

**BEFORE THE**  
**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of	)	DOCKET UE- 230482
	)	
PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY,	)	PETITION FOR ADJUDICATION OF THE ALLIANCE OF WESTERN ENERGY CONSUMERS
2022 Power Cost Adjustment Mechanism.	)	
_____	)	

**I. INTRODUCTION**

1 Pursuant to RCW 80.04.130(1) and WAC § 480-07-305(3)(b), the Alliance of Western Energy Consumers (“AWEC”) hereby respectfully petitions the Washington Utilities and Transportation Commission (“WUTC” or “Commission”) to suspend PacifiCorp d/b/a Pacific Power & Light Company’s (“PacifiCorp” or “Company”) 2022 Power Cost Adjustment Mechanism (“PCAM”) and to initiate an adjudicatory proceeding to review whether PacifiCorp’s proposed rates are reasonable and just. AWEC’s review of PacifiCorp’s 2022 PCAM has resulted in at least one area of potential controversy that AWEC believes warrants additional investigation and the development of an administrative record to determine issues of fact and law, necessitating that this matter be set for adjudication. AWEC has conferred with Public Counsel, Commission Staff and PacifiCorp on this petition. Public Counsel supports AWEC’s petition. Staff does not oppose AWEC’s petition. PacifiCorp opposes AWEC’s petition.

**II. BACKGROUND**

2 PacifiCorp filed its 2022 PCAM on June 15, 2023, therein seeking a surcharge to customers of \$71.5 million, or 18.2 percent overall,<sup>1</sup> which it proposes to spread over a two-year

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<sup>1</sup> UE-230482 – PacifiCorp’s Petition to Extend the Amortization of the PCAM at ¶ 5.

period as opposed to the one-year amortization period that typically applies to PCAM surcharges and credits. Under the structure of the PCAM, PacifiCorp makes an annual filing addressing the prudence of PCAM deferral entries for the prior calendar year and the parties then have a 90-day review period.<sup>2</sup> This review period can be extended by agreement of reviewing parties and PacifiCorp, or by Commission order.<sup>3</sup> Staff recently requested an extension on the review period, which was granted by Administrative Law Judge Howard on September 29, 2023.

3 Under the PCAM, variations between authorized forecast and actual power supply revenues and expenses are tracked by month and accumulate into a calendar-year total. PacifiCorp absorbs the first \$4 million in variation in each calendar year, which cannot be deferred.<sup>4</sup> For variations greater than \$4 million, up to and including \$10.0 million, PacifiCorp is permitted to defer 75 percent of the cumulative variation if the deferral is a surcharge to customers, and 50 percent if the deferral is a rebate to customers.<sup>5</sup> If the cumulative variance exceeds \$10.0 million, 90 percent of the variance above \$10.0 million is deferred for future surcharge or rebate.<sup>6</sup>

4 In the present case, the 2022 cumulative PCAM differential exceeded the amount included in base rates by \$72.2 million, before application of the deadband and asymmetrical sharing bands which result in a deferral charge of \$59.4 million.<sup>7</sup> After PCAM mechanics are applied, including adjustments to the power cost baseline from prior proceedings and interest, the

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<sup>2</sup> *Wash. Util. & Transp. Comm'n v. Pac. Power & Light Co.*, Docket No. UE-140762, Order 09 at ¶19 (May 26, 2015) (hereinafter “2015 PCAM Order”).

<sup>3</sup> 2015 PCAM Order at ¶ 19.

<sup>4</sup> 2015 PCAM Order at ¶ 14.

<sup>5</sup> 2015 PCAM Order at ¶ 15.

<sup>6</sup> 2015 PCAM Order at ¶ 16.

<sup>7</sup> Exhibit No. JP-1T at 4, line 17-20.

total PCAM recovery for the deferral period is \$71.5 million.<sup>8</sup> PacifiCorp’s requested deferral in this case, if granted, would result in an overall 18.2 percent rate increase for its customers.

5           In accordance with the Commission’s directive in its 2022 Power Cost Only Rate Case (“PCORC”), PacifiCorp’s filing also addresses “...the prudence of its risk management practices for hedging for its Washington-allocated resources over calendar year 2022 and its choice of market exposure for its Washington-allocated portfolio given concerns raised by the Commission over a number of years.”<sup>9</sup> The Commission determined that this directive was necessary after a long-standing “warning” to the Company about the need to evaluate its market reliance risk and the necessity of an active risk management program.<sup>10</sup> The Commission specifically noted its concern with PacifiCorp’s decision to hedge for its system as a whole, as opposed to considering hedges for the benefit of its Washington customers.<sup>11</sup>

6           AWEC is concerned that the Company’s decision not to engage in a tailored and robust hedging strategy for the benefit of its Washington customers has led to an unnecessary increase in net power costs for 2022, rendering a portion of PacifiCorp’s 2022 net power costs imprudent. Thus, for the reasons set forth below, PacifiCorp’s PCAM filing warrants additional time and process for investigation.<sup>12</sup>

### III. ARGUMENT

7           PacifiCorp’s proposed increase is substantial, and AWEC is concerned that it is also tainted by an imprudent hedging strategy by PacifiCorp. The Company admits that it does

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<sup>8</sup> Exhibit No. JP-1T at 4, line 20-22.

<sup>9</sup> *WUTC v. PacifiCorp d/b/a Pacific Power and Light Co.*, Docket No. UE-210402, Order 06 at ¶ 154 (Mar. 29, 2022).

<sup>10</sup> *Id.* at ¶ 147.

<sup>11</sup> *Id.*

<sup>12</sup> Prior to filing its Petition for Adjudication, AWEC submitted a set of data requests to PacifiCorp to further develop the facts necessary for the Commission to consider in this case.

not separately hedge for Washington, and instead hedges for its entire system.<sup>13</sup> PacifiCorp argues that this is a more economical approach;<sup>14</sup> however, this assertion should be evaluated, especially in light of the Commission’s expressed interest in reviewing the impacts of PacifiCorp’s hedging practices. While AWEC agrees with PacifiCorp that the purpose of hedging is to address price volatility,<sup>15</sup> rather than beating the market, it should function such that the utility is able to protect itself and its ratepayers from adverse price movements and unforeseen events. PacifiCorp’s risk management strategy fails to achieve this objective for its Washington customers.

8                   As such, there appear to be issues of material fact that require additional time, process and the development of an administrative record prior to a Commission determination that PacifiCorp’s proposed rates are reasonable and just. Given the depth and complexity of the issues that AWEC has identified, in addition to issues that may be raised by other parties in this proceeding and other pending matters before the Commission more generally, the three-month review period is not sufficient to allow for appropriate investigation. Further, the Open Meeting process does not afford the same procedural safeguards – such as discovery rights – that are available in an adjudicatory proceeding.

9                   Granting adjudication will not prevent PacifiCorp from recovering from customers deferred, prudently incurred power costs given the PCAM’s underlying deferral mechanism. The Commission has previously concluded that utilities are not unduly harmed by

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<sup>13</sup> Exhibit RJM-1T at 5:10-11.

<sup>14</sup> See Exhibit RJM-1T at 5:14 to 6:11.

<sup>15</sup> Exhibit RJM-1T at 3:19.

the timing delay associated with adjudicative proceedings where the underlying issue involves deferred amounts.<sup>16</sup>

#### IV. CONCLUSION

10 WHEREFORE, AWEC respectfully petitions the Commission to suspend PacifiCorp's tariff seeking to surcharge customers pursuant to its PCAM and to initiate an adjudicatory proceeding to review whether PacifiCorp's proposed rates are reasonable and just.

Dated this 10th day of October, 2023.

Respectfully submitted,

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<sup>16</sup> See e.g. *Washington Utilities and Transportation Commission v. Avista Corporation d/b/a Avista Utilities*, Dockets UE-200900, UG-200901, UE-200984 (Consolidated), Order 04 /01 at ¶¶ 9-10 (Dec. 23, 2020).