

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFIC POWER & LIGHT  
COMPANY,

Respondent.

DOCKET UE-190458

ORDER 01

COMPLAINT AND ORDER  
SUSPENDING FILING

**BACKGROUND**

- 1 On May 26, 2015, the Utilities and Transportation Commission (Commission) issued Order 09 in Docket UE-140762 (Order 09). Order 09 authorized Pacific Power & Light Company (Pacific Power or Company) to implement a Power Cost Adjustment Mechanism (PCAM) allowing for positive or negative adjustments to its rates to account for fluctuations in power costs outside of an authorized band for power-cost recovery in base rates. Under the Settlement Stipulation in Order 09, Pacific Power is required to file by June 1 of each year a request to confirm the power costs of the prior calendar year and authority to defer any costs that exceed established thresholds under the PCAM.<sup>1</sup>
- 2 The Company's June 1 filing is intended to be sufficient to provide the Commission and interested parties an opportunity to audit and review the prudence of the PCAM deferrals for the year in question.<sup>2</sup> Although a 90-day review period is contemplated, the parties can agree to extend it.<sup>3</sup> The 2018 PCAM annual review covers the period from January 1, 2018, through December 31, 2018.
- 3 Pursuant to the terms of the PCAM, differences between actual costs and the costs collected through baseline rates are shared between customers and Pacific Power subject

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<sup>1</sup> Settlement Stipulation in Docket UE-140762 at ¶ 19.

<sup>2</sup> *Id.*

<sup>3</sup> *Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Co.*, Docket UE-140762, Order 09, 8, ¶ 20 (May 26, 2015).

to certain conditions.<sup>4</sup> The Company does not defer annual Net Power Cost (NPC) variances within a dead band of \$4 million in either the surcharge or credit direction. NPC variances within the dead bands are absorbed by the Company. Annual NPC variances that exceed the dead bands are shared between Pacific Power and its customers. For positive annual NPC variances greater than \$4 million, up to and including \$10 million, 50 percent is shared with customers and the remainder is absorbed by the Company. For negative annual NPC variances greater than \$4 million, up to and including \$10 million, 75 percent is allocated to customers and the remaining 25 percent is absorbed by Pacific Power. For NPC variances greater than \$10 million (in either the credit or surcharge direction), 90 percent is shared by customers with the remaining 10 percent absorbed by the Company. If the cumulative positive or negative balance in the PCAM deferral account, including monthly interest, exceeds \$17 million, either a surcharge or credit is triggered.

- 4 On June 3, 2019, Pacific Power filed testimony, exhibits, and supporting documentation related to power costs deferred under the PCAM for the 12-month period beginning January 1, 2018, and ending December 31, 2018.

### **DISCUSSION AND DECISION**

- 5 Pacific Power's filing related to the power costs deferred under the PCAM for 2018 might injuriously affect the rights and interests of the public, and Pacific Power has not demonstrated that its filing meets the requirements of the PCAM implemented in Docket UE-140762, establishes prudence of the PCAM deferrals for 2018, or properly calculates the deferrals incurred in 2018. The Commission, therefore, suspends Pacific Power's filing pursuant to RCW 80.28.060 and will hold public hearings, if necessary, to determine whether the filing meets the requirements of the PCAM implemented in Docket UE-140762 and properly calculates the deferrals incurred in the 2018 period.
- 6 The Company's filing contains many elements that are unique to its PCAM. However, as a co-owner of the Colstrip coal-fired generating station with two other electric investor-owned utilities in Washington, questions regarding the decision making of the co-owners leading up to a 2018 outage at the Colstrip generating station present common issues of fact involving the three co-owners. The Commission finds it necessary to require Commission staff (Staff) to open an investigation into the prudence of the decision

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<sup>4</sup> The baseline for this PCAM calculation results from the power supply revenues and expenses approved by the Commission in Docket UE-140762.

making leading up to the outage in 2018 at Colstrip and the increased costs incurred for replacement power, Docket UE-190882. Because all three of the electric investor-owned utilities in Washington are co-owners of at least part of the Colstrip generating station, we find it necessary to consider the prudence of their actions simultaneously. Our decision in Docket UE-190882 will be binding and will be incorporated as part of our full evaluation of the Pacific Power's PCAM filing, Docket UE-190458, Avista Corporation d/b/a Avista Utilities' ERM filing, Docket UE-190222, and Puget Sound Energy's PCA filing, Docket UE-190324.

- 7 To ensure the efficient use of information and to protect against unnecessarily duplicative discovery, we determine that it will be necessary to create a protective order in Docket UE-190882 to permit two tiers of confidentiality and the use of any information gathered through discovery to also be used in this matter, Docket UE-190458.

### FINDINGS AND CONCLUSIONS

- 8 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts, securities, transfers of property, and affiliated interests of public service companies, including electric companies.
- 9 (2) Pacific Power is an electric company and a public service company subject to Commission jurisdiction.
- 10 (3) Pacific Power's June 3, 2019, filing related to the power costs deferred under the PCAM for 2018 might injuriously affect the rights and interests of the public.
- 11 (4) Pacific Power has not yet demonstrated that its filing meets the requirements of the PCAM implemented in Docket UE-140762, establishes prudence of the PCAM deferrals for 2018, or properly calculates the deferral balances incurred in 2018.
- 12 (5) Pacific Power's rates and charges for electric service shown on any tariff related to its June 3, 2019, filing may also be investigated to determine if they are fair, just, reasonable, and sufficient.
- 13 (6) In order to carry out the duties imposed upon the Commission by law, and as authorized in RCW 80.04.130, the Commission finds it is necessary to investigate

Pacific Power's books, accounts, practices and activities, and appraise various phases of Pacific Power's operations.

- 14 (7) The Commission finds that this docket meets the criteria of WAC 480-07-400(2)(b) and that the parties may conduct discovery pursuant to the Commission's discovery rules in WAC 480-07-400 – 425.
- 15 (8) As required by RCW 80.04.130(4), Pacific Power bears the burden to prove that the proposed changes are fair, just, reasonable, and sufficient.
- 16 (9) Pacific Power may be required to pay the expenses reasonably attributable and allocable to such an investigation, consistent with Chapter 80.20 RCW.
- 17 (10) The Commission has directed Staff to initiate an investigation, Docket UE-190882, into the prudence of the decision making of the three electric investor-owned utilities serving customers in Washington that are co-owners of Colstrip leading up to the outage in 2018 and the increased costs incurred to acquire replacement power.
- 18 (11) The Commission should resolve in Docket UE-190882 the prudence of Pacific Power's decision making, its actions leading up to the outage, and the costs it incurred to acquire replacement power.
- 19 (12) The Commission should afford the parties in Docket UE-190882 and this matter the ability to gather and use all information between the two dockets without duplication of discovery and as appropriate in consideration of confidentiality designations.
- 20 (13) The Commission should convene a prehearing conference in this matter, Docket UE-190458.

**ORDER**

**THE COMMISSION ORDERS:**

- 21 (1) The filing made by Pacific Power & Light Company on June 3, 2019, is suspended.

- 22 (2) The Commission will hold hearings at such times and places as may be required. Such hearings may also examine any of Pacific Power & Light Company's service, rates, and charges related to its June 3, 2019, filing.
- 23 (4) Pacific Power & Light Company must not change or alter the filing made in these dockets during the suspension period, unless authorized by the Commission.
- 24 (5) The Commission will institute an investigation of Pacific Power & Light Company's books, accounts, practices, activities, property, and operations related to its June 3, 2019, filing.
- 25 (6) Discovery will be conducted pursuant to the Commission's discovery rules in WAC 480-07-400 – 425.
- 26 (7) Pacific Power & Light Company shall pay the expenses reasonably attributable and allocable to the Commission's investigation, consistent with Chapter 80.20 RCW.
- 27 (8) The Commission's decision in Docket UE-190882 will resolve the prudence of Pacific Power's decision making, its actions leading up to the outage, and the costs it incurred to acquire replacement power.
- 28 (9) All information gathered by the parties in Docket UE-190882 may be used in this Docket UE-190458 without duplication of discovery and as appropriate in consideration of confidentiality designations.

- 29 (10) The Commission will convene a prehearing conference in this matter, Docket UE-190458.

DATED at Olympia, Washington, and effective October 24, 2019.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner