

April 14, 2014

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250

Attention: Steven V. King  
Executive Director and Secretary

**RE: Advice No. 14-03—Hydro Investment Adjustment**

Dear Mr. King:

Pacific Power & Light Company (Pacific Power or Company), a division of PacifiCorp, submits for filing with the Washington Utilities and Transportation Commission (Commission) the following original tariff sheet in accordance with RCW 80.28.050, RCW 80.28.060, WAC Chapter 480-80, and WAC 480-100-194:

**Original Sheet No. 90.1      Schedule 90      Hydro Investment Adjustment**

The purpose of this filing is to reflect in customer rates the Washington-allocated revenue requirement associated with the Company's investment in the Merwin Fish Collector. The Merwin Fish Collector was completed and fully operational on March 28, 2014, and is necessary to comply with the Federal Energy Regulatory Commission (FERC) licenses for the Lewis River hydroelectric project. In support of this filing, Pacific Power includes the following attachments:

Attachment A—Notice

Attachment B—List of Proposed Tariff Revisions

Attachment C—Exhibit No.\_\_(MRT-1T): Testimony of Mark R. Tallman

Exhibit No.\_\_(MRT-2): FERC Order Issuing New License (June 26, 2008)

Exhibit No.\_\_(MRT-3): FERC Order on Rehearing (October 16, 2008)

Attachment D—Original Tariff Schedule 90

Attachment E—Table Showing Bill Impacts

Attachment F—Revenue Requirement Calculation

Attachment G—Alternative Petition for Deferred Accounting

The Merwin Fish Collector is a fish passage system designed to collect, trap, and haul juvenile and adult anadromous fish around the three Lewis River dams. As discussed in the testimony of Mr. Mark R. Tallman, the Merwin Fish Collector is necessary to comply with

the Company's obligations under the FERC licenses issued for the Lewis River hydroelectric project. Because of this investment, customers continue to benefit from the Company's emission-free, low-cost hydropower generation at the Lewis River hydroelectric project, which was reflected in the Company's net power cost modeling in its 2013 general rate case, Docket No. UE-130043.<sup>1</sup> The final design of the Merwin Fish Collector was reviewed by the Washington Department of Fish and Wildlife and required by the National Marine Fisheries Services and the U.S. Fish and Wildlife Service.

The Company's total capital investment in the Merwin Fish Collector is approximately \$58.4 million (total-company). The Washington-allocated annual revenue requirement is approximately \$1.7 million, resulting in an overall rate increase of approximately 0.5 percent.<sup>2</sup> If approved, a typical Washington customer using 1,300 kilowatt hours per month will see an increase of \$0.60 per month. The Washington-allocated revenue requirement was determined using the allocation percentages,<sup>3</sup> authorized overall rate of return, and revenue sensitive percentages approved in the Company's 2013 general rate case.<sup>4</sup>

The Company requested recovery of its investment in the Merwin Fish Collector during its 2013 general rate case.<sup>5</sup> In that proceeding, the Company demonstrated the prudence of its investment, which no party disputed. Commission Staff and Public Counsel, however, did dispute the timing of the Company's request for recovery.<sup>6</sup> In its final order, the Commission concluded that the Company's investment in the Merwin Fish Collector should not be included in rates at that time because "its costs [were] not known and measurable."<sup>7</sup> The Commission also stated that the project was not "used and useful today" because it was not yet "fully functional."<sup>8</sup>

The Company sought to mitigate regulatory lag for its investment in the Merwin Fish Collector in the Company's 2013 general rate case. Although the Company's preferred approach was to include the Merwin Fish Collector in rates as part of its pro forma adjustment for capital additions, the Company proposed the alternative approach of using a separate tariff rider to add the revenue requirement associated with the Merwin Fish Collector in rates once it was complete and operational.<sup>9</sup> The Commission's final order did not expressly address the Company's alternate proposal.

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<sup>1</sup> *Washington Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket No. UE-130043, Order 05 ¶ 196 (Dec. 4, 2013).

<sup>2</sup> See Attachment E. In determining the rate impact, the Company is using the same rate spread agreed to by all parties and approved by the Commission in the Company's 2013 general rate case. Docket No. UE-130043, Order 05, ¶ 251.

<sup>3</sup> Washington's allocation percentages were determined using the Commission-approved West Control Area inter-jurisdictional allocation methodology.

<sup>4</sup> See Attachment F.

<sup>5</sup> See *id.* ¶ 186.

<sup>6</sup> See *id.* ¶ 189.

<sup>7</sup> *Id.* ¶ 203.

<sup>8</sup> *Id.* ¶ 204.

<sup>9</sup> See *id.* ¶ 216.

The Merwin Fish Collector is now fully functional and therefore used and useful, and the investment costs are known and measurable. The Company therefore submits this separate tariff rider to recover its mandatory environmental investments in a timely manner. This tariff rider proposal is consistent with alternative rate mechanisms the Company has used in California, Oregon, and Utah.

If the Commission rejects the Company's proposal for a separate tariff rider, the Company respectfully requests that the Commission accept the alternative petition for an accounting order authorizing the Company to defer the revenue requirement for the Merwin Fish Collector from the date of the petition until included in base rates. The petition complies with the requirements of WAC 480-07-370(b) and is included as Attachment G.

Please direct all service and correspondence related to this filing to:

Washington Dockets  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232  
Email: [washingtondockets@pacificorp.com](mailto:washingtondockets@pacificorp.com)

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In addition, the Company respectfully requests that all data requests regarding this matter be addressed to:

By e-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232

Please direct any inquiries regarding this filing to me at (503) 813-6389 or [Bryce.Dalley@PacifiCorp.com](mailto:Bryce.Dalley@PacifiCorp.com).

Sincerely,

R. Bryce Dalley  
Vice President, Regulation

Enclosures

# **ATTACHMENT A**

**NOTICE  
PACIFIC POWER & LIGHT COMPANY**

As required by Washington law (including RCW 80.28.050 and 80.28.060) and the Rules and Regulations issued by the Washington Utilities and Transportation Commission (Commission), Pacific Power & Light Company has filed with the Commission an original tariff schedule for electric service in the State of Washington.

**Overview**

The Company submits this filing to reflect in rates the Washington-allocated revenue requirement associated with the Company's investment in the Merwin Fish Collector. The Merwin Fish Collector is a fish passage facility required by the Federal Energy Regulatory Commission licenses issued for the Lewis River hydroelectric project.

The Commission will examine the Company's proposed tariff schedule. As a result of this examination, the Commission may determine that the schedule should be accepted as filed, modified, or rejected.

DATED: April 14, 2014

PACIFIC POWER & LIGHT COMPANY

By: \_\_\_\_\_  
R. Bryce Dalley  
Vice President, Regulation

# **ATTACHMENT B**

# **ATTACHMENT C**

# **ATTACHMENT D**



# **ATTACHMENT E**

# **ATTACHMENT F**

# **ATTACHMENT G**