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September 26, 2017

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's 2018 Transition Adjustment Mechanism
Docket No. UE 323

Dear Filing Center:

Please find enclosed the redacted version of the Response Brief of the Industrial Customers of Northwest Utilities ("ICNU") in the above-referenced docket.

The confidential portions of ICNU's brief are being handled pursuant to Order No. 16-128 and will follow to the Commission via Federal Express.

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

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the confidential portions of the **Response Brief of the Industrial Customers of Northwest Utilities** upon the parties shown below by mailing a copy via First Class U.S. Mail, postage prepaid.

Dated at Portland, Oregon, this 26th day of September, 2017

Sincerely,

/s/ Jesse O. Gorsuch
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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 323

In the Matter of	)
	)
PACIFICORP, dba PACIFIC POWER	)
	)
2018 Transition Adjustment Mechanism.	)

RESPONSE BRIEF

OF THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

September 26, 2017

(REDACTED VERSION)

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I. INTRODUCTION

The Industrial Customers of Northwest Utilities ("ICNU") respectfully submits this Response Brief to the Public Utility Commission of Oregon ("OPUC" or the "Commission"), per the procedural schedule adopted by Administrative Law Judge ("ALJ") Rowe on April 26, 2017. ICNU recommends that the Commission make two specific determinations, based on the evidence in this proceeding and the arguments on brief:

- **Day-ahead and real-time ("DA/RT") adjustment**. ICNU requests that the DA/RT adjustment be calculated based on the new norm of data reflecting PacifiCorp's (or the "Company") participation in the Energy Imbalance Market ("EIM"), inclusive of system balancing transactions greater than seven days (or ">7 Day Transactions"). PacifiCorp presently filters >7 Day Transactions out from DA/RT adjustment calculations, and continues to unduly factor anachronistic operational data, despite plain evidence of massive operational shifts since EIM participation. ICNU's recommendation properly reflects the reduced net power costs ("NPC") attributable to intra-regional benefits of EIM participation, resulting in a DA/RT adjustment decrease of approximately $6.3 million, on an Oregon-allocated basis. If other elements of the Company's filing are approved, then this reduction would still result in an overall 2018 Transition Adjustment Mechanism ("TAM") increase in NPC for the Company of about $1.6 million.[1/]

- **Backcast or Modeling Validation**. Prior to the 2019 TAM filing next year, ICNU requests that the Commission direct PacifiCorp to work with interested parties in the performance of a backcast or similar model validation to assess the accuracy of the Company's Generation and Regulation Initiative Decision Tools model ("GRID"). The Company has not performed a backcast validation of GRID for nearly fifteen years, yet numerous exogenous

[1/] PacifiCorp's Opening Brief at 49:5-6 (requesting a 2018 TAM increase of approximately $7.9 million).

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> adjustments have been added over that span, such that the current accuracy of the GRID-plus-exogenous adjustments framework is long overdue for thorough assessment. OPUC Staff ("Staff") and ICNU have both requested such validation,[2/] and ICNU is very confident that Staff and ICNU would cooperate in full and expedient fashion to allay any purported concerns that non-Company parties cannot agree on model validation parameters. Further, as a former PacifiCorp employee for several years, ICNU consultant Bradley Mullins would be ideally suited to effectively work with the Company and assist non-Company analysts in assessing GRID accuracy.

ICNU also plans to address issues concerning the value of freed-up renewable energy credits, which were also discussed in Mr. Mullins' Confidential Rebuttal and Cross-Answering Testimony.[3/] However, ICNU will present its position in upcoming Cross-Answering Testimony, after reviewing the responsive briefing arguments of Calpine Energy Solutions, LLC. ICNU may also address the arguments of other non-Company parties at that time.

II. ARGUMENT

ICNU has primarily focused its efforts in this proceeding on the two discrete issues of improving DA/RT adjustment accuracy and supporting the need for a backcast. This narrow but important focus is designed to maximize the opportunity for positive change in the TAM process, both in the immediate context of 2018 TAM results and in future proceedings. As the Citizens' Utility Board of Oregon ("CUB") publicly proclaimed on the eve of this case,

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2/ ICNU acknowledges the technical and definitional concerns that Staff witness Lance Kaufman has expressed with the term "back-cast." See Staff/200, Kaufman/4 n.3. For the purposes of consistency and simplicity, however, ICNU will continue to use the "backcast" term as a proxy to include the model validation and accuracy assessment that both Staff and ICNU seek, just as Staff has continued to use the term for consistency purposes. Id.

3/ ICNU/200, Mullins/14:14-15:23.

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ICNU agrees "that the TAM is fundamentally broken."[4/] In support of this assertion, CUB recounted that non-Company parties had "contested twenty-nine issues, and lost on twenty-eight" over the last two TAM proceedings, with the lone ruling that was not in PacifiCorp's favor amounting to a "rounding error," so inconsequential that "it doesn't actually affect Pacific Power rates."[5/]

The acceptance of virtually all of the Company's positions over the last two years has coincided with another new TAM trend—the issuance of "preliminary orders," in which PacifiCorp positions are broadly affirmed with little explanation or analysis, followed later by "supplemental orders." ICNU understands that the Commission, like ICNU (and probably most parties appearing before the OPUC), faces considerable workload demands, sometimes making it impossible for the Commission to devote ideal resources to any given proceeding. Thus, with the best of intentions, the new "preliminary order" regime for handling TAM proceedings may have been adopted by the Commission to conserve limited resources.

From a ratepayer perspective, however, the recent trend of Company approvals on virtually every TAM issue, affirmed prior to substantive explanation in later orders, fuels concern that "that the TAM is fundamentally broken." The Company essentially inundates the Commission and all parties with a deluge of testimony and exhibit filings in TAM proceedings,

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4/ Re PacifiCorp, 2017 TAM, Docket No. UE 307, CUB's Comments from January 23, 2017, regarding Pacific Power TAM Workshops ("CUB's Comments") at 1 (Jan. 23, 2017). At the hearing in this proceeding, after PacifiCorp objected to the introduction of CUB's Comments into the record, ALJ Rowe stated:

> Well, the good news for you, ICNU, is that these are PUC letters. They're within our records. I can [take] notice of these records so if you want to argue your point on brief, you could talk about it more in brief …. But we can still get this into this record.

ALJ Rowe, TR. 59:2-9. ICNU understands that requisite official notice was taken at the hearing, but to the extent still necessary, ICNU requests that the ALJ or Commission take official notice of CUB's Comments.

5/ CUB's Comments at 1.

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such that the sheer volume of information—combined with an extra round of Company testimony, and the sometimes highly technical nature of matters in contest—may lead the Commission to adopt a "preliminary" assumption that the Company must surely have addressed all party concerns somewhere in its mountain of data. This is an understandably attractive assumption to make, from a time and resource conservation standpoint.

In fact, under different leadership and significantly different composition, the Commission instituted the new "preliminary order" construct for TAM proceedings by noting "scheduling issues, the complex nature of a number of disputed issues … and the need to give PacifiCorp sufficient time to make its compliance filing."[6/] For ratepayers, however, this new approach raises serious due process and fairness concerns, since in adopting this new methodology the Commission acknowledged that the Company's filing was approved with "only a brief listing of the issues and our resolution," and without a fully described "… rationale for our decisions."[7/] Indeed, the resolution of the entire 2016 TAM case, in which non-Company parties had devoted considerable time, expense and resources of their own, was contained within two abrupt sentences from the Commission: "PacifiCorp has justified the need for the modeling

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6/ Re PacifiCorp, 2016 TAM, Docket No. UE 296, Order No. 15-353 at 1 (Oct. 26, 2015). None of the present Commissioners signed this first preliminary TAM order. Indeed, Commissioner Bloom, the only current Commissioner participating in that capacity during the 2016 TAM, later issued a concurring statement in the final order "to set forth my concern that this TAM proceeding … left the parties and *this Commission little time to evaluate and verify the assertions made by PacifiCorp*." Docket No. UE 296, Order No. 15-394 at 13 (Dec. 11, 2015) (Bloom, concurring) (emphasis added). Notably, more than *six weeks* after the preliminary order had been issued, at least one Commissioner was still concerned that the Commission, *as a whole*, had little time to evaluate and verify the Company's evidence. If that continued to be a concern six weeks later, then ICNU suggests that a fair-minded person might have reasonable concerns as to how thorough the evaluation and verification of the Company's evidence could possibly have been at the time of the preliminary order, when only two now-departed Commissioners issued a summary approval of the Company's entire 2016 TAM filing within two sentences.

7/ Docket UE 296, Order No. 15-353 at 1.

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changes it proposes with evidence in the record that was not adequately rebutted by the parties. We accept no adjustments suggested by intervenors."[8/]

This pattern was repeated last year in the 2017 TAM, also with a mere two sentences comprising the whole of a summary resolution in favor of the Company (on all but an essentially inconsequential point, as CUB noted): "PacifiCorp has justified its proposed NPC for 2017 with evidence in the record that was not adequately rebutted by the parties. Based on information in the record, we decline all adjustments with the exception of Staff's avian curtailment adjustment."[9/] Once more, the Commission explained its decision to perpetuate the new "preliminary order" methodology by a largely verbatim recitation of challenges, in the form of "scheduling issues, the complex nature of a number of disputed issues … and the need to give PacifiCorp sufficient time to make its compliance filing," with the Commission promising a "supplemental order" to fully describe "… the rationale for our decisions."[10/]

While understanding the challenges of complexity, resources, and timing, ICNU urges the Commission to reconsider the recent preliminary order/supplemental order construct, before perpetuating this new regime in the 2018 TAM. As candidly articulated by CUB, ratepayer advocates view the TAM as "fundamentally broken." From ICNU's perspective, this is largely the result of an *effective* reversal of the burden of proof, achieved through summary preliminary order approvals of the Company's entire substantive case. Although a preliminary order may acknowledge that, "[i]n reviewing the TAM, PacifiCorp has the burden of proof to show that its proposal is fair, just and reasonable,"[11/] *in practice* the burden of proof is

8/ Id. at 2.
9/ Docket No. UE 307, Order No. 16-418 at 3 (Oct. 27, 2016).
10/ Id. at 1.
11/ Id. at 3.

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reversed—i.e., when plenary approvals are based on admittedly unsupported findings that the Company has "justified" its proposals, because other parties have "not adequately rebutted" PacifiCorp's evidence.[12/]

To be perfectly clear, ICNU points out these recent TAM dynamics not to find fault with the Commission, but to emphasize that—with the best of intentions, in hopes of addressing pressing timing and resource issues—the TAM process under a "preliminary order" paradigm is now, unfortunately, "fundamentally broken." Accordingly, ICNU respectfully requests that the Commission return to traditional practice, and provide a single, fully supported TAM order in this proceeding, which will give assurance to all parties that decisions here are made, in the first instance, based on actual considerations of the evidence that properly attribute the burden of proof to PacifiCorp. In this manner, any potential ratepayer concerns can be assuaged that, in practice, supplemental orders have become a vehicle for post hoc rationalizations of summary preliminary order determinations, which are issued before all the evidence has been thoroughly reviewed or truly complete resolutions reached.

Nevertheless, ICNU is mindful of the Commission's limited time and resources, and the challenges posed by the complexity inherent to TAM issues. For this reason, most of this brief is devoted to a single 2018 TAM issue, the DA/RT adjustment, in hopes that this singular focus will optimize the Commission's ability to thoroughly assess the evidence and reach a fully supported determination by the November 1st target order date. Likewise, in devoting the remainder of this brief to the recommendation for a backcast validation, ICNU hopes to improve TAM modeling, to allow for more streamlined and less controversial process in the future.

12/ E.g., id.; Docket No. UE 296, Order No. 15-353 at 2.

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A. The DA/RT Adjustment Should Appropriately Factor EIM and >7 Day Transaction Inputs

ICNU proposes an approximate $6.3 million reduction to the DA/RT adjustment.[13/] Conceptually, Mr. Mullins testified to the justification for this result as follows:

> Based on my analysis, I recommend that the DA/RT adjustment be calculated only over the period 2015 to 2016. This period encompasses only the time since the Company began participating in the EIM. This change is appropriate since the Company has clearly made some changes to the way that it balances its system since it began participating in the EIM. Second, I recommend that the impact of the >7 day transactions be included in the calculation. Since 2015, this class of transactions has settled favorably relative to monthly market prices, and is appropriately considered as a component of the Company's system balancing activities.[14/]

The proposed $6.3 million DA/RT adjustment reduction is based on straightforward evidence drawn from the Company's own workpapers, with no modifications made by ICNU save the removal of PacifiCorp filters used to exclude >7 Day Transaction benefits. The Company's opposition to ICNU's recommendation is fraught with inconsistency and, upon close inspection, repeated instances of evidentiary mischaracterization and illogic. If the Commission has the time to thoroughly review this issue in the first instance, then ICNU trusts the Company cannot be reasonably found to have carried its burden of proof in demonstrating that the "status quo" DA/RT adjustment—which minimizes EIM impact, and excludes all customer benefits provided through >7 Day Transactions—produces fair, just and reasonable NPC calculations.

1. Plain Evidence Supports ICNU's Recommendation

As an initial matter, DA/RT adjustment results exhibit extreme volatility, such that any dogmatic insistence on the Company's part—e.g., in maintaining a DA/RT "status quo,"

13/ ICNU/200, Mullins/3, Confidential Table 1R.
14/ ICNU/100, Mullins/13:6-12.

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against all calls for refinement (whether expressed by PacifiCorp explicitly, or as a functionally implicit position)—is unreasonable. Mr. Mullins has demonstrated this DA/RT adjustment volatility, both graphically and though textual illustration, and explained the propriety of being "less dogmatic," as a result, in how such costs are approached.[15/]

When the Commission first approved the DA/RT adjustment in the 2016 TAM (although not referred to as the "DA/RT" at the time), the adjustment was designed to "result in a more accurate estimate of net power costs."[16/] As part of the new DA/RT concept, the Commission accepted a specific adjustment "to reflect that the company balances its system with hourly products and 25 megawatt (MW) block *monthly* and daily products."[17/] Thus, ICNU's recommendation to increase NPC forecasting accuracy—in part, through the appropriate reflection of system balancing costs associated with monthly, or >7 Day Transactions, via simply removing the Company's "… filtering criteria that limited the analysis to <7 Day Transactions"[18/]—is fully consistent with the entire purpose and supporting rationale behind the DA/RT adjustment.

Moreover, since the DA/RT adjustment was established, based on system information available through 2014, a veritable sea change in operational results has occurred through PacifiCorp's participation in the EIM. This is readily apparent to even the most technically untrained eye, as seen by comparing the average annual results of all system balancing transactions during EIM participation (i.e., 2015-2016), versus the Company's 60-

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15/ See, e.g., id. at 12:1-10 & Confidential Table 2; ICNU/200, Mullins/10:23-11:3.
16/ Docket No. UE 296, Order No. 15-394 at 4.
17/ Id. (emphasis added).
18/ ICNU/100, Mullins/11:6-9.

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month or five-year averaging methodology (i.e., 7/2011-6/2016).[19] Specifically, the DA/RT adjustment shows a mere $1.4 million cost when EIM and >7 Day Transactional data is used, while the Company pre-EIM/post-EIM averaging method, which minimizes and "averages out" the massive intra-regional customer benefits now occurring through the EIM, produces a DA/RT adjustment cost of $26.3 million.[20] Worse, when PacifiCorp also filters out >7 Day Transaction benefits, the Company is able to levy a maximum DA/RT adjustment cost on ratepayers of $27.7 million.[21]

Crucially, the evidence Mr. Mullins has presented in support of ICNU's recommendation is based entirely on the Company's own DA/RT adjustment workpapers. ICNU did not modify or adjust figures to support a customer-friendly presentation. Rather, Mr. Mullins:

> … used the workpapers the Company provided in response to Staff Data Requests 5 and 6, which contain the hourly transaction data used to inform the DA/RT adjustment and are where the Company applied the filter to limit the transactions to those executed less than seven days prior to settlement. With respect to these workpapers, *the only change made was removing the filtering criteria that limited the analysis to <7 Day Transactions*.[22]

Once the Company's benefits filtering is removed, however, virtual "statistical cliffs" become apparent. Specifically, through EIM participation, >7 Day Transactions shift from providing average costs, prior to the EIM, to producing massive customer benefits in the amounts of $[redacted] million and $[redacted] million, after EIM participation.[23] Combined with further cost reductions through the EIM, as found in the <7 Day Transactions category, the full benefits

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19/ ICNU/200, Mullins/3, Confidential Table 1R.
20/ Id.
21/ Id.
22/ ICNU/100, Mullins/11:4-9 (emphasis added).
23/ ICNU/200, Mullins/3, Confidential Table 1R.

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"cliff" correlated with EIM participation is even more pronounced. That is, total system balancing costs, which had been trending from $[redacted] million all the way to $[redacted] million in 2014, have now fallen dramatically to $[redacted] million and $[redacted] million levels under EIM participation.[24/] In sum, there is a self-evident statistical correlation between EIM and >7 Day Transaction benefits, justifying a new emphasis being placed upon the proper reflection of this potent benefits combination in ICNU's DA/RT adjustment recommendation.[25/] For convenience, Mr. Mullins' rebuttal table, showing all these results, is provided here:

CONFIDENTIAL TABLE 1R

Corrected Impact of >7 Day Transactions on DA/RT Adjustment
Cost/(Benefit) over monthly market prices, $millions

	<7 Day Trans.				>7 Day Trans.			All Balancing Trans.			
	Buy	Sell	∑		Buy	Sell	∑	Buy	Sell	∑	
2011	[redacted]										
2012											
2013											
2014											
2015											
2016											
Average Annual:											
2011-2016	17.2	7.7	24.9		13.5	(18.9)	(5.3)	30.7	(11.2)	19.5	
7/2011 - 6/2016	18.9	8.8	**27.7**	(a)	16.9	(18.3)	(1.4)	35.8	(9.6)	26.3	
2015-2016	18.9	4.4	23.3		9.3	(31.2)	(21.8)	28.2	(26.8)	**1.4**	(b)

Adjustment:	
(a) Company proposed:	27.7
(b) ICNU proposed:	1.4
(a) - (b) Total-Company impact	26.2
System Generation ("SG") factor	25.7%
Oregon-allocated impact	6.8
Remove Or. impact of "known" Short Term Firm	(0.4)
Adjustment:	6.3

On rebuttal, Mr. Mullins affirmed that >7 Day Transactions "*do* have an impact on the overall dollars per megawatt-hour rates at which the Company makes sales and purchases,

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[24/] Id.

[25/] See ICNU/100, Mullins/13:2-4 (testifying to a shift "driven predominantly by the impacts of the >7 day transactions … in 2015 and 2016," i.e., during EIM participation).

but [they] are excluded from the Company's DA/RT analysis."[26/] With many years of regulatory experience throughout the West,[27/] including several years of direct work as a PacifiCorp analyst focused upon power costs,[28/] Mr. Mullins is one of the most qualified experts available to testify on the verities of the Company's NPC in this proceeding. To this end, Mr. Mullins testified that "the DA/RT adjustment is, at its roots, a historical comparison between the dollars per megawatt-hour rates for power transactions and average monthly market prices for a given market hub over a given period of time," leading him to review any potential "factors which were not considered in the Company's narrow formulation of the DA/RT adjustment."[29/] ICNU's current DA/RT recommendation is the fruit of such perfectly sensible focus from a highly capable and qualified analyst, which was further informed by the shared concerns of Staff and the failure of parties to resolve DA/RT adjustment issues in various workshop processes leading up to this proceeding.[30/]

Also on rebuttal, Mr. Mullins revised ICNU's DA/RT adjustment recommendation to remove the Oregon-allocated impact of "known" short-term firm transactions already included within GRID.[31/] This increases ICNU's DA/RT adjustment recommendation by about $0.4 million, or from a $6.8 million adjustment reduction to what is now a $6.3 million reduction.[32/] Notwithstanding, Mr. Mullins: 1) explained these "known" short-term transactions represent only a small fraction of the volumes considered in ICNU's initial analysis of >7 Day Transactions; and 2) demonstrated that PacifiCorp's "claim that *all* of the >7 Day Transactions are accounted for as known short-term firm" is unsupportable, when juxtaposed against the

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26/ ICNU/200, Mullins/2:11-13 (emphasis added).
27/ See ICNU/101.
28/ ICNU/100, Mullins/1:16-17.
29/ ICNU/200, Mullins/5:13-20.
30/ Id. at 5:20-6:2.
31/ See, e.g., ICNU/200, Mullins/3, Confidential Table 1R; id. at 7:13-14; id. at 9:3-6.
32/ ICNU/200, Mullins/3, Confidential Table 1R.

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Company's original rationale for establishing the DA/RT adjustment in the 2016 TAM proceeding—i.e., in that the Company had expressly included the NPC forecast addition in that proceeding of "incremental balancing volumes associated with using standard products to cover the open position determined by GRID."[33/]

Finally, Mr. Mullins addressed the propriety of including an alleged "hedging benefit, or a premium, embedded in forward price curves," as a potential element within the measured short-term benefits of >7 Day Transactions.[34/] As explained in ICNU's Opening Testimony, the Company's over-forecasting of NPC within the 2016 TAM was notably driven by a $[redacted]/MWh or [redacted]% variance in short-term purchase forecasts versus actuals.[35/] As Mr. Mullins stated at the time: "This variance runs counter to the underpinnings of the DA/RT adjustment, which is designed to capture 'the price difference between the average market price and the company's actual prices for balancing transactions.'"[36/] Accordingly, Mr. Mullins explained on rebuttal that, "[w]hether the offsetting benefits relate to the hedging components, or some other factor, *is an irrelevant consideration*. If there is an offsetting systematic benefit associated with these longer-term contracts, those benefits are appropriately applied against the impact of the DA/RT, irrespective of what is causing the benefit."[37/] In this manner, reflecting the benefits of short-term transactional variance, through inclusion of >7 Day Transactions, fulfills the entire purpose behind the DA/RT adjustment, which is to simply capture price differences for system balancing transactions.

33/ ICNU/200, Mullins/7:14-8:2 (quoting Docket No. UE 296, PAC/100, Dickman/29:22-30:3). See also id. at 8:3-6 (explaining that ICNU/202 shows that only a very small volume of known short-term firm transactions have been executed for the test period).

34/ Id. at 8:11-15.

35/ ICNU/100, Mullins/7:3-8:4.

36/ Id. at 8:4-7 (quoting Docket UE 307, Order No. 16-482 at 14 (Dec. 20, 2016)).

37/ ICNU/200, Mullins/9:9-12 (emphasis added).

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2. The Company's Evidence Offered in Opposition to ICNU's DA/RT Adjustment Recommendation Is Generally Inconsistent and Substantively Inert, when Not Blatantly Mischaracterizing Actual Testimony

As the Company itself relates, the DA/RT adjustment was proposed "… to more accurately model system balancing transaction prices and volumes,"[38/] which is something that ICNU's recommendation does. Indeed, PacifiCorp's boast that the "2016 TAM forecast was closer to the company's actual NPC than any previous TAM forecast,"[39/] far from working against ICNU's recommendation, supports still further movement toward accuracy in all NPC modeling, the DA/RT adjustment included. To this end, reflecting customer benefits in the DA/RT adjustment is also consistent with "[t]he purpose of the TAM[, which] is to …prevent unwarranted cost shifting" to PacifiCorp's customers.[40/]

PacifiCorp acknowledges that the DA/RT adjustment properly includes the reflection of "monthly," as well as daily and hourly system balancing products.[41/] In fact, PacifiCorp witness Michael Wilding affirms that "[i]n actual operations, the company continually balances its market position—*first with monthly products* …."[42/] The Company even goes so far as to directly equate or interchange "the DA/RT adjustment" with "system balancing transactions,"[43/] which plainly have been affirmed to initiate with >7 Day Transactions, or "monthly products." And, at least in reference to Staff's DA/RT adjustment testimony, the Company finds fault with Staff for allegedly having "not quantified the NPC impact of … the

38/ PAC/100, Wilding/19:6-7.
39/ Id. at 19:13-14.
40/ PAC/400, Wilding/42:5-6.
41/ PAC/100, Wilding/21:2-3
42/ Id. at 21:3-4 (emphasis added); accord PAC/400, Wilding/46:11-13. See also PAC/400, Wilding/11:4-6 ("… the company also reflects additional transaction volumes to account for the use of monthly … products").
43/ See PAC/400, Wilding/43:5-6 ("… and system balancing transactions (the DA/RT adjustment)").

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residual value of *monthly* and daily purchase contracts,"[44]—a position which effectively concedes the propriety of reflecting fully quantified values for >7 Day Transactions in the DA/RT adjustment, as ICNU recommends.

Against this backdrop of the relevance and value of >7 Day Transactions within the DA/RT adjustment, as drawn from the Company's own testimony, Mr. Wilding also notes that, in affirming the DA/RT adjustment in the 2017 TAM, the Commission expressly found that the adjustment was "not perfect," prior to "direct[ing] PacifiCorp and parties to work on substitute modeling adjustments to better simulate, buy, and sell balancing transactions for future TAM proceedings."[45] This is precisely what ICNU's DA/RT adjustment recommendations are designed to do.

The Company also acknowledges that "[t]here is no single driver of the DA/RT costs," which are described by Mr. Wilding as being "the result of multiple variables across the company's complex system."[46] Given such admitted complexity and variability driving DA/RT costs, in addition to the virtual infancy of the modeling adjustment, ICNU posits that significant modifications to the DA/RT adjustment *should* be expected, which the Commission also seemed to anticipate in directing parties to work toward better simulations, and with the goal of producing more "persuasive evidence."[47] Indeed, if the patent sea change in system balancing transaction costs, as brought on by the Company's participation in the EIM, is *not* duly reflected through a major revision to a DA/RT adjustment, then it seems unrealistic to expect that any

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44/ Id. at 13:12-13 (emphasis added).
45/ PAC/100, Wilding/22:15-23:2 (quoting Docket No. UE 307, Order No. 16-482 at 13).
46/ Id. at 23:16-17.
47/ Id. at 23:2-4 (quoting Docket No. UE 307, Order No. 16-482 at 13).

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operational experience data could ever be found "persuasive" enough to overcome the Company's dogmatic insistence upon retaining the DA/RT adjustment "status quo" indefinitely.

Moreover, the Company affirms that "[p]articipation in the EIM reduces the company's actual NPC in three ways," the first of which is through "intra-regional benefits," occurring when "the EIM optimizes the automated dispatch of participating units in PacifiCorp's BAAs." [48/] Without going further, this single statement validates Mr. Mullins' (deeply understated and charitable) assertion on rebuttal, that he had found "… it somewhat perplexing that the Company would argue that the EIM has had *zero* impact on the way it transacts in term, day-ahead and real-time markets."[49/]

That is, Mr. Mullins explained that "the Company now has the ability to bid capacity to be dispatched into the EIM," which produces benefits that "were not reflected in the system balancing costs prior to the EIM."[50/] This mirrors the Company's own description of "intra-regional benefits," in that NPC is said to be reduced when "the EIM optimizes the automated dispatch" of Company generating resources.[51/] Notwithstanding these acknowledged benefits, the Company later offered what Mr. Mullins referred to as the perplexing "zero impact" position, through Mr. Wilding's assertion that "… the company's participation in the EIM has not reduced the company's need to incur the system balancing costs captured by the [DA/RT] adjustment."[52/]

Clearly, there is a serious inconsistency on this issue, that the Commission will hopefully resolve. ICNU's testimony contains an irrefutably stark demonstration of massive

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48/ Id. at 25:11-14.
49/ ICNU/200, Mullins/9:18-20 (citing PAC/400, Wilding/27:4-29:2).
50/ Id. at 9:21-10:2.
51/ PAC/100, Wilding/25:11-14.
52/ PAC/400, Wilding/28:6-7.

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system balancing cost shifts—apparent through the Company's participation in the EIM, as previously explained, and based on the Company's own workpapers, modified in no other fashion but to remove filters that exclude the customer benefits of >7 Day Transactions. Yet, PacifiCorp claims "the EIM reduces the Company's *actual* NPC" through intra-regional benefits,[53] while simultaneously alleging "… there are no additional benefits from EIM optimized dispatch (i.e., intra-regional … benefits)" that should be reflected in the TAM, ostensibly because "the GRID model NPC forecast already reflects the optimized (i.e., lowest cost) dispatch."[54] To the extent the Company's latter claim is supported by the Commission's finding in the 2017 TAM, however, ICNU respectfully submits that the EIM operational evidence in this proceeding is now sufficiently and unavoidably persuasive as to compel a very different finding by the Commission in this proceeding.

a. Reply Testimony Arguments Are Addressed to Straw Positions and Rely on Manifestly Unfair Double Standards

Quite simply, the Company's DA/RT adjustment strategy is to resist any substantive change, for any reason. This is apparent when Mr. Wilding summarizes PacifiCorp's entire filing in Reply Testimony, by commending the Company's proposed rate increase because it "relies on the *same* modeling refinements that were approved by the Commission in the 2016 TAM,"[55] notwithstanding the lack of one iota of EIM operational data at that time. Likewise, PacifiCorp complains that "… parties still present no realistic alternative to the DA/RT adjustment that *captures the same costs* and produces a more accurate NPC forecast."[56]

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[53] Id. at 25:11-14 (emphasis added).
[54] Id. at 26:14-17.
[55] PAC/400, Wilding/2:6-8 (emphasis added).
[56] Id. at 2:18-20 (emphasis added).

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Mr. Wilding's logic is worth unpacking here, to reveal what is essentially illogic, and an ultimate design to entrench a calcified DA/RT status quo. First, any umbrage toward ICNU about not providing a "realistic alternative to the DA/RT adjustment" would be misplaced, since ICNU is simply recommending modifications to the existing DA/RT adjustment, based wholly on the Company's own workpapers, in demonstration of hugely beneficial EIM impacts. Second, to insist upon a "realistic alternative" that "captures the same costs" is not to ask for any alternative at all—i.e., if an adjustment captures the *same* costs, then that adjustment provides no alternative at all, but just produces the same result. Taken earnestly, Mr. Wilding's statement is illogical, though the intent seems more to deflect an actually "realistic" possibility that the DA/RT adjustment would ever be modified at all, since to do so would be to capture different costs or, in the example of ICNU's recommendation, different benefits that the Company is actively filtering out of DA/RT adjustment calculations. Third, Mr. Wilding's illogic is exacerbated by the insistence that parties produce "a more accurate NPC forecast," based on capturing "the same costs." Again, increased accuracy will never be achieved by inserting the "same" inputs into the adjustment, which brings everything back to the fallacy of justifying the current DA/RT adjustment because it "relies on the same modeling refinements" approved *prior* to the massive cost and benefit shifts manifest in system balancing transactions after EIM participation.

The question of EIM operational data—and, specifically, the reliance which should be placed upon the quantity of data available, and the quality of additional operational experience gained by the Company—is also worth examining further in the context of the DA/RT adjustment. In this proceeding, within the span of a mere four months, the Company

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"adjusted EIM benefits forecast methodology, based on *additional operational experience*."[57/] To be more precise, this adjustment in July 2017 "reflected EIM inter-regional benefits," updated since the Company's initial filing on March 31, 2017, that now "increases the EIM benefits in the case by $10.8 million."[58/] Thus, "in the case" presently before the Commission, the Company found it fair and reasonable to revise a component of EIM benefits calculations by over $10 million, beyond what PacifiCorp had *just* calculated and presented to the Commission, less than four months prior, as being fair, just, and reasonable.

ICNU completely supports the Company's efforts to refine its modeling, and particularly any work toward accurate calculations of EIM benefits, based on the acknowledgment of "additional operational experience." Indeed, given the marked changes in Company operations since EIM participation, and the learning curve manifest by a $10.8 million adjustment within a four-month span, continued modeling refinement based on the analysis and recognition of EIM effects is to be expected by any rational person. But, this is not at all what the Commission and parties have found in the context of intra-regional benefits, where the Company continues to peddle the myth of perfectly optimized EIM intra-regional benefits modeling through GRID, despite the plain evidence of monumental shifts in system balancing transaction costs with the advent of the EIM, based on PacifiCorp's own workpapers.

ICNU understands that, when the DA/RT adjustment was first approved, the Commission had "little time to evaluate and verify the assertions made by PacifiCorp."[59/] Without the time for full analysis and comprehension, therefore, much less the benefit of two years of EIM operational experience, the Company's boasts of perfect GRID optimization, which

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57/ Id. at 5:13-15 (emphasis added).
58/ Id. at 8:19-9:3.
59/ Docket No. UE 296, Order No. 15-394 at 13 (Bloom, concurring).

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purportedly wipe out system balancing transaction benefits, may well have taken on a sheen of reasonableness. However, cementing the Company's original DA/RT adjustment methodology in perpetuity would be a decidedly imprudent course, given the acknowledged lack of time to evaluate and verify the fundamental principles of that novel adjustment when first established. Moreover, holding the existing DA/RT adjustment as functionally sacrosanct, as PacifiCorp now does, is the more untenable, given the years' worth of EIM operational data now available. In brief, the two years of additional EIM data relied upon by ICNU must be sufficient to effect a DA/RT adjustment, since the Company relies on 1/6 the amount of data (i.e., four months of "additional operational experience") for a $10.8 million inter-regional benefits adjustment now.

The Company reverts to constructing and then beating an "ICNU straw man," however, perhaps to deflect attention from the manifestly unfair double standard PacifiCorp uses, regarding the span of EIM operational data which the Company may rely upon, and the much higher standard applied to ICNU. Specifically, in testifying directly on the DA/RT adjustment, Mr. Wilding charges that ICNU has "… once again asked the Commission to *reject* the adjustment."[60] If Mr. Wilding truly believes that ICNU has asked the Commission to "reject" the DA/RT adjustment, then ICNU and Mr. Wilding would seem to inhabit different worlds.

That is, far from "rejecting" the DA/RT adjustment, ICNU has entered plain evidence into the record, in support of recommending refinements to the existing DA/RT adjustment that will increase NPC forecasting accuracy, which is the whole point of the adjustment. In fact, PacifiCorp acknowledges this purpose in stating that "… the Commission approved the adjustment because it 'will result in a more accurate estimate of net power

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[60] PAC/400, Wilding/11:18-19 (emphasis added).

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costs.'"[61] Similarly, Mr. Wilding testifies that the DA/RT adjustment was affirmed "to more fully capture PacifiCorp's net variable power costs."[62] To this same end, ICNU recommends *retaining* the DA/RT adjustment in this case, albeit with improvements designed "to more fully capture" NPC, by reflecting the self-evident customer benefits the Company now filters out and averages out, respectively, with regard to >7 Day Transactions and the EIM.

The "straw" and ultimately false nature of the Company's characterization of ICNU is illustrated by Mr. Wilding's claim that "parties" are relying "… on the same arguments that have now been rejected twice by the Commission."[63] ICNU is not aware of one prior occasion in which parties recommended DA/RT adjustment refinements supported by the combined and correlated effects of >7 Day Transaction benefits through the EIM, let alone such a rejection occurring "twice" on the evidence ICNU has presently put forward. And, as tacit proof that ICNU is wrongly included within the Company's "twice" rejected framework, Mr. Wilding focuses only on Staff's positions when attempting to illustrate his point.[64]

The Company's criticism of Staff is also telling in relation to ICNU. Specifically, Mr. Wilding adjudges Staff's DA/RT adjustment recommendation to have no merit, on the claim that "Staff has not provided any analysis demonstrating how this proposal would work or demonstrating that its recommendation would produce a more accurate NPC forecast."[65] Whatever the validity of PacifiCorp's charges against Staff, however, the very opposite is true for ICNU. In particular, ICNU is: 1) providing a recommendation showing precisely how the DA/RT adjustment would work, through two easily understandable modifications; while 2) also

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61/ Id. at 11:8-9 (quoting Docket No. UE 296, Order No. 15-394 at 4).
62/ Id. (quoting Docket No. UE 307, Order No. 16-482 at 13).
63/ Id. at 11:21-12:2.
64/ Id. at 12:2-8.
65/ Id.

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providing full support for its recommendation, based on the Company's own workpapers, to produce a more accurate NPC forecast, in that the new norm of EIM operations will now be appropriately reflected in the TAM.

Properly understood, ICNU's recommendation is an expansion of the DA/RT adjustment, designed to align the adjustment with current operational realities which have changed dramatically since the adjustment was originally conceived and approved. Albeit inconsistently, given the noted mischaracterization that ICNU seeks to "reject" the DA/RT adjustment, Mr. Wilding eventually accedes to the truth in admitting that "ICNU recommends *expanding* the DA/RT adjustment."[66/]

Having finally acknowledged ICNU's actual position, however, the Company then ignores the evidentiary merits of ICNU's recommendation in favor of leveling attacks at ICNU for allegedly taking different positions in TAM proceedings. Mr. Wilding finds fault with ICNU for purportedly taking "the exact opposite position" now, on hedging transactions, than in the 2016 TAM.[67/] But, there are numerous problems with using this line of argument to effect any probative value in this proceeding.

First, the Company directly equates "hedging transactions" to >7 Day Transactions in an over-simplified manner.[68/] As Mr. Mullins testified at hearing, there is significant nuance involved with the concept of hedging and the products that make up the category of >7 Day Transactions, which are at issue with the DA/RT adjustment—e.g., "… the

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66/ Id. at 21:11-12 (emphasis added).

67/ Id. at 21:18-20.

68/ See, e.g., PAC/800, Wilding/25:2-3 ("hedges (*i.e.*, transactions in excess of 7 days)"); id. at 26:8-9 ("hedging transactions (*i.e.*, the greater-than-seven-day transactions)").

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transactions in question are not just hedging transactions."[69/] Thus, the Company is improperly attempting to create some sort of a direct equivalence between the customer benefits apparent in >7 Day Transactions in this proceeding and a pigeonholed caricature of ICNU's equally nuanced testimony on hedging issues in the 2016 TAM.

Second, even if ICNU were assumed to take different positions on hedging transactions in TAM proceedings two years apart, there would be a perfectly principled basis for that difference. As Mr. Mullins explained, during the interim period between these TAM cases, he "observed significant forward premiums in gas prices," which is detailed in testimony he sponsored in Portland General Electric Company's 2017 Annual Power Cost Update Tariff case.[70/] Consequently, Mr. Mullins states that, in regard to >7 Day Transactions, "it would not surprise me if the historical benefits are a hedging benefit, driven by risk premiums embedded in forward prices."[71/] In other words, even if Mr. Mullins' present acknowledgment of a potential hedging benefit were to be construed as contradictory to assumptions he made in 2016 TAM testimony, the current ICNU position is founded upon recent empirical analysis that justifies a revised position.

On that note, the Commission contemplates that "persuasive evidence" may lead to revised opinions from the Commission itself, and particularly in the context of the DA/RT adjustment. As previously noted, the Commission affirmed the original DA/RT adjustment and did not adopt non-Company party recommendations related to that adjustment in the 2017 TAM. In so doing, however, the OPUC expressly directed parties to work toward DA/RT adjustment improvement, with the plain assumption that new evidence could even persuade the Commission

69/ Mullins, TR. 182:18-19. See generally id. at 182:3-183:13.
70/ ICNU/200, Mullins/8:15-16 & n.13.
71/ Id. at 8:15-17.

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that a prior decision had been erroneous: "No persuasive evidence was offered to convince us that our decision last year was in error."[72/] Indeed, the Commission did reverse its own prior finding on an avian protection compliance adjustment in the 2017 TAM, explaining that "[a]lthough we rejected a similar adjustment in the 2016 TAM, the new undisclosed evidence of PacifiCorp's actual or constructive knowledge of possible avian curtailments convince us that an adjustment is necessary to hold ratepayers harmless."[73/] Thus, considering the Commission has the humility and wisdom to acknowledge the error in its own decisions, and reach opposite conclusions, the Company cannot reasonably find fault with ICNU, even if ICNU were construed to have done the same.

Lastly, there is a gross illogic within the Company's accusations that merit discussion. First, Mr. Wilding faults ICNU for being inconsistent, and for taking "the exact opposite position" regarding the DA/RT adjustment between the 2016 TAM and this proceeding.[74/] Yet, Mr. Wilding then testifies that "… the Commission rejected *all* of ICNU's arguments in opposition to the DA/RT adjustment in the 2016 TAM"[75/]—which would naturally mean that ICNU's present position, in support of a refined DA/RT adjustment, is "the exact opposite position" to that rejected by the Commission in the 2016 TAM. In other words, ICNU's present recommendation could only be construed, logically, as fully consistent with the Commission's 2016 TAM finding, since the current recommendation is the "exact opposite" of what the Commission had rejected in that case (according to Mr. Wilding).

72/ Docket No. UE 307, Order No. 16-482 at 13.
73/ Id. at 19.
74/ PAC/400, Wilding/21:15-20.
75/ Id. at 22:4-5 (emphasis added).

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Moreover, PacifiCorp's election to attribute a flaw to ICNU's current position, based on the emphasis the Company places on maintaining the DA/RT adjustment status quo, presents an insoluble conundrum of further illogic. Given that Mr. Wilding criticizes parties for supporting DA/RT adjustment "recommendations with largely the same recycled arguments as [in] prior years,"[76/] ICNU would have expected Mr. Wilding to praise ICNU for *eschewing* recycled arguments, when allegedly presenting the "exact opposite" position on the DA/RT adjustment in this proceeding. Indeed, this seemed to be what Mr. Wilding had hoped to see when complaining that "[p]arties fail to reconcile their recommendations with prior Commission findings …."[77/] The logical mess here that envelops the Company's arguments, however, does provide clarity on one critical dynamic—PacifiCorp will bring any accusation against ICNU in this case, no matter how irreconcilable with any other, in hopes that something will stick and allow the Company to continue withholding full customer benefits from system balancing transactions in this and future TAMs. If such illogic proves effective, then the TAM might be even more "fundamentally broken" than ratepayer advocates had believed.

Surprisingly, the Company's rationale for continued exclusion of customer benefits apparent from >7 Day Transactions is to essentially to brand them as unnecessary. Specifically, the Company explains that it "limited the calculation of its adjustment to transactions with a delivery period of less than one week *because those transactions are necessary* to balance the Company's system."[78/]

As an initial matter, this attempt to distinguish >7 Day Transactions from what is "necessary to balance the Company's system" is utterly irreconcilable with evidence, from

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76/ PAC/400, Wilding/2:12-13.
77/ Id. at 2:13-14.
78/ Id. at 22:10-12 (emphasis added).

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PacifiCorp itself, that the Company "continually" and actually balances its system "first with monthly products."[79/] For the Company to allege that >7 Day Transactions are not "necessary," despite being used "continually" and in the first instance for system balancing, is to border on the disingenuous. In any event, even if >7 Day Transactions were deemed as not strictly "necessary," there is no debate that the Company engages in such transactions and that there are costs and benefits associated with such transactions. The only controversy is whether the Company's practice of filtering out the hugely significant and growing customer benefits achieved through >7 Day Transactions is fair, just, and reasonable.

In fact, the Company concedes that when engaging in "… greater-than-seven-day transactions[], PacifiCorp will transact at a price that may end up being lower or higher than the actual monthly average price."[80/] This unequivocally establishes that a real cost differential exists regarding >7 Day Transactions, but the Company alleges that "[t]he DA/RT adjustment is not designed to capture that price spread."[81/] If that is the intent of the Company's original design, however, then this only highlights the need for DA/RT adjustment refinement, as recommended by ICNU. There can be nothing just or reasonable about continuing to filter out >7 Day Transactions from the DA/RT adjustment, simply because the Company alleges the adjustment was not designed to capture a price spread that benefits customers.

PacifiCorp complains further that including >7 Day Transactions "… in the DA/RT adjustment is essentially truing-up the OFPC used in GRID to the historical monthly average price."[82/] But, Mr. Wilding had already testified to incurring "system balancing costs

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79/ See, e.g., PAC/100, Wilding/21:3-4; PAC/400, Wilding/46:11-13.
80/ PAC/400, Wilding/23:8-9.
81/ Id. at 23:11-12.
82/ PAC/400, Wilding/23:15-17.

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that are not reflected in the company's forward price curve," and that the DA/RT was originally proposed for the very purpose of addressing "this deficiency."[83/] In this light, ICNU's recommendation, to no longer exclude >7 Day Transactions, is fully consistent with the original intent of the DA/RT adjustment—i.e., to address the "deficiency" of balancing costs that were not being properly reflected in the forward price curve.

The Company then falls back to mischaracterization in alleging that ICNU argues that costs captured by the DA/RT "adjustment are impossible to accurately forecast," based on significant annual variances, before Mr. Wilding is then asked to respond to this straw argument.[84/] ICNU has never taken such a position, as the Company would surely have known when presenting this question to Mr. Wilding. Rather, in the portion of testimony cited by the Company, Mr. Mullins explained that, because of demonstrated volatility, "… costs at issue with respect to the DA/RT adjustment *are difficult*, if not impossible, to forecast accurately."[85/]

This "difficult" nature of accurately forecasting DA/RT adjustment costs provides a powerful reason for further refinement and improvement of the adjustment, just as ICNU is recommending. Conversely, Mr. Wilding is left to argue against a non-existent ICNU straw man, in testifying: "The fact that a particular component of NPC is difficult to forecast does not mean that it should be ignored."[86/] In actuality, ICNU fully agrees that the difficulty in DA/RT forecasting does not justify ignoring the issue of its accuracy.

The problem, however, is that PacifiCorp would have the Commission do precisely that—ignore the plain evidence of correlated >7 Day Transactions and EIM benefits, to

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83/ PAC/100, Wilding/19:4-5.
84/ PAC/400, Wilding/23:18-20.
85/ ICNU/100, Mullins/12:8-10 (emphasis added).
86/ PAC/400, Wilding/23:21-22.

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reify an outdated adjustment construct based on operational data that no longer reflects the Company's system balancing transactional experience. On the other hand, ICNU's recommendation would fulfill the Commission's finding, which Mr. Wilding acknowledges, that the DA/RT adjustment should reflect "costs that are actually incurred and not otherwise accounted for in the NPC forecast."[87/] The irony is that, having been set up by Company questions to argue against an ICNU position that does not exist, Mr. Wilding's closes with a portentous pronouncement that should be directed squarely at the Company itself: "Simply ignoring [DA/RT costs] will not create a more accurate forecast."[88/]

In a now familiar and wearisome pattern, PacifiCorp next affects disagreement with ICNU by falsely claiming that ICNU has proffered all its evidence of >7 Day Transactions and EIM benefits, only to recommend "… that the DA/RT adjustment should be rejected."[89/] The Company even presents a slightly revised "version of ICNU Confidential Table 2" to support Mr. Wilding's testimony that, "[c]ontrary to ICNU's conclusion, the table actually supports the need for the DA/RT adjustment."[90/]

Obviously, the entire premise of the Company's argument here is ridiculous, in presenting a revision of ICNU's own DA/RT adjustment table, which is labelled with a footnote reading "Corrected ICNU Proposed DA/RT adjustment,"[91/] to allege that ICNU is not actually proposing a DA/RT adjustment at all, but recommending that it be "rejected." To be clear, ICNU agrees that its own "table actually supports the need for the DA/RT adjustment"—and a

87/ Id. at 23:22-24:2.
88/ Id. at 24:2-3.
89/ Id. at 24:9-11.
90/ Id. at 24:11-12.
91/ Id. at 24, Confidential Figure 4 n.(b).

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much fairer and more principled DA/RT adjustment, at that, than what the Company is promoting.

The Company also concedes, as "fact," that the 2016 TAM "forecasted short-term purchase price was greater than the actual short-term purchase price,"[92/] just as Mr. Mullins had starkly demonstrated.[93/] Yet, Mr. Wilding argues that this "fact" still "… has no bearing on the rationale for the DA/RT adjustment."[94/] This line of reasoning only makes sense if the DA/RT adjustment is viewed in an overly constrained fashion. Properly considered, however, and consistent with the Company's admission that the DA/RT adjustment was designed to address the "deficiency" of system balancing transactions not being accurately reflected in PacifiCorp's modeling,[95/] ICNU's recommendation to begin reflecting these short-term price differences has an *exact* bearing on the rationale for the DA/RT adjustment.

Moving on from alleged conceptual infirmities, PacifiCorp attributes various technical flaws to calculations within ICNU's DA/RT adjustment calculation.[96/] But, as the Company acknowledges, ICNU relies on a "side-by-side analysis,"[97/] which, in turn, ICNU presented by relying completely upon unmodified Company workpapers, save for Mr. Mullins having removed the filter that excluded the reflection of customer benefits from >7 Day Transactions.[98/] In this light, any alleged technical flaws in ICNU's side-by-side analysis must be attributed to the Company alone, in that all the data originates and has been presented by ICNU in the form received from PacifiCorp.

92/ Id. at 25:9-10.
93/ ICNU/100, Mullins/7:3-8:7.
94/ PAC/400, Wilding/25:9-11.
95/ PAC/100, Wilding/19:4-5.
96/ PAC/400, Wilding/25:18-26:8.
97/ Id. at 25:14.
98/ ICNU/100, Mullins/11:1-9.

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Finally, Mr. Wilding devotes the remainder of his opposition to ICNU's recommendations by concentrating on EIM issues. First, Mr. Wilding argues against ICNU's reflection of EIM benefits by analogizing to CUB arguments in the 2017 TAM.[99/] More specifically, the Company claims that ICNU is making "the same argument CUB made last year," without any specific attribution, save a citation the Commission's order.[100/] But, the cited pages do nothing to establish that CUB and ICNU are making the "same" argument. What is informative within these order pages, however, is the Commission's explanation that CUB's argument was not adopted due only to lack of "persuasive evidence."[101/] In this regard, ICNU has presented new evidence designed to meet this "persuasive" threshold, based on updated EIM information that neither CUB nor any other party had access to, because it did not yet exist.

Next, the Company complains that ICNU uses "only two years of historical data to calculate the [DA/RT] adjustment," which purportedly "… runs the risk of creating a non-normalized result."[102/] If Mr. Mullins' straightforward evidence presentation does nothing else, however, it should at least make abundantly clear the new reality of unprecedented EIM effects on system balancing transactions. Put differently, the Company's dogged insistence on using anachronistic, pre-EIM data to dilute or "average out" customer benefits presents the only real risk of the creation of "non-normalized" results, since the EIM now represents the "new normal."[103/] Moreover, as discussed in some detail already, the Company itself relies on the "additional operational experience" of less than four months of new EIM data to support a $10.8

99/ PAC/400, Wilding/27:4-9.
100/ Id. at 27:8-9 & n.33.
101/ Docket No. UE 307, Order No. 16-482 at 13.
102/ PAC/400, Wilding/27:9-10.
103/ PAC/800, Wilding/27:10-11.

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million adjustment to inter-regional benefits, which renders PacifiCorp's opposition to ICNU's usage of two years' worth of results, or six times the amount of data, as plainly disingenuous.

Mr. Wilding then testifies that EIM participation has not fundamentally changed how the Company balances its system.[104/] But, the Company's alleged "evidence" for this assertion is based on the continued exclusion of >7 Day Transactions in the DA/RT adjustment; that is, the claim that 2015 costs were higher than the 48-month average reflects *only* <7 Day Transaction costs.[105/] In contrast, the impact of *not* filtering out >7 Day Transactions, combined with reflection of the "new normal" represented by the EIM, is stark and irrefutable—as seen in the $26.2 million difference between Company and ICNU proposals.[106/]

The last argument from Mr. Wilding, that the EIM introduces "more uncertainty" and creates "higher prices," is basically a rehash of arguments made in the 2017 TAM.[107/] This argument apparently had enough of a veneer of rationality about it as to ward off an EIM-based DA/RT adjustment last year.[108/] However, the continuing "statistical cliff' in system balancing results, apparent with the benefit of a second year of EIM operational data, as noted above, cannot be ignored to allow for ongoing acceptance of the Company's "uncertainty" and "higher prices" arguments. Moreover, vague allusions to the purported demerits of EIM participation cannot be squared with the Company's own concession that the EIM reduces NPC, explicitly through the provision of intra-regional benefits.[109/]

104/ PAC/400, Wilding/28:3-5.
105/ Id. at 28:7-9. See also ICNU/200, Mullins/3, Confidential Table 1R.
106/ ICNU/200, Mullins/3, Confidential Table 1R ("(a)-(b) Total-Company impact").
107/ Compare PAC/400, Wilding/28:3-5, with Docket No. UE 307, Order No. 16-482 at 12.
108/ Docket No. UE 307, Order No. 16-482 at 12-13.
109/ PAC/100, Wilding/25:11-14.

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b. PacifiCorp Essentially Repeats the Same Unavailing Arguments in Surrebuttal Testimony

For the most part, the Company recasts prior arguments on surrebuttal, which in some measure will allow ICNU to simply identify the positions as refuted, and economize the Commission's time. That said, ICNU finds it necessary, albeit tedious, to sequentially respond to the Company's positions, given the concern among ratepayer advocates that the TAM is "fundamentally broken," in large part because PacifiCorp has previously prevailed by virtually burying the Commission and parties in so much information that no one may have had the time to scrutinize the merits of the Company's positions. Or, as stated in the 2016 TAM, the Commission has had "little time to evaluate and verify the assertions made by PacifiCorp."[110/]

True to form, the Company soon resorts to mischaracterization by faulting ICNU for allegedly "[r]ejecting … efforts at compromise …."[111/] But, the only ostensible "compromise" offered to ICNU was the Company's acceptance of "ICNU's correction to the DA/RT adjustment."[112/] And, as PacifiCorp itself explains, this correction was not a "compromise" but the acknowledgment of a patent error identified by ICNU, since PacifiCorp had calculated the DA/RT average by using a formula that "referred to the market prices from the *prior* month."[113/] In any event, the Company's professed magnanimity in offering ICNU this error correction-cum-compromise produced a $260,000 NPC reduction[114/]—certainly not an amount that would justify the Company to cry foul at ICNU for any failure to "compromise."

110/ Docket No. UE 296, Order No. 15-394 at 13 (Bloom, concurring).
111/ PAC/800, Wilding/3:5.
112/ Id. at 3:4.
113/ PAC/400, Wilding/6:13-7:1 (emphasis added).
114/ Id. at 7:1-2.

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PacifiCorp also charges that ICNU, along with Staff, "unfairly cherry-pick historical data to justify their DA/RT disallowances."[115] More accurately, the "cherry-pick" charge is appropriately directed at the Company, for filtering out customer benefits through >7 Day Transactions exclusion, then averaging out EIM results through continued reliance on obsolete data from a Company system that no longer exists. Further, with the Company itself acknowledging that "ICNU recommends *expanding* the DA/RT adjustment to account for *more* transactions,"[116] Mr. Wilding's accusation that ICNU unfairly seeks to justify DA/RT adjustment "disallowances" is yet another unsustainable mischaracterization. The real "disallowances" in this case are to be found if the Company is successful in continuing to filter out and average out the significant customer benefits ICNU seeks to reflect in the DA/RT adjustment.

When criticizing Staff's testimony, however, the Company characterizes DA/RT adjustment design and purpose in terms that support ICNU's recommendation on the DA/RT adjustment. For example, Mr. Wilding asserts that "the DA/RT adjustment is designed to increase the accuracy of NPC,"[117] which is in perfect accord with ICNU's recommendation. Also, the DA/RT adjustment is intended to "create a more accurate forward price curve,"[118] touching upon another benefit of ICNU's recommendation, as has been discussed. Mr. Wilding recounts the Commission's original finding that, in approving the DA/RT adjustment, "a more accurate estimate of net power costs" would result from better accounting of short-term price

[115] PAC/800, Wilding/3:8-9.
[116] PAC/400, Wilding/21:11-12 (emphasis added).
[117] PAC/800, Wilding/8:3-4.
[118] Id.

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differences,[119/] consonant with Mr. Mullins' findings that short-term price differentials were a notable cause of variance between the 2016 TAM forecast and actuals,[120/] and prompting ICNU's recommendation to refine the DA/RT as a result.

Most telling of all, perhaps, Mr. Wilding attempted to refute Staff's position by explaining that "the Commission found that the DA/RT adjustment increases NPC accuracy by modeling costs that have *historically been excluded* from PacifiCorp's NPC forecast."[121/] A more apt description of ICNU's recommendation—which seeks to increase NPC accuracy, by reflecting >7 Day Transaction costs that the Company has historically excluded from the DA/RT adjustment—could hardly have been crafted. To this same end, Mr. Wilding's further "refutation" of Staff only solidifies the merits of ICNU's recommendation: "Over the years, the Commission has approved many NPC modeling refinements, including modeling changes similar to the DA/RT adjustment that *rely on historical data* to forecast future costs." In this proceeding, ICNU goes one better by recommending NPC modeling refinements to the DA/RT adjustment itself, based entirely on reliance upon historical EIM data.[122/]

On the other hand, PacifiCorp also succeeds in undermining its own arguments in opposition to ICNU's recommendation, via the surrebuttal against Staff. While attempting to explain "lower DA/RT costs in 2016," Mr. Wilding testified that "participation in the EIM may have impacted 2016 as well."[123/] This claim is completely inconsistent with his Reply Testimony argument, purporting to dismiss ICNU's position that the EIM had fundamentally changed system balancing, that "… the company's participation in the EIM has not reduced the

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119/ Id. at 8:21-9:3 (quoting Docket No. UE 296, Order No. 15-394 at 4).
120/ ICNU/100, Mullins/7:3-8:7.
121/ PAC/800, Wilding/10:17-19 (emphasis added).
122/ Id. at 11:5-7 (emphasis added).
123/ Id. at 18:7-11.

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company's need to incur the system balancing costs captured by the adjustment."[124/] Moreover, Mr. Wilding's later refutation of his own position, in affirming the ability of EIM participation to impact DA/RT costs, also validates Mr. Mullins' skepticism toward Company assertions "that the EIM has had *zero* impact on the way it transacts in term, day-ahead, and real-time markets."[125/]

Once the Company turns directly to ICNU's recommendation, however, the argument repetition begins. First, the Company's concern with hedging transactions is present throughout its response to ICNU.[126/] Without reciting all the previously discussed reasons why this virtual obsession with hedging is unavailing, including the fact that Mr. Wilding grossly oversimplifies the intersection of hedging with the >7 Day Transactions at issue, Mr. Mullins' summarization of the issue is worthy of emphasis: "Whether the offsetting benefits relate to the hedging components, or some other factor, *is an irrelevant consideration*. If there is an offsetting systematic benefit associated with these longer-term contracts, those benefits are appropriately applied against the impact of the DA/RT, irrespective of what is causing the benefit."[127/]

That said, Mr. Wilding adds to a litany of inconsistent Company testimony on the DA/RT adjustment, when claiming that inclusion of "hedging transactions is contrary to the fundamental purpose of the DA/RT adjustment, which the Commission approved to correct a systematic under-forecast of the system balancing costs."[128/] The inconsistency here is that, when testifying earlier within the same piece of testimony in an attempt to refute Staff's position

124/ PAC/400, Wilding/28:3-7.
125/ ICNU/200, Mullins/9:18-20.
126/ See generally PAC/800, Wilding/25:1-32:24.
127/ ICNU/200, Mullins/9:9-12 (emphasis added).
128/ PAC/800, Wilding/25:5-7.

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on the DA/RT adjustment, Mr. Wilding has asserted that "… the basis for the Commission's approval of the DA/RT adjustment … was *not* that the DA/RT adjustment would remedy PacifiCorp's historical under-recovery of NPC."[129/]

In sum, the Company claims that the DA/RT adjustment was approved "to correct a systematic under-forecast" of NPC, while simultaneously denying that approval was designed to remedy "historical under-recovery" of NPC. While an academic exercise could possibly be undertaken to parse out the fine semantical distinctions between the Company's assertions here, ICNU finds it hard to believe that the Commission would have intentionally designed the DA/RT adjustment as an ontological riddle, requiring parties to incessantly debate the intricate nuances of the adjustment's founding. Indeed, ICNU's interpretation seems all but a certainty, given that: 1) the DA/RT adjustment was originally approved by two ex-Commissioners in a preliminary order, without any detailed rationale offered by way of explanation for that approval; and 2) concerns were still expressed, at the time of the 2016 TAM final order, that the Commission had had "little time to evaluate and verify the assertions made by PacifiCorp,"[130/] including assertions made in support of the DA/RT adjustment.

Far more likely, the DA/RT adjustment approval was premised, and should continue to be premised, to the extent it is maintained, on the understandable merits of an adjustment that serves the improve NPC forecasting accuracy. If ICNU's recommendation accomplishes this purpose, and renders the Company's rates more fair, just, and reasonable through appropriate reflection of offsetting customer benefits associated with all system

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129/ Id. at 10:14-17 (emphasis added).
130/ Docket No. UE 296, Order No. 15-394 at 13 (Bloom, concurring).

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balancing transactions, then only the extremely pedantic arguments of the Company could possibly provide a conceivable basis for maintaining the DA/RT status quo.

Assuming the Commission does not share a fixation upon pedantry, then there is little need to further discuss Mr. Wilding's focus upon the "systematic costs or bias associated with hedging," and whether an inquest should be maintained in this and (presumably) future TAM proceedings about ICNU's prior and current fidelities to such arguments.[131/] Nevertheless, even when considering the evidence of "systematic costs or bias," ICNU has still justified its recommendation in this proceeding.

Mr. Wilding alleges that ICNU's analysis of >7 Day Transactions "shows that those transactions impose costs in some years and benefits in others, indicating that there is no systematic bias one way or the other."[132/] Yet, a simple review of ICNU's actual evidentiary presentation reveals a yawning gap between the EIM average for >7 Day Transactions and either of the 60-month averages for >7 Day Transactions—i.e., anywhere between a $16.5 million to $20.4 million benefit gap, establishing that a massive systematic benefit has been ushered in through the EIM.[133/] Although PacifiCorp then complains about ICNU's reliance on two years of historical EIM data,[134/] the disingenuous nature of that argument is manifest by the Company's own reliance upon the "additional operational experience" of less than one-sixth of this amount of historical EIM data, to support a $10.8 million EIM inter-regional benefits adjustment, as already discussed.

131/ PAC/800, Wilding/25:8-12.
132/ Id. at 26:8-10.
133/ ICNU/200, Mullins/3, Confidential Table 1R (comparing a $(21.8) million average cost for >7 Day Transactions in 2015-2016 with costs of $(5.3) million and $(1.4) million in 2011-2016 and 7/2011-6/2016 averages, respectively).
134/ PAC/800, Wilding/26:15-27:16.

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PacifiCorp also contends that ICNU's recommendation would "produce an abnormally low DA/RT adjustment based on ICNU's own data."[135/] This is completely incorrect, for at least two reasons. First, the Company claims that "… ICNU's own evidence demonstrates that the 2015 DA/RT costs were 21 percent *higher* than the previous 48-month average."[136/] Yet, once more, the Company's analysis is constrained entirely to its favored category of <7 Day Transactions. In a nutshell, this is the whole problem with PacifiCorp's consideration of the DA/RT adjustment—the Company relentlessly filters out, by design, the full customer benefit offsets found in >7 Day Transactions. As already noted, >7 Day Transactions costs fall off a statistical cliff in EIM years,[137/] rendering fundamentally different DA/RT adjustment results that cannot be fairly characterized as "abnormally low," in light of current PacifiCorp operations.

Second, the Company acknowledges ICNU's position that, based on the massive shift in customer benefits seen through Company workpapers, EIM years now represent the "new normal."[138/] Thus, ICNU's recommendation can only be considered to produce "abnormally low" results when anachronistic, pre-EIM data are obstinately maintained by the Company to be "normal," despite no longer reflecting actual Company operations. The Company purports to find support from Staff for the proposition that a two-year EIM "historical data set is too limited";[139/] however, ICNU does not understand Staff to oppose the $10.8 million adjustment benefit in this proceeding, which the Company draws from less than four months of EIM historical data. In fact, PacifiCorp claims that this adjustment, based on far more scant

135/ Id. at 27:17-19.
136/ Id. at 28:13-14.
137/ ICNU/200, Mullins/3, Confidential Table 1R.
138/ PAC/800, Wilding/28:10-11.
139/ Id. at 28:11-12.

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"operational experience," was expressly crafted "in response to *Staff's* concern."[140/] This renders PacifiCorp's argument against ICNU as particularly less than ingenuous, in alleging that *Staff* concerns over the span of EIM operational data ought to be construed as a bulwark against ICNU's DA/RT adjustment recommendation.

What follows from here are mostly restated arguments that ICNU has already addressed, including complaints that "CUB made this exact argument last year" on the EIM, and the charge that "ICNU provides no evidence that the EIM has fundamentally changed" system balancing transactions.[141/] Likewise, the Company recycles (yet again) the argument that ICNU had taken a different position in the 2016 TAM.[142/] ICNU has formerly addressed all these arguments, and the Company's restatements on surrebuttal bring nothing new to the table.

The partial exception to this flourish of Company argument restatements is Mr. Wilding's final argument, alleging that "ICNU ignores the fundamental purpose of the DA/RT adjustment."[143/] In one sense, this argument is a variation of the Company's pedantic focus upon an apparent creation myth PacifiCorp is building around the DA/RT adjustment. But, a closer review of the argument is helpful to draw out an important fairness distinction. That is, PacifiCorp argues that "… ICNU ignores the fact that without the DA/RT adjustment," GRID would model sales in a manner producing "… a larger economic benefit than is actually realized."[144/]

But, as has been noted repeatedly on brief, ICNU is not advocating in this proceeding for a TAM "without the DA/RT adjustment," nor even a modification to the <7 Day

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140/ PAC/400, Wilding/8:21-22 (emphasis added).
141/ PAC/800, Wilding/28:15-30:2.
142/ Id. at 30:3-31:16.
143/ Id. at 32:14.
144/ Id. at 32:19-22.

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Transactions that might affect the modeling concern PacifiCorp expresses. Rather, just as PacifiCorp appeals to fairness in arguing that <7 Day Transactions add "an additional cost to match what can be realized in actual operations,"[145/] so too does ICNU propose a fair expansion of the DA/RT adjustment to capture "an additional benefit to match what can be realized in actual operations." This is accomplished when the DA/RT adjustment no longer unfairly filters out >7 Day Transactions, so that the flip side of the Company's hypothetical can be realized.

B. A Backcast to Validate GRID Accuracy Is Long Overdue

Recognizing the significant controversy over a recent slate of new GRID adjustments spanning multiple TAM dockets, and the shared belief among ratepayer advocates that the TAM is now "fundamentally broken," a Commission directive requiring PacifiCorp to perform a backcast, or similar validation process of GRID accuracy, would seem more than prudent. Further, ICNU suggests that a backcast, conducted with meaningful input and ongoing participation from interested parties, would be highly appropriate, regardless of the outcome on the DA/RT adjustment or other GRID adjustments in this proceeding. For instance, if the Commission adopts ICNU's recommendation, then the Company would have an opportunity to test the accuracy of GRID results via backcast, considering relevant impacts of an expanded DA/RT adjustment. Similarly, ICNU would find the need for a backcast to be more urgent still if the DA/RT status quo is upheld.

[145/] Id. at 32:23-24.

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1. ICNU Has Explained the Need for GRID and Exogenous Adjustment Validation

As Mr. Mullins has testified, GRID was developed more than fifteen years ago, around the turn of the millennium.[146] Over this long period, however, the Company has layered many outside or "exogenous" adjustments on to GRID results, which modify the actual results produced by the Company in forecasting NPC.[147] A partial list of the many impactful exogenous adjustments would include the DA/RT adjustment, day-ahead wind integration costs, intra-hour wind integration reserves, market caps, thermal plant screening, and inter-regional EIM benefits.[148] The problem, however, is that these discrete adjustments have been considered and approved in virtual isolation, without any holistic review being conducted to ensure that all these exogenous modifications to GRID results work harmoniously to produce optimal NPC forecasting accuracy.[149]

Fortunately, the ready-made solution to this problem is the performance of a backcast to validate the accuracy of GRID, inclusive of all exogenous adjustment effects. As Mr. Mullins testified, the Company has performed multiple backcasts for this very purpose, including one backcast in which "the Company contended that GRID predicted power costs within 0.1% of actual."[150] As validating as that backcast appeared to be, however, it had been conducted in 2003.[151] This means that another backcast is now long overdue, as Mr. Mullins explains:

146/ ICNU/100, Mullins/4 n.4.
147/ Id. at 3:16-21.
148/ Id. at 3:17-19.
149/ Id. at 3:21-23.
150/ Id. at 4:6-9 (quoting Re Pacific Power, Docket No. UE 170, ICNU/111, Falkenberg/24:16-17 (June 27, 2005)).
151/ Id. at 4:7-8 (citing Docket No. UE 170, ICNU/111, Falkenberg/24:13-24).

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> Since then, there have been many adjustments made with respect to the GRID modeling, and there have also been many changes in the electric services industry. The GRID model developers, for example, clearly did not contemplate the Company's participation in a regional, sub-hourly, EIM. Given the amount of time that has transpired and changes that have occurred since the last backcast, it is not unreasonable for the Company to perform a new backcast to reevaluate its modeling on a holistic basis.[152/]

Staff, too, has asked the Company to perform a backcast, which the Company refused to do.[153/] Moreover, ICNU and Staff already agree on many of the parameters for a backcast,[154/] and ICNU believes that any difference of opinion would be swiftly resolved to prevent any delay, if the Commission were to direct the Company to work with interested parties in performing a backcast. Indeed, Mr. Mullins has only expressed an interest to "perform a backcast in a slightly different way" as compared to Staff,[155/] and ICNU notes that, even if not included in an initial backcast run, Staff parameters "could subsequently be used as a sensitivity to test whether changes are warranted in the Company's hourly price scaling methodology."[156/] In short, any concerns over ICNU/Staff disagreements hindering the performance of a backcast would be unfounded.

ICNU has also exhibited proof of its ability to cooperate and work with PacifiCorp, if the Commission directs parties to collaborate on a backcast. Specifically, Mr. Mullins proposed that a backcast could be limited to analysis in the 2016 calendar year, to minimize any concerns about the level of burden for the Company: "Under this approach, the Company could use the final NPC studies approved in the 2016 TAM as a starting point, and

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152/ Id. at 4:10-15.
153/ Id. at 4:16-5:2.
154/ Id. at 5:3-4.
155/ Id. at 5:4-5.
156/ Id. at 5:11-13.

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populate those model runs with actual price, load and resource data from 2016."[157] In turn, this will serve a very important purpose in addressing the controversy seen in this proceeding, since "… absent a full backcast, it is somewhat difficult to isolate whether the forecast error in the 2016 TAM was the result of non-normal conditions or faulty modeling."[158]

As Mr. Mullins has clarified, ICNU does not view a backcast as "a tool through which to propose changes to the core GRID model logic, nor as a means to "'internalize [out-of-model] adjustments through modifications to the GRID model,'" as the Company wrongly contends.[159] Instead, a backcast will either: 1) verify GRID accuracy in forecasting NPC, while factoring the effect of all exogenous adjustments; or 2) show inaccuracy, prompting necessary reconsideration of adjustment usage or alternatives that could be employed to achieve forecasting improvement.[160] Moreover, the backcast could be tremendously beneficial to the Commission and interested parties beyond the TAM context, given the relevance of the GRID to PacifiCorp's interjurisdictional cost allocation approach.[161]

In response to Company concerns that a Commission directive to perform a backcast would be unreasonable, since GRID balances the system differently than in actual operations, ICNU points out that the backcast is needed for this very reason.[162] That is, a backcast will "isolate the differences between the way in which GRID simulates system balancing, compared to the way it is done in actual operations, with the ultimate objective of determining the cost of the impacts if there are differences and reconciling those differences

[157] Id. at 6:5-8.
[158] Id. at 6:14-16.
[159] ICNU/200, Mullins/11:18-20 (quoting PAC/400, Wilding/45:15-18).
[160] Id. at 11:20-12:2.
[161] Id. at 12:10-17.
[162] Id. at 13:8-10.

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within the modeling environment."[163] Likewise, any concerns over the interface of a backcast and GRID's purported "perfect foresight" do not pose a problem, since "the use of static inputs, relative to dynamic conditions experienced in actual operations," can be isolated and analyzed in a backcast.[164] And, because a backcast would use "actual values experienced in the test period, such as actual loads, actual outages, and actual process," even use of normalization assumptions in standard GRID modeling would pose no obstacle to a successful backcast.[165] Indeed, the population of non-normal inputs into GRID, together with the application of all exogenous adjustments, will allow all parties to determine whether the GRID-plus-exogenous adjustments model produces results comparable to actuals, as one would expect if the Company's modeling is accurate.[166]

2. The Company Does Not Present Valid Reasons to Reject Backcasting

The propriety, as well as the prudency, of a backcast is effectively demonstrated through a single Company statement: "A backcast will further prove the necessity of the DA/RT adjustment in [the] NPC forecast."[167] A backcast is proper for this reason, in the sense that validation of any Company action affecting rates is always appropriate. But, more importantly in a TAM context, a backcast would be prudent, given the direct relevance ascribed here by the Company to DA/RT adjustment validation. More specifically, the ongoing controversy over the DA/RT adjustment could be settled by persuasive evidence, since Mr. Wilding claims that a backcast will positively demonstrate the necessity of the DA/RT adjustment. If Mr. Wilding is

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[163] Id. at 13:11-14.
[164] Id. at 13:15-19.
[165] Id. at 13:21-24.
[166] Id. at 14:1-4.
[167] PAC/400, Wilding/49:10-11.

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wrong, of course, then a backcast will still prove invaluable, by validating any non-Company party concerns about continuing under the DA/RT status quo.

Given this confident assertion by Mr. Wilding about what the backcast "will" prove, ICNU submits that little weight should be ascribed to his contradictory statements, such as the claim that "[a] backcast analysis will provide little insight into the historical variances between forecast and actual NPC."[168/] Also, PacifiCorp's testimony about having "introduced multiple modeling refinements to increase the accuracy of the total NPC forecast," all within the 2016 TAM,[169/] lends further credence to ICNU's position that a backcast is needed "to be assured that all of the offsetting impacts associated with the Company's various modeling adjustments get considered, and that certain costs and benefits are not being double-counted."[170/]

On surrebuttal, the Company signaled a willingness to validate GRID, but objected to using a backcast analysis for this purpose.[171/] As an initial matter, a blanket objection to backcasting does not appear valid, since the Company has apparently performed multiple GRID backcasts.[172/] Moreover, the Company's report of 0.1% prediction accuracy in the most recent GRID backcast,[173/] combined with Mr. Wilding's guarantee that a backcast would "prove" the DA/RT adjustment's necessity, provide compelling evidence that a backcast is perfectly suited for GRID model validation, inclusive of the effects of all exogenous adjustments like the DA/RT.

168/ Id. at 4:1-3; accord id. at 46:1-2.
169/ Id. at 43:1-2.
170/ ICNU/200, Mullins/14:1-4.
171/ PAC/800, Wilding/33:5-8.
172/ ICNU/100, Mullins/4:6-9.
173/ Id. at 4:9 (quoting Re Pacific Power, Docket No. UE 170, ICNU/111, Falkenberg/24:16-17 (June 27, 2005)).

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III. CONCLUSION

For the reasons stated above, in addition to further testimonial evidence and arguments presented by Mr. Mullins in this proceeding, ICNU respectfully requests that the Commission adopt ICNU's briefing recommendations, and approve: 1) a $6.3 million Oregon-allocated reduction to the DA/RT adjustment, based on a determination that the adjustment should be recalculated to focus upon EIM operational data and the inclusion of >7 Day Transactions; and 2) the performance of a backcast to validate GRID accuracy, including all exogenous adjustments, to be conducted in conjunction with interested parties prior to the 2019 TAM.

Dated this 26th day of September, 2017.

Respectfully submitted,

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