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October 3, 2023

VIA ELECTRONIC FILING

Attention: Filing Center
Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, Oregon 97308-1088

**Re: UE 420 – *In the Matter of PACIFICORP, dba PACIFIC POWER, 2024
Transition Adjustment Mechanism.***

Attention Filing Center:

Attached for filing in the above-referenced docket is the Stipulating Parties' Joint Reply
Testimony in Support of the Stipulation.

Please contact this office with any questions.

Sincerely,

Adam Lowney

Attachment

Docket No. UE 420
Joint Stipulating Parties/100
Witnesses: McVee, Mitchell, Kim,
Jenks, Higgins, Johnson

**PUBLIC UTILITY COMMISSION
OF OREGON**

UE 420

PACIFICORP

Stipulating Parties' Joint Reply Testimony in Support of Stipulation

October 3, 2023

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I. PURPOSE OF TESTIMONY

Q. Who is sponsoring this testimony?

A. This testimony is jointly sponsored by PacifiCorp (PacifiCorp or the Company), Staff of the Public Utility Commission of Oregon (Commission) (Staff), the Oregon Citizens' Utility Board (CUB), Calpine Energy Solutions, LLC (Calpine Solutions), and Vitesse, LLC (Vitesse) (collectively, the Stipulating Parties).¹

Q. Please provide your names and qualifications.

A. Our names are Matthew D. McVee and Ramon J. Mitchell, testifying on behalf of PacifiCorp; Anna Kim, testifying on behalf of Staff; Bob Jenks, testifying on behalf of CUB; Kevin C. Higgins, testifying on behalf of Calpine Solutions; and Steve Johnson, testifying on behalf of Vitesse.

PacifiCorp witness McVee's and Mitchell's qualifications are included as PAC/100 and PAC/700. Staff witness Kim's qualifications are included as Staff/101. CUB witness Jenks' qualifications are included as CUB/101. Calpine Solutions witness Higgins' qualifications are included as Calpine Solutions/100. Vitesse witness Johnson's qualifications are included as Vitesse/100.

Q. Is each witness sponsoring the entirety of this reply testimony?

A. Unless otherwise indicated, each witness sponsors the entirety of this testimony, except for Calpine Solutions witness Higgins. Calpine Solutions witness Higgins provided testimony limited to the calculation of the direct access transition adjustments. Given that Calpine Solutions witness Higgins did not testify regarding

¹ The Klamath Water Users Association (KWUA) are signatories to the Stipulation and continue to support it. However, KWUA did not file testimony in this case and is not providing a witness in support of this testimony.

1 the revenue requirement in this case, his testimony here is limited to addressing only
2 direct access issues resolved in the Stipulation.

3 **Q. What is the purpose of your reply testimony?**

4 A. The Stipulating Parties filed a Stipulation in this proceeding on September 12, 2023.
5 This Stipulation resolves all issues in PacifiCorp's 2024 Transition Adjustment
6 Mechanism (TAM) proceeding among the Stipulating Parties except the appropriate
7 ratemaking treatment of the costs associated with the Washington Cap and Invest
8 Program. In addition, this Stipulation does not resolve the issues raised by Sierra
9 Club. Concurrent with the Stipulation, the Stipulating Parties also filed a Joint Brief
10 in Support of Stipulation. In this testimony, we reply to the Response to Stipulating
11 Parties' Joint Brief, which was filed by the Alliance of Western Energy Consumers
12 (AWEC) on September 26, 2023.

13 **Q. Is AWEC the only party who objected to the Stipulation?**

14 A. Yes.

15 **Q. Please summarize the recommendations you make in your testimony.**

16 A. We recommend that the Commission approve the Stipulation without modification.
17 The rates resulting from the Stipulation, including the resolution of the remaining
18 unsettled issue, are just and reasonable and the Stipulation is supported by a robust
19 evidentiary record. AWEC's specific criticisms of the Stipulation are contrary to
20 Commission precedent and unsupported.

21 **II. REPLY TO AWEC**

22 **Q. As background, what is your understanding of the Commission's standard for**
23 **reviewing stipulations?**

1 A. When evaluating a stipulation, it is our understanding that the Commission will
2 approve it if it is supported by the evidence in the record and results in just and
3 reasonable rates and is in accord with the public interest.² In addition, Commission
4 policy has been to encourage voluntary resolution of issues “to the extent that
5 settlement is in the public interest.”³

6 **Q. Does the Commission need to approve specific methodologies or adjustments to**
7 **approve a stipulation?**

8 A. No. The Commission reviews settlements on a holistic basis to determine whether
9 they serve the public interest and result in just and reasonable rates.⁴ “When
10 considering a stipulation, [the Commission] need not evaluate each individual
11 adjustment, theory, or methodology proposed by the parties, but may review the
12 reasonableness of the overall rates, recognizing that a stipulation may represent a
13 compromise of different positions.”⁵ As the Commission has explained:

14 [T]he validity of the determined rates rests on the
15 reasonableness of the overall rates, not the theories or
16 methodologies used or individual decisions made. As the
17 United States Supreme Court explained in *Hope*, if the total
18 effect of the rate order is not unjust and unreasonable, the fact
19 that the method employed to reach that result may contain
20 infirmities is not then important. The Oregon Supreme Court
21 has also recognized the holistic nature of ratemaking, stating
22 that it is the end result of an order of a regulatory authority

² See, e.g., AWEC Response to Stipulating Parties’ Joint Brief at 5-6; *In the Matter of Pacific Power & Light Co. (dba PacifiCorp) Request for a General Rate Increase*, Docket No. UE 170, Order No. 05-1050 at 7 and 29 (Sept. 28, 2005); *In the Matter of Northwest Natural Gas Company, dba NW Natural, Request for a General Rate Revision*, Docket No. UG 435 *et. al*, Order No. 22-388 at 6 (Oct. 24, 2022).

³ *In the Matter of PacifiCorp, dba Pacific Power, 2010 Transition Adjustment Mechanism*, Docket No. UE 207, Order No. 09-432 at 6 (Oct. 30, 2009).

⁴ Order No. 22-388 at 6.

⁵ *In the Matter of PacifiCorp, dba Pacific Power, 2012 Transition Adjustment Mechanism*, Docket No. UE 227, Order No. 11-435 at 3 (Nov. 4, 2011) (internal citations omitted).

1 which determines the question as to its validity and not the
2 processes by which the authority reached the result.⁶

3 Additionally, the Stipulation at issue here specifically notes:

4 This stipulation allows for the settlement of this case without
5 agreement of parties on the methodology for issues raised by
6 the Stipulating Parties, including but not limited to market
7 caps, and the day-ahead/real-time price adder. Approval of the
8 Stipulation does not represent the Commission adopting any
9 parties' methodologies for those adjustments.⁷

10 **Q. With this standard in mind, please provide an overview of AWEC's position on**
11 **the Stipulation.**

12 A. AWEC's primary and overriding argument is that the Stipulating Parties filed a brief
13 in support of the Stipulation and therefore "failed to present evidence to the
14 Commission demonstrating as a factual matter that the rates resulting from the
15 Stipulation would be just and reasonable."⁸

16 **Q. How do you respond to this argument?**

17 A. The Commission's rules specifically allow parties to submit explanatory briefs in
18 support of stipulations and do not require that parties submit testimony.⁹ In this case,
19 the Stipulating Parties chose to submit a brief because the voluminous and fully
20 developed evidentiary record provided sufficient support for the terms of the
21 Stipulation. The implication made in AWEC's filing is that the Commission must
22 reject stipulations supported by a brief instead of testimony. If that were the correct

⁶ *In the Matter of the Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement*, Docket No. DR 10 *et al.*, Order No. 08-487 at 7-8 (Sept. 30, 2008) (internal quotations and citations omitted).

⁷ Stipulation at 7-8.

⁸ AWEC Response to Stipulating Parties' Joint Brief at 1.

⁹ OAR 860-001-350(7)(a).

1 standard, then the Commission's rules specifically allowing briefs would be
2 meaningless.

3 **Q. AWEC further claims that the evidentiary record was developed before the**
4 **Stipulation was filed and therefore the record does not specifically address the**
5 **terms of the Stipulation.¹⁰ Is the record insufficient because it was fully**
6 **developed before the Stipulation was filed?**

7 A. No. The Stipulating Parties disagree that there is insufficient evidence to support the
8 Stipulation simply because the record was fully developed before the Stipulation was
9 filed. The record includes hundreds of pages of testimony and analysis from all
10 parties recommending a range of revenue requirements and adjustments. The agreed-
11 upon rates reflected in the Stipulation, including the resolution of the remaining
12 unsettled issue, fall squarely within the range of outcomes supported by the record
13 and therefore the rates are reasonable.

14 For example, PacifiCorp's initial, reply, and surrebuttal testimony included
15 evidence in support of its recommended revenue requirement. For the issues resolved
16 by the unspecified adjustment in the Stipulation, Staff proposed adjustments totaling
17 roughly \$31 million.¹¹ Neither CUB nor Calpine Solutions proposed revenue
18 requirement adjustments. Given that the \$13 million value of the unspecified
19 adjustment falls in the middle of the range of outcomes recommended by the
20 Stipulating Parties and supported by their testimony, the \$13 million adjustment is
21 both reasonable and supported by substantial evidence. The Stipulating Parties agree

¹⁰ AWEC Response to Stipulating Parties' Joint Brief at 6-7.

¹¹ Staff/700, Kim/3-4; PAC/1310 at 1. Vitesse did not submit testimony regarding an overall revenue requirement adjustment, but testified regarding discrete issues. Vitesse's legal briefing may have addressed issues raised by other parties.

1 that this outcome represents a reasonable resolution of relevant issues in this
2 proceeding.

3 **Q. AWEC argues that the Stipulating Parties have not presented evidence**
4 **specifically supporting the \$13 million unspecified monetary adjustment in the**
5 **Stipulation.¹² Has the Commission previously addressed how it reviews**
6 **stipulations that include unspecified adjustments, like the \$13 million**
7 **adjustment here?**

8 A. Yes. In PacifiCorp's 2009 rate case, docket UE 210, all parties to the case except for
9 AWEC's predecessor, the Industrial Customers of Northwest Utilities (ICNU),
10 entered a revenue requirement stipulation that included an unspecified adjustment
11 (referred to as "black box"). In that case, ICNU made very similar arguments as
12 those presented by AWEC here:

13 ICNU argues that the Stipulation is a "black box" settlement
14 that fails to adequately identify specific costs or methodologies
15 used to calculate the proposed rate increase. ICNU complains
16 that the Stipulation is not sufficiently detailed to allow ICNU to
17 determine whether the parties to the Stipulation accepted or
18 rejected specific adjustments proposed by Staff or intervenors
19 in their opening testimony, putting ICNU in the untenable
20 position of only having an overall revenue requirement
21 number, but no real idea how the number was obtained.
22 Because of this, ICNU argues, the rate increases proposed in
23 the Stipulation are not fully supported by the evidence.¹³

24 **Q. How did the Commission address ICNU's objection that the unspecified**
25 **adjustment was not supported by evidence?**

26 A. The Commission rejected ICNU's argument and approved the stipulation:

¹² See, e.g., AWEC Response to Stipulating Parties' Joint Brief at 7, 11.

¹³ *In the Matter of PacifiCorp, dba Pacific Power, Request for a General Rate Revision*, Docket No. UE 210, Order No. 10-022 at 5 (Jan. 26, 2010) (internal citations omitted).

1 When considering a stipulation, we have the statutory duty to
2 make an independent judgment as to whether any given
3 settlement constitutes a reasonable resolution of the issues. We
4 have recognized, however, that issues in a general rate case
5 typically reflect judgments along a continuum of outcomes and
6 can rarely be reduced to one “right” number in any cost
7 category. When considering a stipulation, therefore, we may
8 evaluate the validity of the rates based on the reasonableness of
9 the overall rates, not the theories or methodologies used or
10 individual decisions made. We may accept a non-unanimous
11 settlement agreement so long as we make an independent
12 finding, supported by substantial competent evidence in the
13 record as a whole, that the settlement will establish just and
14 reasonable rates.¹⁴

15 **Q. Does the Stipulation meet the Commission’s standard for approving settlements**
16 **with unspecified monetary adjustments?**

17 A. Yes. As described in the Stipulation, the Joint Brief in Support of Stipulation, and
18 again in this supporting testimony, the Stipulation here is the result of the Stipulating
19 Parties’ extensive efforts investigating and analyzing every major issue in the
20 Company’s case and concluding that the agreed upon revenue requirement is
21 reasonable and will result in rates that are just and reasonable. The evidence in the
22 record supports this conclusion. Because the Stipulation produces just and reasonable
23 rates, the methodologies or specific adjustments used by the Stipulating Parties to
24 reach the final revenue requirement are irrelevant to its approval.

25 **Q. Has the Commission approved similar stipulations that include unspecified**
26 **monetary adjustments?**

¹⁴ Order No. 10-022 at 6 (internal citations omitted).

1 A. Yes. For example, the stipulations that resolved the 2019, 2020, 2021, and 2023
2 TAMs all included unspecified monetary adjustments.¹⁵

3 **Q. AWEC criticizes the Stipulating Parties for not reconciling the positions taken in**
4 **pre-filed testimony with the resulting monetary adjustment in the Stipulation.¹⁶**
5 **How do you respond?**

6 A. As discussed above, the Commission does not require that a stipulated rate increase
7 be supported by specific adjustments and methodologies. Rather, the Commission
8 requires that rates be reasonable on an overall basis. The Commission has
9 acknowledged that “[p]arties negotiate settlements for their own reasons” and the
10 Commission “need not inquire into those reasons if the outcome is reasonable.”¹⁷
11 Here, the Stipulation specifically did not resolve many contested issues and is
12 intended to be non-precedential so that the parties can continue discussions regarding
13 them in workshops. If the parties cannot reach a resolution of those issues, then the
14 Commission will have an opportunity to resolve them in a future TAM. The outcome
15 of the Stipulation is reasonable and supported by the record.

16 **Q. AWEC makes the specific recommendation that the Commission should modify**
17 **the Stipulation to reduce the NPC forecast by at least \$23.2 million to account**
18 **for the use of the third-quartile of averages market cap proposal and to remove**

¹⁵ *In the Matter of PacifiCorp, dba Pacific Power, 2019 Transition Adjustment Mechanism*, Docket No. UE 339, Order No. 18-421 at 1, App’x A at 3 (Oct. 26, 2018) (\$11.8 million unspecified adjustment); *In the Matter of PacifiCorp, dba Pacific Power, 2020 Transition Adjustment Mechanism*, Docket No. UE 356, Order No. 19-351 at 3 (Oct. 30, 2019) (\$4.9 million unspecified monetary adjustment); *In the Matter of PacifiCorp, dba Pacific Power, 2021 Transition Adjustment Mechanism*, Docket No. UE 375, Order No. 20-392 at 2 (Oct. 30, 2020) (\$2.25 million unspecified monetary adjustment); *In the Matter of PacifiCorp, dba Pacific Power, 2023 Transition Adjustment Mechanism*, Docket No. UE 400, Order No. 22-389 at 3 (Oct. 25, 2022) (\$4.9 million unspecified monetary adjustment).

¹⁶ AWEC Response to Stipulating Parties’ Joint Brief at 8.

¹⁷ *In the Matter of the Application of PacifiCorp for an Accounting Order Regarding Excess Net Power Costs*, Docket No. UM 995, *et al.*, Order No. 02-469 at 75 (July 18, 2002) (internal citations omitted).

1 **the correction to the Day-Ahead and Real-Time (DA/RT) adjustment included in**
2 **the Company's Reply Update.¹⁸ How do you respond?**

3 A. The Commission should reject AWEC's recommendation and approve the Stipulation
4 without modification. The rates resulting from the Stipulation's \$13 million
5 adjustment, including the resolution of the remaining unsettled issue, are within the
6 range of reasonable outcomes supported by the record, which includes significant
7 testimony and analysis related to the two specific adjustments identified by AWEC.¹⁹
8 Contrary to AWEC's argument, the Commission need not dissect the \$13 million
9 adjustment to determine how it was calculated in order to approve the resulting rates.
10 When viewed holistically and in light of the entire evidentiary record, the overall
11 rates resulting from the Stipulation are just and reasonable.

12 **Q. Do the Stipulating Parties have any other concerns with AWEC's**
13 **recommendations?**

14 A. Yes. From a policy perspective, rejecting a settlement simply because one party does
15 not believe it describes each adjustment made or method used in adequate detail
16 would effectively preclude settlement in many cases. Many cases, including the
17 annual TAM, involve many parties representing many different interests. When
18 reaching a settlement, each party may agree to a final revenue requirement amount
19 but may do so for different reasons. If the Commission were to require settlements to
20 include not only agreed-upon results but also agreed-upon methodologies, specific
21 adjustments, and reasoning, settlements would be much more difficult, if not

¹⁸ AWEC Response to Stipulating Parties' Joint Brief at 12.

¹⁹ See, e.g., PAC/400, Mitchell/20-76; PAC/800, Mitchell/13-59.

1 impossible. Adopting AWEC's position here would undermine the Commission's
2 long-standing policy encouraging parties to reach settlement.

3 **PacifiCorp's Reply**

4 **Q. Does PacifiCorp agree that the rates resulting from the Stipulation are just and**
5 **reasonable?**

6 A. Yes. The Company's initial, reply, and surrebuttal testimonies provide sufficient
7 evidentiary support for the Company's recommended revenue requirement increase
8 of \$130.8 million, Oregon-allocated. However, as a compromise of its position in
9 order to resolve the dispute in this case, the Company agreed to a reduction of \$13
10 million as an unspecified adjustment and a reduction of \$5.5 million to reflect the
11 removal of the Ozone Transport Rule from this case. The Company also agreed to a
12 number of other important provisions in the Stipulation, including an adjustment to
13 the calculation of the direct access transition adjustments, additional workshops and
14 reporting requirements, and an agreement to limit the residential rate impact of this
15 and other rate increases taking effect during the winter heating season. By working in
16 good faith with the Stipulating Parties, the Company was able to arrive at a negotiated
17 outcome that results in just and reasonable rates and is in the public interest.

18 **Q. Are there any additional issues raised by AWEC that PacifiCorp would like to**
19 **address?**

20 A. Yes. AWEC's Response to Stipulating Parties' Joint Brief mischaracterizes the record
21 and therefore should be corrected. When discussing the Company's correction to the
22 DA/RT adjustment made in the Reply Update, AWEC claims that "even if this
23 modeling change could be characterized as a 'correction,' the TAM Guidelines

1 require PacifiCorp to provide notice of any impending correction promptly after the
2 discovery of the error, which the Company did not do.”²⁰ This is untrue. The
3 Company’s June 2, 2023, List of Corrections or Omissions filed in this case stated:
4 “PacifiCorp has identified a correction related to the Day Ahead – Real Time (DA-
5 RT) adjustment. The NPC impact of this correction has not yet been calculated and
6 will be quantified in the Company’s July Update.” For the reasons outlined above,
7 the characterization of this correction does not matter for purposes of the
8 Commission’s review of the Stipulation. However, the record should be clear and
9 correct.

10 **Staff’s Reply**

11 **Q. AWEC takes particular issue with Staff’s participation in the Stipulation, noting**
12 **the agreed-to \$13 million reduction to PacifiCorp’s revenue requirement is**
13 **“overwhelmed” by Staff’s proposed adjustment²¹ related to PacifiCorp’s update**
14 **to the DA/RT adjustment and ignores Staff’s recommendation that the Company**
15 **adopt the “third quartile of averages” approach used on a non-precedential basis**
16 **in the 2022 TAM. What is Staff’s response?**

17 **A.** AWEC’s argument that the stipulated reduction is “overwhelmed by” and ignores
18 Staff’s proposed adjustments is simply untrue. Staff’s proposed adjustments totaled
19 approximately (\$31 million).²² A resolution that results in a reduction to revenue
20 requirement that within the scale of what Staff proposed is a reasonable outcome,

²⁰ AWEC Response to Stipulating Parties’ Joint Brief at 9 (internal quotations omitted).

²¹ In Staff/700, Kim/3, Staff mistakenly mischaracterized Staff/800’s \$66.21 million downward adjustment as Oregon-allocated when \$60 million of this number was in fact a system-wide adjustment. Staff’s total Oregon-allocated adjustment for DA/RT was in fact a reduction of \$21.7 million. This clarification was also provided in Staff’s reply to PAC DR 07 to Staff.

²² See Staff response to DR 07.

1 particularly for the adjustments at issue. The largest adjustment of (\$21.7 million)
2 hinged on whether PacifiCorp's update to the DA/RT adjustment is properly
3 characterized as a modeling change. The second largest adjustment of (\$5.7 million)
4 related to Staff's proposed method to establish market caps is a question of whether
5 the Staff-proposed or PacifiCorp-proposed method more accurately reflected the
6 wholesale market and other items related to wholesale market sales such as the
7 DA/RT and the Western EIM. The resolution of both issues would not have been
8 decided on the appropriate application of well-established ratemaking principles, but
9 on subjective questions of interpretation the Commission would have discretion to
10 resolve either way.

11 Overall, Staff believes this stipulation represents significant value for
12 ratepayers, not just in the unspecified monetary adjustment but additional concessions
13 that will support Staff's and stakeholders' efforts to monitor the Company's power
14 cost expenditures. In Staff's opinion, a stipulated resolution capturing a significant
15 portion of Staff's proposed reductions is a reasonable balance between achieving
16 Staff's objectives in the case and the risk the Commission would not agree with
17 Staff's interpretation of the correct resolution of the issues.

18 **CUB's Reply**

19 **Q. Mr. Jenks, please explain why CUB supports the Stipulation.**

20 A. CUB supports the Stipulation because it is a reasonable compromise of relevant
21 issues in this case. Recognizing that stipulations require balancing competing
22 interests to achieve a result that various parties agree is acceptable, the terms of this
23 Stipulation strike a fair balance of positions raised by various parties to this

1 proceeding. This testimony, as well as the remainder of the extensive administrative
2 record in this proceeding, demonstrates that parties have diverged from positions
3 taken in testimony to come to a resolution that is agreeable to all. From CUB's
4 perspective, the uncertainty regarding the rate impact PacifiCorp's customers will
5 experience on January 1, 2024 was a primary concern that should be addressed in this
6 proceeding. This is especially true given the unanticipated and substantial power cost
7 increases that were incurred during TAM updates towards the end of last year. It was
8 therefore paramount to CUB that the terms of any stipulation in this proceeding
9 address the potential effect on PacifiCorp's residential customers. By agreeing to
10 delay increases associated with the Company's Power Cost Adjustment Mechanism to
11 keep the overall residential rate increase at or below 15% on January 1, 2024, this
12 Stipulation achieves this purpose. Beyond this issue, CUB supports the Stipulation as
13 a whole and believes it will result in just and reasonable rates and furthers the public
14 interest.

15 **Vitesse's Reply**

16 **Q. Mr. Johnson, please explain why Vitesse believes the Stipulation is in the public**
17 **interest.**

18 A. The Stipulation is a reasonable compromise of the issues and disputes in this case.
19 Vitesse views the reasonableness of the compromises in the context of the totality of
20 the Stipulation. Vitesse conducted discovery, examined discovery responses, and
21 reviewed the Company's and intervenors' testimony and positions throughout the
22 proceeding. Vitesse proposed a number of adjustments to the methods of setting rates
23 in this proceeding. Considering the evidence and argument presented by PacifiCorp

1 and the intervenors, Vitesse considers the \$13 million black box reduction to net
2 power costs as a balanced compromise in light of the Stipulation as a whole. Vitesse
3 believes the Stipulating Parties' commitment in the stipulation "to identify, specify,
4 and describe the modeling, inputs, and forecasting of the topics" set for workshop in
5 the Stipulation will serve the public interest.

6 **Calpine Solutions' Reply**

7 **Q. In its Response to Stipulating Parties' Joint Brief, does AWEC specifically**
8 **address paragraph 17 of the Stipulation, DA/RT Adjustment in the Calculation**
9 **of the Transition Charge?**

10 A. No.

11 **Q. Did AWEC address the DA/RT adjustment in the calculation of the transition**
12 **charge in its pre-filed testimony?**

13 A. No.

14 **Q. Please explain why the Stipulation reasonably addresses the treatment of the**
15 **DA/RT adjustment in the calculation of the transition charge.**

16 A. In PacifiCorp's direct testimony, the Company proposed that the DA/RT adjustment
17 should be applied to a subcomponent of the Schedule 294, 295 and 296 transition
18 adjustment calculation to which it had previously not been applied, namely the
19 monthly thermal generation that is backed down for assumed retail access load.
20 Although I objected to this change in my opening testimony and rebuttal testimony,
21 Calpine Energy Solutions is accepting this change as part of a broader resolution of
22 how changes in monthly thermal generation are valued in the transition adjustment.
23 Specifically, for months when the net change in the Company's generation is a

1 *reduction* of generation attributable to direct access, the DA/RT adjustment as
2 proposed by the Company will be applied. However, there can be instances in which
3 modeling the impact of direct access results in a net *increase* in PacifiCorp generation
4 in certain months. When and if that occurs, the Stipulation provides that PacifiCorp
5 will not apply a market adjustment to the net generation increase, but rather the
6 increase in generation will be valued at cost. Overall, this treatment provides a
7 reasonable and equitable resolution of this issue.

8 **III. CONCLUSION**

9 **Q. What is your recommendation to the Commission?**

10 A. The Stipulating Parties urge the Commission to reject AWEC’s recommendation and
11 approve the Stipulation in its entirety and without modification.

12 Q. Does this conclude your reply testimony?

13 A. Yes.