¹⁹ Confidential Attachment DPU 8.14-2 CONF, specifically, the file labeled "Chehalis Project slides Final (2).ppt." (Attached as CONFIDENTIAL DPU Exhibit 2.4)

²⁰ Request of RMP for a Waiver of the Solicitation Process and for Approval of Significant Energy Resource Decision, Docket No. 08-035-35, Report and Order (Aug. 1, 2008).

206 [REDACTED] While the study period of the original Chehalis Proceeding is drawing to
207 a close, the historical context provides relevant reflection regarding the
208 consideration for the remaining useful life of this resource and provides context for
209 the broader issue that resource reassignment should consider long-term costs, as
210 resources were acquired based on their long-run contribution to the system. The
211 Division's staff witness will further address the reasonableness of removing
212 Chehalis from Utah's allocated portfolio.

213 **Q. How are retirement obligations treated in the 2026 Protocol?**

214 A. Company witness Mr. Link states that closure of an asset before 2030 will result in
215 remaining rate base, decommissioning costs, and other associated expenses
216 being allocated according to the Five-State Portfolio allocation factors.²¹ The
217 Company assumes that Phase 2 will introduce new treatment after 2030.²²
218 However, under the 2026 Protocol, Washington is removed entirely from coal
219 resources and retirement obligations except for specific units preserved under the
220 Washington Inter-Jurisdictional Allocation Methodology (WIJAM).²³
221 This represents a material shift in responsibility relative to the 2020 Protocol. For
222 all other coal plants such as Dave Johnson, Hayden, Hunter, etc. that were
223 allocated on a system-wide basis under the 2020 Protocol, no explicit collection
224 was created under WIJAM as Washington had not exited from these resources
225 through an exit order. Under the 2026 Protocol, coal units are assigned away from

²¹ Direct Test. of Rick T. Link at 26:506-12.

²² *Id.*

²³ For example, decommissioning costs for Jim Bridger Units 3-4 and Colstrip Unit 4 will be preserved. See Direct Test. of Rick T. Link, Ex. RMP___(RTL-2) at 3, Section 10. Decommissioning Costs of Coal-Fired Resource Being Removed from Washington Rates.

226 Washington through the Washington Fixed Portfolio, which creates significant cost
227 shift risks.

228 **Q. How is the treatment of decommissioning costs different from the 2020**
229 **Protocol?**

230 A. Under the 2020 Protocol, there were explicit safeguards to protect the non-exiting
231 states from absorbing unrecovered decommissioning costs associated with an
232 exiting state's early departure from a resource.

233 For example, Section 4.3.1.4 of the 2020 Protocol details the Assigned Production
234 (AP) Factor mechanism for allocating decommission and retirement costs
235 occurring after the Interim Period.²⁴ Furthermore, it stated, "[i]f the
236 Decommissioning Costs ordered to be included in the reserve balance established
237 for an Exiting State are less than the estimated Decommissioning Costs allocated
238 to that Exiting State as specified above, such difference shall not be allocated to
239 any other State under any circumstance."²⁵ This provision ensured that those who
240 would make use of the existing share of the exiting state were not absorbing the
241 risk of unrecovered decommissioning costs from which the exiting state should be
242 allocated based on their historical usage of the system asset.

243 Washington was allocated decommissioning costs of Jim Bridger and Colstrip
244 through its own fixed share,²⁶ which recognized and retained a portion of coal
245 decommission costs based on its historical utilization of the assets.

²⁴ *Application of RMP for Approval of the 2020 Inter-Jurisdictional Cost Allocation Agreement*, Docket No. 19-035-42, Ex. RMP____(JRS-1) at 30-31:569-91.

²⁵ *Id.* at 30-31:578-81.

²⁶ *Id.*, App. F, Sec. 8. Decommissioning Costs.

246 The 2026 Protocol eliminates the exit framework providing no comparable
247 mechanism to ensure legacy-based responsibility for coal retirement costs.
248 Furthermore, while Washington retains a fixed obligation for the units it committed
249 to under the WIJAM agreement, it is fully removed from all other coal resources
250 assigned on the system-wide basis in the Interim Period of the 2020 Protocol
251 without any obligation to replace the remaining exposure.

252 Under the 2020 Protocol, non-exiting states were protected from assuming
253 disproportionate decommissioning costs by requiring exiting states to pay an
254 obligation through the AP Factor or another fixed mechanism. The 2026 Protocol
255 does not retain those protections and allows Washington to “exit” coal resources
256 through portfolio realignment on a forward-looking basis but without any
257 comparable legacy-based decommissioning assignment for historical reliance on
258 the assets.

259 **Q. How are decommissioning costs being recovered through rates?**

260 A. Decommissioning costs are primarily recovered through depreciation expenses. In
261 Docket No. 18-035-36, the Company presented depreciation rates with estimated
262 decommissioning and remediation costs. Estimated costs would be reconciled to
263 actual at the time of retirement.²⁷

264 **Q. What were the estimated decommissioning costs for assets for inclusion in**
265 **depreciation expense?**

²⁷ *Application of RMP for Authority to Change its Depreciation Rates Effective January 1, 2021*, Docket No. 18-035-36, Order (Dec. 21, 2020) at 3.

266 A. The estimated decommissioning costs were provided in Docket No. 18-035-36; the
267 following tables are taken from the Company's exhibits as part of that application
268 with values in 2017 dollars. The decommissioning costs for coal are over \$500
269 million while Chehalis's decommissioning costs are over \$3 million.

270

Table 1: Estimated Decommissioning Costs for Coal²⁸

COAL		
Generating Facility	Grand Total	\$/kw
Cholla 4	\$ 20,328,470	51.46
Cholla	\$ 20,328,470	
Dave Johnston 1	\$ 3,630,058	34.25
Dave Johnston 2	\$ 3,630,058	34.25
Dave Johnston 3	\$ 7,534,083	34.25
Dave Johnston 4	\$ 11,301,125	34.25
Dave Johnston	\$ 26,095,324	34.25
Hunter 1	\$ 18,059,921	43.19
Hunter 2	\$ 11,618,067	43.19
Hunter 3	\$ 20,343,731	43.19
Hunter	\$ 50,021,719	43.19
Huntington 1	\$ 20,327,323	44.29
Huntington 2	\$ 19,928,748	44.29
Huntington	\$ 40,256,071	44.29
Jim Bridger 1	\$ 13,171,584	37.21
Jim Bridger 2	\$ 13,370,026	37.21
Jim Bridger 3	\$ 12,973,142	37.21
Jim Bridger 4	\$ 13,146,779	37.21
Jim Bridger	\$ 52,661,531	37.21
Naughton 1	\$ 15,249,202	97.75
Naughton 2	\$ 19,648,011	97.75
Naughton 3	\$ 27,370,363	97.75
Naughton	\$ 62,267,577	97.75
Wyodak	\$ 7,138,204	26.64
Wyodak	\$ 7,138,204	26.64
Colstrip 3	\$ 6,342,513	85.71
Colstrip 4	\$ 6,342,513	85.71
Colstrip 3/4	\$ 12,685,026	85.71
Craig 1	\$ 1,018,471	12.37
Craig 2	\$ 1,020,856	12.37
Craig	\$ 2,039,327	12.37
Hayden 1	\$ 203,384	4.51
Hayden 2	\$ 148,938	4.51
Hayden	\$ 352,322	4.51
Fleet		46.14

271

²⁸ Application of RMP for Authority to Change its Depreciation Rates Effective January 1, 2021, Docket No. 18-035-36, Ex. RMP ___(CAT-2) at 1, Estimated Decommission Costs.

272 Table 2: Estimated Decommission Costs for Gas²⁹

NATURAL GAS		
Generating Facility	Grand Total	\$/kw
Currant Creek	\$ 6,426,778	\$ 11.69
Gadsby 1, 2 and 3	\$ 9,289,965	\$ 39.12
Chehalis	\$ 3,294,111	\$ 6.36
Lake Side	\$ 7,621,513	\$ 6.34
Hermiston	\$ 4,127,878	\$ 17.42
Gadsby 4, 5, and 6	\$ 1,208,209	\$ 10.07

273

274

275 **Q. What long-term fixed cost risk could this potentially place on the Five-State**
 276 **Portfolio?**

277 A. The shift in decommissioning cost treatment under the 2026 Protocol places
 278 substantial risk on the Five-State Portfolio. Although accelerated depreciation
 279 expense has been collected on an ongoing basis for Jim Bridger Units 3 and 4 and
 280 Colstrip 4 through Washington rates,³⁰ other coal facilities have not been officially
 281 exited by Washington and are not collected in Washington rates. Under WIJAM,
 282 Washington was not allocated coal costs, outside of those explicitly included. As a
 283 result, the Company had an unallocated portion of the coal facilities. The
 284 differences between WIJAM and the 2020 Protocol were absorbed by
 285 shareholders.³¹

286 Under the 2026 Protocol, the unallocated coal costs if reassigned to the Five-State
 287 Portfolio will carry with it the decommissioning costs.³² This reassignment will have
 288 material cost impacts to the Five-State Portfolio with the closure of several of plants

²⁹ *Id.*

³⁰ Company Response to UTLCG Data Request 3.26(a). (Attached as DPU Exhibit 2.2)

³¹ Company Response to UTLCG Data Request 3.26(c). (Attached as DPU Exhibit 2.2)

³² Direct Test of Rick T. Link at 26:506-12.

289 planned in the near term. Allowing Washington to avoid all coal retirement
290 obligations of the unallocated portion created under the 2020 Protocol burdens the
291 Five-State Portfolio with the full costs of decommissioning, which not only includes
292 the depreciation recovery but the true-up variance between that which was
293 recovered through depreciation rates and the actual decommissioning costs.

294 The 2026 Protocol seeks to eliminate the inconsistencies in the 2020 Protocol and
295 WIJAM separate accounting approach by creating a single whole cost protocol.³³
296 As such, through a final reconciling of the accounting costs, Washington's share
297 of decommissioning costs for all coal resources should be determined or these
298 legacy costs will be fully transferred to the Five-State Portfolio on a permanent
299 basis.

300 **Q. Why is an evaluation of the long-term effects of the 2026 Protocol necessary**
301 **in the review of this Application?**

302 A. Without an evaluation of the long-term effects, the parties, stakeholders, and the
303 Commission cannot determine the risk Utah customers face from a narrowed
304 portfolio position. Utah's increased dependence on a smaller set of aging
305 resources means that retirements, conversions, and operational changes will have
306 more pronounced financial effects on Utah under the 2026 Protocol than under the
307 2020 Protocol.

308 As described above, within the narrower portfolio of the 2026 Protocol, Utah will
309 be exposed to a different set of financial outcomes. Factors such as retirements

³³ Direct Test of Rick T. Link at 8-9:154-72.

310 and conversions from coal to gas will have financial outcomes that will be more
311 acutely realized from the concentrated portfolio. The Company should be required
312 to provide an evaluation of the long-term effects, which is necessary to understand
313 the full impact to Utah customers from the Protocol change that is not captured
314 through near-term results. The Commission cannot reasonably find that the 2026
315 Protocol is in the public interest without this information.

316 **2. SHORT-TERM FIRM MARKET PRICE RISKS**

317 **Q. How does the 2026 Protocol account for short energy positions?**

318 A. The Company does not propose a specific replacement for Chehalis and other
319 situs assigned resources. Rather it relies on the dynamic allocation of the Five-
320 State Portfolio, with short-term purchases accounting for any imbalances.
321 RMP witness Mr. Mitchell provides an example of how net position would be
322 calculated based on the Five-State Portfolio and an assumed average monthly
323 short-term firm price. In his example, if the Five-State Portfolio is long 100,000
324 MWh and the average short-term firm is \$50/MWh, each state within the Five-State
325 Portfolio would be allocated their portion of the \$5 million surplus.³⁴ This settlement
326 structure smooths the monthly effects of hours into a single aggregate outcome for
327 the month.

³⁴ Direct Test. of Ramon J. Mitchell at 6:112-19.

328 **Q. Does the monthly net settlement valuation using average short-term firm**
329 **transaction prices mask the specific value of allocated resources during**
330 **elevated market prices?**

331 A. Yes. Monthly settlements average out significant hourly variation in market prices
332 such as the cost of market purchases and sales, masking the value of dispatchable
333 resources during price-spike periods. By valuing dispatchable and intermittent
334 resources equally on a monthly basis, dispatchable generation is valued equally
335 with intermittent generation on a MWh for MWh basis within any given month.
336 Elevated market prices occur during specific times when prices can spike based
337 on peak loads, low availability of generation, operational constraints or other
338 factors. By valuing dispatchable and intermittent resources equally on a monthly
339 basis, the 2026 Protocol fails to reflect hour-specific marginal value. In other words,
340 the aggregation masks the specific value of the resources being allocated. This
341 will become an increasingly important factor of NPC with anticipated migration to
342 a market settlement approach.

343 **Q. Do Company witness Mr. Wilding's findings regarding the reduced shortfall**
344 **in average energy needs in July 2026 address the concern?**

345 A. No. Mr. Wilding's findings show that for most hours, the shortfall position
346 decreases in the July 2026 modeling under the 2026 Protocol compared to the
347 2020 Protocol.³⁵ This finding is insufficient to demonstrate reduced market reliance
348 overall as it is based on a single month and thus is too narrow to provide an

³⁵ Direct Test. of Michael G. Wilding at 10-11:167-88.

349 affirmative finding that the 2026 Protocol may reduce baseline market reliance
350 during the peak summer month. Furthermore, elevated market price hours are not
351 addressed because issues like congestion, outages, and peak conditions are
352 related to specific hours, and those impacts are smoothed over by averaging
353 across all hours.

354 **Q. How do dispatchable resources mitigate elevated short-term market prices?**

355 A. Dispatchable resources such as Chehalis are resources that can be called when
356 market prices are elevated and can be dispatched down when lower-cost power
357 can be obtained from the market. The Washington Utilities and Transportation
358 Commission recognized this value in its order approving the 2026 Washington
359 Protocol, stating as a finding of fact that “[t]he record evidence supports a finding
360 that situs assigning the Chehalis plant to Washington will result in avoiding higher
361 cost market purchases, generating revenue through market sales, and meeting
362 future resource adequacy requirements.”³⁶ In two portfolios, one with a high level
363 of dispatchable resources and one with a high level of variable resources, the one
364 with higher dispatchability is more likely to mitigate the costs of market fluctuations.
365 This is especially the case when those fluctuations are tied to a high concentration
366 of variable generation sources.

³⁶ *PacifiCorp Power Cost Only General Rate Case*, Wash. Utils. and Transp. Comm’n, Docket UE-250224, Final Order 08 (Dec. 22, 2025) at 88, ¶ 308.

367 **Q. Does the Company anticipate adopting an alternative approach to NPC**
368 **allocation that would capture intra-monthly variation with more granularity?**

369 A. Yes. Mr. Mitchell's testimony states that the Company expects to change its
370 methodology for NPC allocation if it participates in the Extended Day-Ahead
371 Market (EDAM) currently being implemented by the California Independent
372 System Operator (CAISO).³⁷ If the Company participates in EDAM, Mr. Mitchell
373 indicates that state-level market settlement data will replace monthly average
374 short-term firm prices to provide a more granular allocation mechanism.³⁸ The
375 isolated hours that are now smoothed under monthly averaging methodologies in
376 the 2026 Protocol would be realized under a more granular hourly basis.

377 **Q. Would an hourly settlement framework affect how costs are allocated to Utah**
378 **customers?**

379 A. Yes, this is precisely the reason why the Company must determine the estimated
380 impact of the 2026 Protocol change on the Five-State Portfolio's exposure to high-
381 priced hours. The Commission must understand the risks of the 2026 Protocol's
382 move to a more granular approach such as a market settlement. Otherwise, the
383 approval of the 2026 Protocol would embed risk that has not been addressed. The
384 Commission should seek to understand if risk exposure is understood and
385 mitigated under the 2026 Protocol to ensure that cost allocations provide durable
386 solutions.

³⁷ Direct Test. of Ramon J. Mitchell at 13:257-78.

³⁸ *Id.*

387 **Q. Should this concern be addressed now?**

388 A. Yes, while the cost impact would be more pronounced under a market settlement
389 approach, the risks can be assessed today. The Division recommends that the
390 Company provide an assessment of the exposure that the 2026 Protocol changes
391 have on the Five-State Portfolio. Without this analysis, the Commission cannot
392 assess the risk being introduced by the change in resource dispatchability. The
393 Commission cannot ascertain the prudence of surrendering ratepayers' interest in
394 Chehalis without knowing the costs of doing so.

395 **Q. Does the Company propose a mechanism to address this exposure?**

396 A. Not at this time. Mr. Wilding states that once the 2026 Protocol is approved, the
397 Company will assign the existing hedges to either the Five-State Portfolio or
398 Washington Fixed Portfolio based on considerations about operational and price
399 risks.³⁹ This could possibly indicate that hedges are intended to balance price risks
400 introduced by the 2026 Protocol. However, the 2026 Protocol does not establish a
401 framework for ensuring full protection from market exposure risk created by the
402 change in portfolios. Furthermore, by stating that the hedge assignment will occur
403 after approval, the Company has not provided the opportunity for proper review
404 and oversight by the Commission to ensure that costs are appropriately mitigated.

405 **Q. When should the oversight occur?**

406 A. The Division recommends the Company perform an assessment of the
407 performance of the hedge books under both the 2020 Protocol and 2026 Protocol

³⁹ Direct Test. of Michael G. Wilding at 15:255-60.

408 before potential approval by the Commission. This assessment should
409 demonstrate how hedging assignment protects the Five-State Portfolio. This would
410 provide the Company an opportunity to discuss how it can mitigate exposure to
411 short-term market purchases and how hedge books redefined under the 2026
412 Protocol will be reflected in NPC for Utah.

413 **Q. Why are operational characteristics a concern in this Application regarding**
414 **cost allocation?**

415 A. Operational characteristics are raised only in relation to the effect they have on
416 cost allocation. Factors such as reduced dispatchability, dependence on a set of
417 resources that may have different outage characteristics, remaining useful life, and
418 operational characteristics can influence cost elements such as market purchases
419 during peak hours, exposure to elevated short-term prices, and fixed-cost recovery
420 of marginal generation to replace retired assets. These operational characteristics
421 have financial impacts that will be allocated to Utah customers over time due to
422 the proposed changes in the 2026 Protocol.

423 **3. RESOURCE ADEQUACY**

424 **Q. Please summarize the impact of the 2026 Protocol on Utah's resource**
425 **adequacy position.**

426 A. For test year 2026, the 2026 Protocol provides a comparable level of resource
427 adequacy to the 2020 Protocol, based on Western Resource Adequacy Program
428 (WRAP) Qualified Capacity Contributions (QCC).⁴⁰

⁴⁰ Direct Test. of Michael G. Wilding at 5:78-82. Note that while PacifiCorp intends to withdraw from the WRAP, the program's forward showing determinations can still be useful for evaluating PacifiCorp's resource adequacy positions.

429 However, while the proposed 2026 Protocol is similar in aggregate, the
430 dependencies on technology types differ based on the narrowed portfolio. Utah is
431 allocated a larger share of coal units while decreasing the allocation of natural gas
432 units.⁴¹

433 **Q. What is the impact of the protocol on Utah’s resource adequacy?**

434 A. Utah’s monthly WRAP position increases by ████████ MW for the test year. A
435 summary of the monthly state-specific changes in resource adequacy to the Five-
436 State Portfolio due to the 2026 Protocol assignment is provided in Confidential
437 Table 3 below. Of the states in the Five-State Portfolio, Utah sees the greatest MW
438 increase in resource adequacy by this measure as a result of the 2026 Protocol,
439 though this shift represents an increase of less than ██████ relative to the 2020
440 Protocol.⁴²

⁴¹ Based on data provided in the Company’s 1st Revised Response to DPU Data Request 6.1, Attachment “25-035-47 RMP PROPRIETARY_MGW Direct Testimony Individual State WRAP View CORRECTED_REVISIED.” (Attached as CONFIDENTIAL DPU Exhibit 2.5)

⁴² *Id.*

441

442

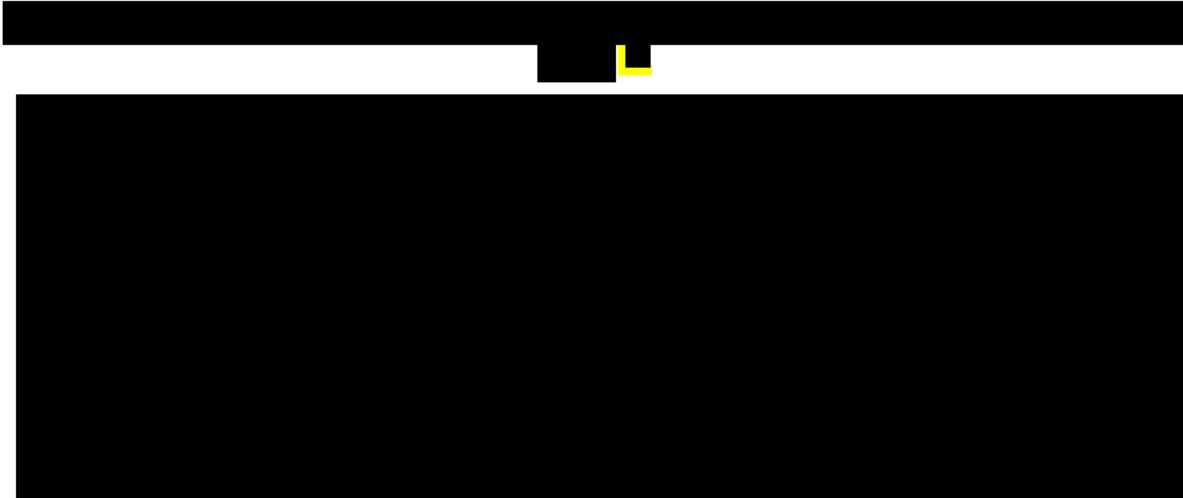
443

444 **Q. What specific resources contribute to the change in resource adequacy**
445 **metrics for Utah under the 2026 Protocol?**

446 A. A summary of the specific resource changes for Utah is provided in Confidential
447 Table 4 below. The most impactful shifts consist of a decrease in gas allocations
448 of between [REDACTED] MW in each month while coal allocations increase between
449 [REDACTED] MW in each month. Other less significant shifts also occur across the
450 remainder of Utah's allocated resource portfolio.

⁴³ *Id.*

451
452



453 Decreases in the gas portfolio are primarily driven by the re-allocation of the
454 Chehalis generating plant while increases in the coal portfolio are driven by the
455 100% allocation of all coal resources to the Five-State Portfolio.

456 **Q. Are there any long-term implications to this resource adequacy shift?**

457 A. Yes, as a result of the change in allocation, Utah is allocated an increasing share
458 of older coal units, with the average age of owned coal units being more than 50
459 years. Furthermore, the Company must reallocate coal away from Washington as
460 required by Washington's Clean Energy Transformation Act. Therefore, the
461 characterization of additional coal responsibility for Utah in exchange for Chehalis
462 obscures the fact that Utah's acceptance of coal responsibility corrects the
463 unallocated portions of coal due to Washington's coal exit irrespective of the
464 Chehalis realignment. Thus, Utah's resource adequacy position should not be
465 negatively impacted by the exit of Washington, which creates a capacity gap for
466 Washington. The additional coal resources that remain in the Five-State Portfolio

⁴⁴ *Id.*

467 should be treated as the baseline capacity position of the 2026 Protocol. In such a
468 treatment, Utah's capacity position is negatively impacted from the realignment of
469 Chehalis.

470 **Q. Has the Company considered the long-term resource adequacy impact of the**
471 **2026 Protocol?**

472 A. No, the Company has not performed any analysis of future resource adequacy
473 beyond the 2026 test year.⁴⁵ The Company asserts that the 2026 Protocol provides
474 a resource adequacy position similar to the 2020 Protocol,⁴⁶ but this assertion is
475 not supported by long-term modeling. Furthermore, Mr. Link states, "[t]he 2026
476 Protocol benefits Utah customers by increasing Utah's ability to meet its future
477 resource adequacy and energy needs while providing flexibility in the allocation of
478 new resources needed to comply with Utah's and other state's energy policies."⁴⁷
479 However, absent a long-term resource adequacy analysis, evaluation is only able
480 to consider the Company's resource adequacy positions related to the 2026 year,
481 which does not capture the effects of upcoming retirements and conversions.

482 **Q. Do you have any concerns with the long-term resource adequacy impacts of**
483 **the 2026 Protocol?**

484 A. Yes. Increased reliance on the narrowed portfolio allocated to Utah under the Five-
485 State Portfolio concentrates resource adequacy risk particularly during a period of
486 coal retirements and retrofits. As portfolios become more dependent on a limited
487 set of the narrowed position, any planned retirements and retrofits will have a

⁴⁵ Company Response to DPU Data Request 8.2. (Attached as DPU Exhibit 2.2)

⁴⁶ Direct Test. of Michael G. Wilding at 5:81.

⁴⁷ Direct Test. of Rick T. Link at 14:265-71.

488 greater impact on Utah’s resource adequacy than what would have resulted under
 489 a six-state single portfolio framework.

490 **Q. Please explain how planned unit retirements change Utah’s resource**
 491 **adequacy position under the 2026 Protocol.**

492 A. Because Utah is allocated a greater portion of coal resources, it is more exposed
 493 to aging plant, retirements, and plant exits associated with these resources. With
 494 multiple retirements and exits planned by 2040, Utah becomes responsible for a
 495 larger percentage of the coal’s retirement than under the 2020 Protocol.

496 A summary of expected coal unit exits, retirements, and conversions identified in
 497 the 2025 Integrated Resource Plan (IRP) preferred portfolio are provided in Table
 498 5 below.

499 Table 5: 2025 IRP Coal Resource Results Summary⁴⁸

Majority-Owned Coal			
Unit	2025 IRP Retirement Year		2023 IRP Retirement Year
	Selected w/o 111(d) Regulation	Selected w/ 111(d) Regulation	As Selected
Dave Johnston 1 & 2	Not retired (Gas conversion 2029)	No change	2028
Dave Johnston 3	2027 (Clean air compliance)	No change	2027 (Clean air compliance)
Dave Johnston 4	Not retired	Not retired (Gas conversion 2030)	2039
Hunter 1	Not retired	2032	2031
Hunter 2 & 3	Not retired	Not retired (Alt. fuel conv. 2030)	2032
Huntington 1 & 2	Not retired	Not retired (Alt. fuel conv. 2030)	2032
Jim Bridger 1 & 2	Not retired (Gas conversion 2024)	No change	2037 (Gas conversion 2024)
Jim Bridger 3 & 4	2042 (CCS conversion 2030)	No change	2037 (Gas conversion 2030)
Naughton 1	2042 (Gas conversion 2026)	No change	2036 (Gas conversion 2026)
Naughton 2	Not retired (Gas conversion 2026)	No change	2036 (Gas conversion 2026)
Wyodak	Not retired	2032	2039
Minority-Owned Coal			
Unit	2025 IRP Retirement Year		2023 IRP Retirement Year
	As Input		As Input
Colstrip 3	2025 (Transfer capacity to unit 4)		2025 (Transfer capacity to unit 4)
Colstrip 4	2029 (PacifiCorp exit)		2029 (PacifiCorp exit)
Craig 1	2025 (Assumed end of life)		2025 (Assumed end of life)
Craig 2	2028 (Assumed end of life)		2028 (Assumed end of life)
Hayden 1	2028 (Assumed end of life)		2028 (Assumed end of life)
Hayden 2	2027 (Assumed end of life)		2027 (Assumed end of life)

500

⁴⁸ PacifiCorp’s 2025 Integrated Resource Plan, Docket No. 25-035-22, 2025 Integrated Resource Plan, Volume I (Mar. 31, 2025), Preferred Portfolio Highlights, Coal and Gas Exits, Retirements, and Gas Conversions at 10.

501 **Q. What is the potential long-term impact to Utah’s resource adequacy given**
502 **these retirements under the narrowed portfolio position of the 2026**
503 **Protocol?**

504 A. Assuming the retirement schedule under the “w/ 111(d) Regulation” scenario of
505 the last IRP illustrates the potential impact that the narrowed portfolio has relative
506 to increased resource adequacy risk exposure. The QCC is based on an average
507 QCC provided by the Company under both the 2020 Protocol and 2026 Protocol.⁴⁹
508 The units summarized are those identified in the 2025 IRP to be retired/exited by
509 2030.

510 Under the 2020 Protocol, by 2030, Utah is expecting approximately ■ MW
511 retiring/exiting in the Section 111(d) scenario. Under the 2026 Protocol, these
512 retirements/exits increase to ■ MW. The ■ MWs represent the increased
513 resource adequacy exposure due to the increased reliance on aging coal units.
514 The changes by resource are provided in Confidential Table 6 below.

⁴⁹ Company’s 1st Revised Response to DPU Data Request 6.1, Attachment “25-035-47 RMP PROPRIETARY_MGW Direct Testimony Individual State WRAP View CORRECTED_REVISIED.” (Attached as CONFIDENTIAL DPU Exhibit 2.5)

515

[REDACTED]

516

[REDACTED]

[REDACTED]

517

518 While actual retirement schedules may vary from the schedule assumed in the
519 111(d) scenario, this scenario illustrates the heightened resource adequacy
520 exposure caused by the narrowed portfolio structure.

521 **Q. Should the Company provide a comprehensive long-term assessment of**
522 **resource adequacy from the portfolio change now?**

523 A. Yes. A long-term resource adequacy assessment is necessary to identify new or
524 increased risks created by the change in allocation. Furthermore, the baseline
525 capacity position entering the 2026 Protocol should include the additional
526 allocation of coal. Such an assessment would help the Commission understand
527 replacement timing, exposure to retirements, and whether the 2026 Protocol's
528 narrowed resource base creates structural resource adequacy vulnerabilities.
529 Without such an analysis, approval of the 2026 Protocol may embed un-quantified
530 resource adequacy risks.

⁵⁰ *Id.*

531 **B. REGULATORY CONCERNS**

532 **1. FIXED ALLOCATOR FOR WASHINGTON**

533 **Q. What does it mean that Washington has a fixed allocation?**

534 A. Under the 2026 Protocol, Washington is assigned a predetermined allocation
535 percentage that will not vary with load, usage, or other conditions but reflects the
536 proposed percentage to comply with Washington energy policies.

537 **Q. How does this impact the Five-State Portfolio?**

538 A. By having Washington as a fixed percentage rather than dynamically allocated,
539 Washington’s fixed allocation will not change based on its relative share of energy,
540 demand, or other factors. While Washington’s share remains fixed, the remaining
541 states in the Five-State Portfolio continue to receive a dynamic share based on
542 their contributions to the allocation factor.

543 **Q. How does the fixed share compare to the dynamic allocation for
544 Washington?**

545 A. The fixed percentage proposed for Washington—7.90%—is slightly higher than
546 what it would receive under the dynamic System Generation (SG) and System
547 Energy (SE) allocators under the 2020 Protocol. See Table 7 below.

548 Table 7: Allocation Percentage Comparison Between Protocol

Protocol	Factor Name	Allocation Percentage
2020	System Generation (SG)	7.47%
2026	System Generation (SG5A)	7.90%
2020	System Generation (SE)	7.22%
2026	System Generation (SE5A)	7.90%

549

550 **Q. What is the basis for the fixed allocation of Washington at 7.90%?**

551 A. As stated in Mr. Link's testimony, the 7.90% is "based on a four-year historical
552 average of relevant load data, for all existing non-emitting and natural gas
553 resources assigned to Washington (i.e. the Washington Fixed Portfolio)."⁵¹ The
554 term "relevant load data" is not defined within the Application, but in response to
555 Utah Large Customer Group's Data Request 2.42, the Company indicated that it
556 is equivalent to the average of the SG factor for the 2020-2023 period under the
557 2020 Protocol.⁵²

558 **Q. Does the Company propose any criteria for an increase in the fixed allocation**
559 **percentage to Washington?**

560 A. No. It appears that changing the fixed allocation percentage would require
561 regulatory action in the fixed allocator jurisdiction of Washington; otherwise it would
562 remain static. This increases the risks to Utah customers as Washington's fixed
563 ratio could become misaligned with the original load-based determination over
564 time. There is no mention for monitoring or a defined threshold for opening a review
565 of the fixed allocator.

566 **Q. What risks does this shift to the Five-State Portfolio?**

567 A. Washington's contribution to load growth and system peak conditions continues to
568 influence system operations, yet under a fixed allocator, Washington is insulated
569 from corresponding cost responsibility. This asymmetric structure increases the
570 risk that over time the fixed allocation may become misaligned with the

⁵¹ Direct Test. of Rick T. Link at 2-4:39-75.

⁵² Company Response to UTLCG Data Request 2.42. (Attached as DPU Exhibit 2.2)

571 fundamental rate principles of cost-causation. Without appropriate governance
572 measures, the Five-State Portfolio may be subject to additional cost exposure
573 through drift of Washington load from its historical percentage.

574 **2. NEW RESOURCES**

575 **Q. How are new resources treated under the 2026 Protocol?**

576 A. Company witness Ms. Crane states that the 2026 Protocol provides flexibility in
577 the allocation of new resources.⁵³ Mr. Link adds that

578 PacifiCorp will propose an allocation factor for new Resources with
579 a term or depreciable life longer than three years at or before a
580 prudence review occurs. New Resources with a term or depreciable
581 life less than three years will be allocated in accordance with Section
582 4. New Resources are any non-QF generating facility procured after
583 April 1, 2025.⁵⁴

584 Consequently, it appears that the Company will determine the assignment of new
585 resources on a case-by-case basis, with significant discretion left to the Company.

586 **Q. Does the 2026 Protocol provide the criteria under which dynamic allocation
587 would be considered?**

588 A. No, the 2026 Protocol provides no criteria indicating when a new resource should
589 be situs assigned to a single state, dynamically allocated within the Five-State

⁵³ Direct Test. of Cindy A. Crane at 8:157-64.

⁵⁴ Direct Test. of Rick T. Link, Ex. RMP____(RTL-1), Sec. 3.6 Allocation of New Resources at 10.

590 Portfolio only, allocated to both the Washington and Five-State Portfolios, or some
591 other allocation method.

592 **Q. Does this case-by-case basis introduce risk in new resource allocation and**
593 **potential for disallowances?**

594 A. Yes. While a clear goal of the 2026 Protocol is to reduce the risk of cost
595 disallowances by aligning resources with state-specific policies,⁵⁵ the flexibility in
596 a case-specific determination on how to assign new resources would likely
597 increase the regulatory risk associated with defining allocation percentages for any
598 cost-sharing proposal with states. The framework increases reliance on the
599 Company to determine if a new resource is situs assigned and how the state
600 commissions may approve the allocation through prudence reviews.

601 **Q. Should the Company provide the criteria for dynamic allocation of new**
602 **resources?**

603 A. Yes, clear criteria are necessary to ensure transparency, support consistency
604 across filings, and reduce regulatory uncertainty for both the states and the
605 Company. The Company should provide the circumstances under which it would

⁵⁵ Direct Test. of Cindy A. Crane at 4-5:84-107.

606 consider dynamically allocating a new resource. This would provide transparency
607 and ensure consistency in the outcomes of allocation among states.

608 **3. PRECEDENT FOR STATE-SPECIFIC POLICY WITHOUT CRITERIA FOR**
609 **SEGMENTATION.**

610 **Q. Does the portfolio reassignment of the Company's 2026 Protocol align with**
611 **Utah energy policy?**

612 A. Partially. Utah Code section 79-6-301(1)(a) provides the guidance for Utah's
613 energy policy, which prioritizes energy attributes in specific order: adequate,
614 reliable, dispatchable, affordable, sustainable, secure, and clean. The Company
615 also acknowledges the Utah state-policy in Senate Bill 224 (2024) that establishes
616 preference to proven dispatchable resources and Washington's Senate Bill 5116
617 (2019), which eliminates coal dependency by the end of 2025.⁵⁶ The removal of
618 coal from Washington's allocation and increased assignment to Utah through the
619 Five-State Portfolio appears consistent with both state policy goals.

620 However, the situs assignment of Chehalis is not driven by the same legal
621 requirements as the exit from coal. Washington's coal exit by December 31, 2025,
622 is required by Washington's Clean Energy Transformation Act, and while isolating
623 Chehalis within Washington helps align cost compliance with the Climate
624 Commitment Act (WA CCA),⁵⁷ it goes beyond the requirement of statute, which
625 warrants more extensive review of this discretionary choice for the Washington
626 Fixed Portfolio. Furthermore, the reassignment of Chehalis to Washington

⁵⁶ Direct Test. of Rick T. Link at 2-4:39-75.

⁵⁷ Company Response to Sierra Club Data Request 1.6. (Attached as DPU Exhibit 2.2)

627 removes it from the Five-State-Portfolio and appears inconsistent with Utah's
628 energy policy, which favors access to dispatchable generation as articulated in
629 Utah Code section 79-6-301(1)(a). The Company has not sufficiently
630 demonstrated that the removal of Chehalis is consistent with Utah energy policy.

631 **Q. Where has situs treatment historically been applied?**

632 A. Situs assignment has historically been applied from state-directed resources such
633 as qualifying facilities. Company-owned dispatchable resources, such as Chehalis,
634 have generally been treated as system resources and allocated dynamically.

635 **Q. What regulatory precedent supports treating Chehalis's benefits as system
636 wide in allocation decisions?**

637 A. In Docket No. 08-035-35, the Commission approved the Chehalis acquisition
638 under a public-interest test requiring evaluation of dispatchability, system
639 reliability, long-term and short-term impacts, risk, and consistency with Utah
640 energy policy as outlined in Utah Code section 54-17-302(3)(c). The public interest
641 test considers the following:

642 (i) the dispatchability of the significant energy resource; (ii) the state's
643 desire to have proven dispatchable generation resources operating
644 within the state to ensure adequate resources to reliably meet the
645 state's energy needs; (iii) whether the proposal is consistent with the
646 state energy policy described in Section 79-6-301; (iv) whether it will
647 most likely result in the acquisition, production, and delivery of
648 electricity at the lowest reasonable cost to the retail customers of an
649 affected electrical utility located in this state, including any lowered
650 costs resulting from the ability to sell excess energy generated in an
651 interstate energy market; (v) long-term and short-term impacts; (vi)
652 risk; (vii) reliability; (viii) financial impacts on the affected electrical
653 utility; and (ix) other factors determined by the commission to be
654 relevant.⁵⁸

⁵⁸ Utah Code Ann. § 57-17-302(3)(c).

655 That precedent supports treating Chehalis as a system resource with system-wide
656 benefits, rather than allocating its benefits strictly to Washington.

657 **Q. Does the Division acknowledge that certain outcomes of the Company's**
658 **2026 Protocol provide benefits to Utah customers?**

659 A. Yes, the cost of compliance with state-specific greenhouse programs is situs
660 assigned to the state imposing that obligation such as the WA CCA, which the
661 Company demonstrates has favorable outcomes to Utah customers by
662 approximately \$16.4 million.⁵⁹

663 **Q. What is your concern with the portfolio segmentation?**

664 A. My concern is the lack of defined parameters for governing when portfolio
665 segmentation is appropriate. Without defined rules, I am concerned that portfolio
666 segmentation will remain as a unilateral decision of the Company. Coal
667 reassignment is aligned both with Washington's and Utah's state policies.
668 However, the removal of Chehalis appears to be a portfolio segmentation not
669 based on the same policy justification and not aligned with the general energy
670 policy objectives of Utah. Utah may be willing to accept the larger allocation of

⁵⁹ Direct Test. of Rick T. Link at 22:418-30.

671 coal, but not the removal of Chehalis or other resource specific changes. In its
672 separate testimony, the Division addresses this point further.

673 **Q. Under the 2026 Protocol, should affirmative acceptance by states be**
674 **required before a resource originally approved as a system-wide resource**
675 **can be removed from system-wide allocation?**

676 A. Yes. Under the 2026 Protocol, dynamic allocation remains the default framework
677 for cost allocation, and segmentation represents the exception. Affirmation
678 acceptance should be required to ensure that segmentation does not compromise
679 state policy goals, result in unjust rates, or contravene prior Commission
680 approvals.

681 **4. PHASE I DELINEATION**

682 **Q. What details does the Company provide regarding Phase 2 of the 2026**
683 **Protocol?**

684 A. The Company intends to make a Phase 2 filing in time for rates to be effective
685 January 1, 2030.⁶⁰ The Company provides few details regarding the Phase 2
686 approach and how it differs from the 2026 Protocol but does state it may include:
687 (i) consideration for setting fixed allocation for certain states (does not specify all
688 states); (ii) market settlement approach to Net Power Costs; and (iii) reallocation
689 of resources to address state compliance.⁶¹

⁶⁰ Direct Test. of Cindy A. Crane at 12:247-50.

⁶¹ Direct Test. of Rick T. Link, Ex. RMP____(RTL-1) at 5:46-63.

690 **Q. Should this Application be connected to the Company's anticipated Phase 2**
691 **filing?**

692 A. No. This 2026 Protocol approval must provide clear delineation from what the
693 Company refers to as Phase 2, a speculative future filing proposed to take effect
694 no later than 2030. While a phased approach may be reasonable, the Division
695 cannot rely on unclear anticipated refinements that are not part of the evidentiary
696 record. The Company indicates that Phase 2 may materially change with the
697 possibility of setting fixed allocations among the five states, implementation of a
698 market settlement approach, and changing allocation methodologies relating to
699 transmission and resource costs to comply with state laws.⁶² While these material
700 changes have been identified, the Company has not provided evidence that Phase
701 1 meaningfully aligns with the Phase 2 concepts.

702 As it currently stands, the 2026 Protocol's justification claims alignment with the
703 future speculative changes in Phase 2 but such alignment is conceptual rather
704 than demonstrated with technical evidence. Connection to a future filing may risk
705 deferring evaluation of impacts of central concerns in this proceeding that have a
706 bearing on whether the 2026 Protocol proposal is just and reasonable. This is
707 especially the case if, as the Company suggests, the 2026 Protocol is to be
708 approved with no expiration date.

709 Furthermore, the Company suggests interim considerations such as the possibility
710 of moving to a market settlement approach for NPC before Phase 2 is proposed.⁶³

⁶² Direct Test. of Rick T. Link at 16:304-16.

⁶³ Direct Test. of Rick T. Link, Ex. RMP____(RTL-1) at 5 n.9.

711 The proposed 2026 Protocol language states, “PacifiCorp may propose to revise
712 or integrate a market settlements-based methodology into the allocations of
713 [NPC].”⁶⁴ If the Commission provides approval of the 2026 Protocol, it should
714 require Commission approval of any revisions to the methodology. Such a change
715 in methodology should be subject to Commission and stakeholder review prior to
716 implementation.

717 **VII. FRAMEWORK FOR CONSIDERATIONS**

718 **Q. What are the principal shortcomings of the Company’s proposal?**

719 A. I have outlined several shortcomings, including:

- 720 1. The absence of any analysis showing long-term costs impacts of the 2026
721 portfolio realignment;
- 722 2. The potential for increased exposure to risk from elevated market prices
723 and short-term firm market purchases;
- 724 3. An incomplete analysis of portfolio exposure to long-term changes in state-
725 level resource adequacy;
- 726 4. Basing Washington’s fixed allocator on a historical load metric without
727 clearly defined criteria indicating when adjustments may be warranted;
- 728 5. Lack of clarity in determining how new resources are to be assigned—situs
729 assigned versus dynamically allocation—and under what conditions;
- 730 6. Uncertainty regarding the criteria that warrant portfolio segmentation; and
731 7. Unclear boundaries between Phase 1 and Phase 2 Protocol development.

⁶⁴ *Id.* at 13:178-79.

732 Collectively, these gaps create risk of misaligned cost responsibility for Utah.

733 **Q. Has the Company provided sufficient evidence that the proposed 2026**
734 **Protocol with Washington Fixed Portfolio and dynamic allocation for the**
735 **Five-State Portfolio provides durable solutions that support both near-term**
736 **outcomes upon its effective date and long-term outcomes through the**
737 **transition period?**

738 A. No. The Company has not provided sufficient evidence that the portfolio
739 reassignment results in comparable outcomes, particularly through the transition
740 period due to the lack of supporting analysis of long-term effects. Furthermore,
741 while it states that the 2026 Protocol is a step towards its Phase 2 considerations,
742 the proposal lacks adequate safeguards to preserve responsibility for legacy costs
743 and address potential impacts to short-term firm purchases. These safeguards are
744 essential to ensure a durable, just, and reasonable allocation particularly as the
745 Company envisions broader portfolio realignments in Phase 2.⁶⁵ Furthermore, the
746 Company provides no analysis comparing current and future portfolio outcomes
747 under an anticipated market-settlements NPC framework. Accordingly, without
748 sufficient evidence, the 2026 Protocol does not demonstrate that it will deliver fair

⁶⁵ Direct Test. of Rick T. Link at 16:307-16.

749 or comparable results for the states remaining in the dynamically allocated
750 framework.

751 **Q. What principles should guide portfolio segmentation?**

752 A. The Company should articulate a clear set of principles that will be used to
753 determine any further portfolio segmentation in the future under the 2026 Protocol.
754 The default assumption under the 2026 Protocol in Phase 1 is dynamic allocation
755 with situs assignment being the exception for existing resources. The safeguards
756 that are warranted when a resource is removed from an otherwise dynamically
757 integrated solution could be materially different than the considerations for a fixed
758 portfolio for all states.

759 The principles for segmentation should consider:

- 760 1. the source of the segmentation, such as state regulation or policy directives;
- 761 2. whether the segmentation supports prior Commission approvals;
- 762 3. whether the states affirmatively accept the changes; and
- 763 4. appropriate reopener and sunset provisions.

764 During this Phase 1, where dynamic allocation is being preserved for the majority
765 of costs, dynamic allocation should remain the default for new resource
766 acquisitions. For situs assignment, specific principles should guide the direct
767 allocation of such resources.

768 **Q. What are appropriate sunset and reopener provisions?**

769 A. If the Commission approves the 2026 Protocol, the Division would suggest the
770 Commission include sunset and reopener provisions. The Division would suggest

771 a sunset provision that sets December 31, 2029, as the expiration date for the
772 2026 Protocol.

773 Reopener provisions would include but not be limited to:

- 774 1. Changes to NPC methodology;
- 775 2. Adoption of new or binding resource adequacy requirements when it
776 impacts state requirements and costs;
- 777 3. Situs assignment due to state policy; and
- 778 4. Phase 2 implementation in any other jurisdiction.

779 **Q. What portfolio segmentation cost considerations should be evaluated to**
780 **ensure just and reasonable rates?**

781 A. When portfolio segmentation occurs, the Company should perform and provide an
782 analysis of short-term and long-term effects. Key considerations include:

- 783 1. specific governance measures for evaluating the continued
784 appropriateness of the fixed allocation percentage (e.g. the 7.90% utilized
785 in Washington's Fixed Portfolio);
- 786 2. whether the change in portfolio creates subsidization of long-term legacy
787 costs;
- 788 3. whether there is increased exposure to market-price fluctuations; and
- 789 4. the long-term impacts to resource adequacy.

790 **Q. When a state moves from a dynamic to fixed allocation, what governance is**
791 **required to ensure fixed allocations do not result in cost shifts to other states**
792 **as system loads evolve over time?**

793 A. Specific governance measures are required to ensure that the fixed allocation does
794 not drift in a way that unfairly shifts costs. These measures include: a consideration
795 of update to the allocation based on threshold level of deviation; material changes
796 in load; and periodic review to ensure continued reliance is reasonable to allow the
797 Commission to reaffirm the original four-year baseline. At the same time, the
798 measures should not violate the intent of fixed allocation framework allowing for
799 stability. Consequently, the measures should provide balanced oversight to allow
800 the fixed allocation theory to remain intact.

801 **Q. How can the Commission ensure that decommissioning and other legacy-**
802 **based costs are not shifted under the Washington Fixed Portfolio construct?**

803 A. While the Company proposes to eliminate the exit-order framework of the 2020
804 Protocol, this should not eliminate Washington's cost responsibility for legacy costs
805 from Washington's historical reliance on the coal resources. The Commission
806 should ensure that when a fixed portfolio segmentation occurs that allows for the
807 complete movement away from a particular resource type, the fixed portfolio
808 state's cost responsibility, in this case the Washington Fixed Portfolio, should be
809 based on its proportional historical participation in the assets, conceptually similar
810 to the exit-order framework. Cost responsibility for legacy costs should be based
811 on the state's historical participation in the asset over a defined period and
812 applicable to any asset expected to be retired during the period the 2026 Protocol

813 is effective. The movement to the Washington Fixed Portfolio should not eliminate
814 cost responsibility for historical use of an asset particularly in the presence of
815 significant near-term decommissioning costs. Movement to a methodology where
816 all costs are fully allocated between the Five-State Portfolio and Washington Fixed
817 Portfolio requires appropriate assignment of decommissioning costs that were not
818 aligned under the 2020 Protocol or resolved through WIJAM.

819 **Q. How can short-term cost exposure to elevated market prices be addressed**
820 **to protect the Five-State Portfolio from increased exposure risk?**

821 A. The Company must estimate the impact that the reassigned portfolio has on short-
822 term firm market purchases and their assignment. To the extent that the hedge
823 books can be utilized to mitigate any increased exposure, the Company could rely
824 on its ability to do so. In the event the existing hedge books alone cannot mitigate
825 the increased exposure, the remaining cost could then be allocated to the
826 Washington Fixed Portfolio (the state driving the realignment) rather than being
827 socialized across the remaining jurisdictions.

828 **Q. Should the Company provide analysis on the long-term effects to resource**
829 **adequacy due to the new portfolio segmentation?**

830 A. Yes, the Company should provide a comparative analysis of 2020 Protocol and
831 2026 Protocol outcomes using QCC accreditation for the entire transition period
832 (2026–2029). If resource adequacy materially declines over time as a result of the
833 portfolio reassignment, the Washington Fixed Portfolio should bear the
834 responsibility to make whole the Five-State Portfolio based on Washington's
835 historical participation in system planning.

836 **Q. Does the Division suggest any additional measures?**

837 A. Yes. The Division recommends that a Portfolio Exposure and Risk Assessment
838 Report be conducted quarterly. The report would outline the system and Utah-
839 relevant high-risk hours, market prices, and hedging performance during the
840 identified high-risk hours. Elements of the report would include:

- 841 1. Definition of high-risk hours: hours that the portfolio is reliant on short-term
842 market purchases, publicly available operational constraints such as
843 transmission outages, peak conditions, or other objective criteria;
- 844 2. Utah and system exposure: the Utah and system load during the high-risk
845 hours;
- 846 3. Hedge performance: the performance of the Utah hedge book during the
847 high-risk hours including the percentage covered; and
- 848 4. Resource adequacy: resource adequacy conditions during high-risk hours
849 based on Company's current resource adequacy measure.

850 The Division would suggest that the development of the report be in consultation
851 with the Division and interested parties. The Commission should evaluate if this
852 recommended report could be consolidated with existing reporting requirements,
853 such as quarterly EBA reporting.

854 **Q. Do you recommend that the Commission approve the Application as filed?**

855 A. No, for the reasons and explanations above.

856 **Q. Does this conclude your testimony?**

857 A. Yes.