

December 7, 2018

VIA ELECTRONIC FILING

Mark L. Johnson
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Received
Records Management
12/07/18 08:21
State Of WASH.
UTIL. AND TRANSP.
COMMISSION

RE: Docket U-180907—Pacific Power & Light Company’s Comments

In response to the Notice of Workshop issued by the Washington Utilities and Transportation Commission (Commission) on November 9, 2018, Pacific Power & Light Company (Pacific Power), a division of PacifiCorp, submits the following written comments.

Pacific Power’s view is that the regulatory system has generally worked well to enable the creation of an electric system that delivers safe, reliable service at some of the most reasonable rates in the nation. It has also allowed options for customers and some flexibility to pursue state-specific energy goals such as conservation and broad support for low-income customers. In recent years, however, it has become apparent that the industry is faced with new challenges and opportunities to become more responsive to evolving technologies, the changing needs of customers, and support emerging policy goals. In addition, utilities up and down the west coast are facing increasing competitive pressures. Pacific Power is committed to ensuring rate stability for customers while tackling these new dynamics, and recognizes that more regulatory tools in the toolbox could provide additional flexibility for Washington’s utilities.

Utilities are ideally situated to address these evolving needs but tend to be late adopters of emerging trends and technologies because the current regulatory environment has a very low tolerance for risk and can be administratively cumbersome. A regulatory system that ensures that the right incentives and safeguards are in place to encourage adoption of new technologies and fulfillment of customer demands is definitely worth exploring. A more flexible regulatory structure would support decarbonization and state carbon goals, provide opportunity and incentive to modernize and strengthen the grid, test emerging technologies, and integrate private generation in a more reliable and cost-conscious way.

The Commission has already made progressive steps to increase flexibility in recent years. This was very apparent to Pacific Power in its 2015 limited-issue rate filing, in which the Commission approved innovative solutions such as the accelerated depreciation of the company’s coal facilities, a modified decoupling mechanism that included both a rate trigger and a rate cap, and a multi-year rate plan that allowed the company to bring in discrete capital additions and commit to a stay-out period. The multi-year rate plan was definitely one major component of the company’s ability to stay out of general rate cases since then as well.

With that in mind, Pacific Power provides the following additional thoughts:

- Clear and efficient cost recovery paths for small-scale pilot programs can be an effective tool to encourage utilities to take on the risk of pursuing a newer technologies.
- Regulatory mechanisms that provide a glide path to including more renewable generation costs in rates outside of a general rate case would enable and also provide an incentive for utilities to invest in renewable projects.
- Innovation inherently involves risk and therefore greater chances of failure. However, customers are increasingly seeking innovation and new solutions from utilities. Adjustments to the traditional regulatory structure should allow utilities to pursue opportunities to better meet their customer's needs.
- Seeking ways to streamline administrative processes will increase stakeholders' abilities to become more agile and responsive to the market and environment.
- The ability for utilities to propose small-scale or pilot programs that pursue elements of performance-based ratemaking could further align regulatory incentives to customer needs.
- A more streamlined process for resetting base net power costs may also provide another toggle to manage customer rates while quickly responding to market conditions outside of a general rate case.

The option to pursue various pilot programs, performance-based rates, multi-year rate plans, or alternative regulatory mechanisms could allow utilities to pursue innovation with more confidence. These could all provide opportunities to better serve the changing needs of today's customers. Pacific Power looks forward to extensively participating in future stages of this proceeding and exploring creative options to help provide a beneficial outcome for its Washington customers. Thank you for the opportunity to provide written comments in this early phase of the proceeding.

Sincerely,

_____/s/
Etta Lockey
Vice President, Regulation
Pacific Power & Light Company
825 NE Multnomah St., Suite 2000
Portland, Oregon 97232
(503) 813-5701
etta.lockey@pacificorp.com