

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFICORP d/b/a PACIFIC POWER &  
LIGHT COMPANY,

2022 Power Cost Adjustment Mechanism.

DOCKET UE-230482

PACIFICORP'S RESPONSE TO THE  
PETITION OF THE ALLIANCE OF  
WESTERN ENERGY CONSUMERS

**I. INTRODUCTION**

*1* In accordance with WAC 480-07-370(4) and WAC 480-07-305, PacifiCorp dba Pacific Power & Light Company (PacifiCorp or the Company) responds to the petition filed by the Alliance of Western Energy Consumers (AWEC) to initiate an adjudicatory proceeding to review PacifiCorp's Power Cost Adjustment Mechanism (Petition). AWEC's Petition ignores the testimony already presented by the Company and presents an issue that would be better handled through a collaborative process. As a result, PacifiCorp requests the Washington Utilities and Transportation Commission (Commission) reject AWEC's Petition.

**II. RESPONDENT INFORMATION**

*2* PacifiCorp is an electric utility and public service company doing business in the state of Washington under RCW 80.04.010, and its public utility operations, retail rates, service, and accounting practices are subject to the Commission's jurisdiction. PacifiCorp also provides retail electricity service under the name Pacific Power in Oregon and California and under the name Rocky Mountain Power in Idaho, Utah, and Wyoming. The Company's principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232.

3 PacifiCorp’s name and address:

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### III. BACKGROUND

4 In May of 2015, the Commission authorized PacifiCorp to implement a Power Cost Adjustment Mechanism (PCAM) that allows for rate adjustments to account for changes in net power costs (NPC) outside of a band for recovery in base rates. Under the current terms of the PCAM, the Company and its customers share any differences between actual and base NPC, and the Company tracks these differences in a deferral account. A cumulative balance (including monthly interest) in this deferral account greater than \$17 million or less than -\$17 million produces a Schedule 97 price change.<sup>1</sup>

5 On March 29, 2022, the Commission issued an order in PacifiCorp’s 2022 Power Cost Only Rate Case requiring PacifiCorp to address in this PCAM, “the issue of the prudence of its power costs, specifically 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 the concerns raised by the Commission over a number of years.”<sup>2</sup> In response to this requirement the Company’s

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<sup>1</sup> *WUTC v. Pac. Power & Light Co.*, Docket No. UE-140762, Order 09 at ¶29 (May 26, 2015) (hereinafter “2015 PCAM Order”).

<sup>2</sup> *WUTC v. PacifiCorp d/b/a Pac. Power & Light Co.*, Docket No. UE-210402, Order 06 at ¶154 (Mar. 29, 2022).

PCAM filing on June 15, 2023, was accompanied by testimony from Ramon J. Mitchell, which directly addressed this issue.<sup>3</sup>

6 As described in the direct testimony of Jack Painter, the 2022 PCAM results in a surcharge of approximately \$71.5 million. Along with the annual PCAM filing, PacifiCorp filed a petition to amortize this balance over two years. On October 6, 2023, Staff of the Washington Utilities and Transportation Commission (Staff) filed a Motion for a Continuance to extend the review period of Company’s filing and agreed to extend the deadline to October 31, 2024.<sup>4</sup> On October 10, 2023, AWEC filed the Petition in question. On October 11, 2023, the Commission granted Staff’s Motion for a continuance and noted that AWEC’s petition would be “addressed in a subsequent order, following the opportunity for responses by the Company and other parties.”<sup>5</sup> Additionally, on October 11, 2023, Public Counsel filed a response to Staff’s Motion for Continuance and supported AWEC’s Petition.<sup>6</sup>

#### IV. LEGAL STANDARD

7 Washington law specifically states that with regards to “rate changes” the administrative agency has discretion on whether to conduct an adjudicative proceeding.<sup>7</sup> This is further supported by the statutes concerning the Commission’s authority regarding suspending rate changes.<sup>8</sup> The Commission’s regulations then set out the conditions

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<sup>3</sup> Exh. RJM-1T.

<sup>4</sup> Staff’s Motion for Continuance (Oct. 6, 2023).

<sup>5</sup> Order 01, Granting Continuance, Granting Exemption (Oct. 11, 2023).

<sup>6</sup> Public Counsel Response to UTC Staff Motion for Continuance (Oct. 11, 2023).

<sup>7</sup> RCW 34.05.422 (“Applications for rate changes and uncontested applications for licenses may, in the agency’s discretion, be conducted as adjudicative proceedings...”).

<sup>8</sup> RCW 80.04.130 (“...whenever any public service company shall file with the commission any schedule, classification, rule, or regulation, the effect of which is to change any rate, charge, rental, or toll theretofore charged, the commission shall have power, either upon its own motion or upon complaint, upon notice, to enter upon a hearing concerning such proposed change and the reasonableness and justness thereof.”).

under which the Commission will not commence an adjudicative proceeding, and one of those conditions is when “[t]he subject matter is not required to be resolved in an adjudicative proceeding, as defined in chapter 34.05 RCW, or would be better addressed informally or in a different proceeding.”<sup>9</sup>

## V. PACIFICORP’S ARGUMENT

### A. AWEC’s Petition ignores the testimony presented by the Company.

8 Power cost adjustments are routinely handled through the Commission’s public meeting process,<sup>10</sup> and as noted above, the Commission has significant discretion in determining whether or not to initiate an adjudicative proceeding. In this case AWEC’s Petition is based on the determination 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.”<sup>11</sup> This contention explicitly ignores the testimony that has been filed by the Company in this proceeding and makes an unsupported contention that the Company’s risk management policy is not functioning “to protect the itself and its ratepayers from adverse price movements and unforeseen events.”<sup>12</sup>

9 However, Company witness Mitchell directly addresses this exact issue in his testimony, which specifically details “the robustness of the Company’s risk management program” and “how the [Washington Inter-jurisdictional Allocation Methodology]

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<sup>9</sup> WAC 480-07-305(5)(b)(vi).

<sup>10</sup> See *In the Matter of PacifiCorp d/b/a Pacific Power & Light Co., 2020 Power Cost Adjustment*, Docket No. UE-210447, Order 1 at ¶12 (Sept. 30, 2021); *In the Matter of PacifiCorp d/b/a Pacific Power & Light Co., 2021 Power Cost Adjustment*, Docket No. UE-220441, Order 1 at ¶8 (Nov. 23, 2022).

<sup>11</sup> AWEC Petition for Adjudication at ¶6 (Oct. 10, 2023).

<sup>12</sup> AWEC Petition at ¶7.

hedges for the market exposure created by the ratemaking exercise of the cost allocation methodology.”<sup>13</sup> AWEC’s petition directly ignores the evidence already submitted by the Company in this proceeding and attempts to mischaracterize the nature of the Company’s risk management practices to draw out the PCAM process and delay a rate change.

**B. AWEC’s Petition is better addressed informally through a collaborative.**

10           The Commission has chosen to address complex power cost issues through an informal collaborative process in the past. Specifically, in a previous Avista Corporation (Avista) general rate proceeding, the Commission ordered the Avista to engage in process with stakeholders and report back on this process to the Commission in a subsequent proceeding.<sup>14</sup> Such a process is better suited to allowing stakeholders a full chance at understanding the Company’s hedging program and how PacifiCorp’s Washington NPC are influenced by cost allocation.

11           It is also important to note that AWEC has not identified any specific costs or transactions that would necessitate an adjudicatory proceeding, as observed in other PCAMs that have undergone adjudication.<sup>15</sup> Instead, AWEC seeks an adjudicatory process to comprehensively examine and understand PacifiCorp’s hedging policy as a

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<sup>13</sup> Exh. RJM-1T at 3:8-15.

<sup>14</sup> *WUTC v. Avista Corporation, d/b/a Avista Utilities*, Docket No. UE-170485, Order 07 at ¶161 (Apr. 26, 2018) (“Further, we order the Company to engage Staff, Public Counsel, ICNU, and other interested stakeholders in a discussion about how power cost modeling may be simplified and improved. While we do not think that a technical topic like power cost modeling lends itself to a formal collaborative or Commission proceeding at this time, we direct Avista to consult with its peer utilities, independent experts in the power cost modeling industry, Staff, and the other parties in this case on ways in which the Company may document the functionality and rationale of its power cost modeling and make changes to eliminate its directional bias. We order the Company to report back on this process and identify any resulting changes in its methodology in its next general rate case filing.”).

<sup>15</sup> *In the Matter of Investigation*, Docket No. UE-190882, Final Order 05 ¶ 119 (March 20, 2020) (adjudicatory proceeding pertaining to replacement power costs associated with a specific outage); *In the Matter of Investigation of Pacific Power & Light Co.*, Docket No. UE-170717, Order 03 ¶ 15 (July 23, 2018) (adjudicatory proceeding pertaining to specific costs associated with mining equipment).

whole. AWEC acknowledges the “depth and complexity”<sup>16</sup> of this examination, and PacifiCorp submits that such an examination would be better suited for a technical workshop, where the parties can report to the Commission after its conclusion, similar to what transpired in the previous Avista general rate case.

12           AWEC further contends that an adjudicated proceeding provides additional procedural safeguards like discovery rights.<sup>17</sup> This view is also shared by Public Counsel in their response to Staff’s Motion for a Continuance, which noted “adjudicatory process establishes more time for testimony, discovery, cross examination of witnesses, and evidentiary hearing before the Commission. An adjudicatory process is appropriate here.”<sup>18</sup> AWEC’s issues, however, are heavily reliant on presumption about the Company’s hedging policy for Washington, as compared to the system. PacifiCorp cannot hedge for a particular state because that is not how it operates.

13           Given the technical nature of this topic, PacifiCorp’s multi-state operations, and allocations under the Washington Inter-jurisdictional Allocation Methodology, a collaborative process is better suited to understanding the hedging process and how the Company works to ensure that it hedges appropriately to manage its system. Additionally, the Company has worked quickly to sign confidentiality agreements with Staff, AWEC, and Public Counsel to answer informal information requests and provide them with information about the Company’s filing and hedging practices. The Company is willing to cooperate with Parties to provide information and explanations regarding the Company’s hedging practices.

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<sup>16</sup> AWEC Petition at ¶8.

<sup>17</sup> AWEC Petition at ¶8.

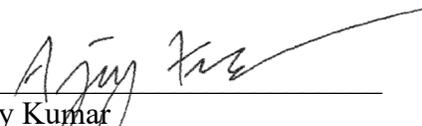
<sup>18</sup> Public Counsel Response to UTC Staff Motion for Continuance at ¶2.

#### IV. CONCLUSION

14 PacifiCorp respectfully requests that the Commission deny AWEC's petition because it ignores the evidence that has been provided by the Company and creates an adjudicatory proceeding over a topic that is better addressed through an informal collaborative process.

Respectfully submitted this 30<sup>th</sup> day of October, 2023.

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