

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

<p>In the Matter of the Petition of</p>  <p>PACIFICORP d/b/a PACIFIC POWER &amp; LIGHT COMPANY,</p> <p style="text-align: center;">Petitioner,</p>  <p>2023 Power Cost Adjustment Mechanism Annual Report</p>	<p>DOCKET UE-240461</p> <p>ORDER 02</p>  <p>FINAL ORDER APPROVING AND ADOPTING SETTLEMENT AGREEMENT</p>
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***Synopsis:** PacifiCorp seeks to have the Commission confirm and approve the deferred PCAM balance for the previous calendar year 2023, which it filed with the Commission in June 2024. The Commission approves the Settlement proposed and supported by PacifiCorp, Staff, and AWEC in this proceeding. The Commission finds the Settlement, when considered as a whole, makes adjustments required by the Commission in resolving the 2022 PCAM filing. Further, the Commission finds that the Settlement is reasonable and is in the public interest.*

**BACKGROUND**

1 On May 26, 2015, the Washington Utilities and Transportation Commission (Commission) issued Order 09 in Docket UE-140762 (Order 09). Order 09 approved and adopted a full Settlement Agreement that, among other things, authorized PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company)<sup>1</sup> 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, PacifiCorp is required to file a request for the Commission to confirm and approve the deferred PCAM balance for the previous calendar year by June 1 of each year.<sup>2</sup>

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<sup>1</sup> In 2019, PacifiCorp changed its business name with the Commission from “Pacific Power & Light Company” to “PacifiCorp d/b/a Pacific Power & Light Company.” See Pacific Power & Light Company’s Request to Change Name to PacifiCorp, Docket UE-191004 (December 5, 2019).

<sup>2</sup> Settlement Stipulation in Docket UE-140762 at ¶ 19 (May 8, 2015) (Settlement Stipulation).

2 The Company's June 1 filings are intended to be sufficient to provide the Commission  
and interested parties with an opportunity to audit and review the prudence of the PCAM  
deferrals for the year in question. Although the Settlement Stipulation contemplates a 90-  
day review period, the parties can agree to extend it.<sup>3</sup>

3 **PROCEDURAL HISTORY.** On June 14, 2024, PacifiCorp filed testimony, exhibits,  
and supporting documentation related to power costs deferred under the PCAM for the  
period January 1, 2023, through December 31, 2023.

4 The proposed revised tariff sheets seek total net power cost variance recovery with  
interest of \$84.5 million<sup>4</sup> representing a 20 percent bill increase to all Schedule 97  
affected ratepayers and a PTC variance recovery of \$1.2 million representing a 17.7  
percent bill increase or \$23.57 per month for the average residential ratepayer under  
Schedules 16, 17, and 19.

5 On July 11, 2024, the Alliance for Western Energy Consumers (AWEC) filed a Petition  
to Intervene in this matter.

6 This matter came before the Commission at its regularly scheduled open meeting on  
September 26, 2024.

7 Commission staff (Staff) reviewed the 2023 PCAM Report and submitted through a  
memorandum filed in the docket prior to a regularly scheduled Open Meeting, that it  
contains sufficient narrative testimonies and workbooks.<sup>5</sup> However, because PacifiCorp's  
2022 PCAM filing was adjudicated, and the parties were awaiting a final Order from the  
Commission, Staff recommended the Commission suspend the matter for adjudication.<sup>6</sup>

8 On September 27, 2024, following the Open Meeting, the Commission issued Order 01  
which suspended PacifiCorp's 2023 PCAM filing and set the matter for adjudication.

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<sup>3</sup> *WUTC v. Pacific Power & Light Company*, Docket UE-140762, Order 09 ¶ 20 (May 26, 2015).

<sup>4</sup> All million-dollar figures (\$MM) described in this memorandum are rounded approximates.

<sup>5</sup> *In re PacifiCorp d/b/a Pacific Power & Light Company 2022 Power Cost Adjustment Mechanism Annual Report*, Docket UE-240461, Open Meeting Memo for the September 26, 2024, Open Meeting (Sep. 26, 2024) (hereinafter PacifiCorp 2023 PCAM Annual Report).

<sup>6</sup> PacifiCorp 2023 PCAM Annual Report, Docket UE-240461, Order 01 at ¶ 5 (Sep. 27, 2024).

- 9 On October 30, 2024, the Commission issued Order 07 in Docket UE-230482 approving PacifiCorp's 2022 PCAM.<sup>7</sup>
- 10 On December 17, 2024, Staff contacted the Commission on behalf of the parties and indicated that PacifiCorp, AWEC, and Staff (the Settling Parties) had reached a settlement in principle, and requested that the procedural schedule be suspended, the parties be given until December 27, 2024, and that the Commission issue a decision on the paper record.
- 11 On December 20, 2024, the Commission issued Notice Suspending Procedural Schedule and Notice Requiring Filing of Settlement Documents by December 27, 2024.
- 12 On December 20, 2024, PacifiCorp and AWEC filed a Settlement Stipulation (Settlement) and Joint Testimony in support of the Settlement. On the same day, Staff filed Testimony in support of the Settlement.
- 13 On January 24, 2025, Public Counsel submitted a declaration of witness Earle, along with associated workpapers. While witness Earle does not explicitly recommend the Commission reject the Settlement, he strongly argues that Washington allocated PCAM costs should be reduced and reasserts many of the points made in the 2022 PCAM proceeding.
- 14 **PARTY REPRESENTATIVES.** Daniel J. Teimouri and Ajay Kumar, of PacifiCorp represent PacifiCorp. Jeff Roberson and Josephine Strauss, Assistant Attorneys Generals, Olympia, Washington, represent Staff.<sup>8</sup> Tad Robison O'Neill, Jessica Johanson-Kubin, and Robert Sykes, Assistant Attorneys Generals, Seattle, Washington, represent Public Counsel. Tyler Pebble and Sommer Moser, of Davison Van Cleve, PC, represent AWEC.
- 15 **COMMISSION DETERMINATIONS.** The Commission finds that the Settlement is reasonable and in the public interest. The Commission further finds that in approving this Settlement, this Order in no way negates or amends the requirements placed on PacifiCorp by this Commission in Order 07 in Docket UE-230482.

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<sup>7</sup> See, *In re PacifiCorp d/b/a Pacific Power & Light Company 2022 Power Cost Adjustment Mechanism Annual Report*, Docket UE-230482, Order 07 at ¶¶ 17-19 (Oct. 30, 2024).

<sup>8</sup> In formal proceedings such as this, the Commission's regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners' policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. See RCW 34.05.455

## MEMORANDUM

### I. STANDARD OF REVIEW

#### a. Regulating in the public interest and determining equitable, fair, just, reasonable, and sufficient rates

- 16 The Legislature has entrusted the Commission with broad discretion to determine rates for regulated industries. Pursuant to RCW 80.28.020, whenever the Commission finds after a hearing that the rates charged by a utility are “unjust, unreasonable, unjustly discriminatory or unduly preferential, or in any way in violation of the provisions of the law, or that such rates or charges are insufficient to yield a reasonable compensation for the service rendered, the commission shall determine the just, reasonable, or sufficient rates, charges, regulations, practices or contracts to be thereafter observed and in force, and shall fix the same by order.”<sup>9</sup> As a general matter, the burden of proving that a proposed increase is just and reasonable is upon the public service company.<sup>10</sup>
- 17 More recently, in 2019, the Legislature expanded the traditional definition of the public interest standard. As Washington state transitions to a clean energy economy, the public interest includes: “The equitable distribution of energy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health, economic, and environmental benefits and the reduction of costs and risks; and energy security and resiliency.”<sup>11</sup> In achieving these policies, “there should not be an increase in environmental health impacts to highly impacted communities.”<sup>12</sup>
- 18 Following the passage of RCW 80.28.425, the Commission indicated its commitment to considering equity while regulating in the public interest: “So that the Commission’s decisions do not continue to contribute to ongoing systemic harms, we must apply an equity lens in all public interest considerations going forward.”<sup>13</sup> The Commission also indicated that regulated companies should be prepared to address equity considerations in future cases: “Recognizing that no action is equity-neutral, regulated companies should

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<sup>9</sup> See also, RCW 80.01.040(3) (providing that the Commission shall “[r]egulate in the public interest”).

<sup>10</sup> RCW 80.04.130(1).

<sup>11</sup> RCW 19.405.010(6).

<sup>12</sup> RCW 19.405.010(6).

<sup>13</sup> *WUTC v. Cascade Natural Gas Corp.*, Docket UG-210755 Order 10 ¶ 58 (Aug. 23, 2022).

inquire whether each proposed modification to their rates, practices, or operations corrects or perpetuates inequities.”<sup>14</sup>

**b. The Commission’s process for considering settlements**

19 Pursuant to WAC 480-07-750(2), the Commission will approve a settlement “if it is lawful, supported by an appropriate record, and consistent with the public interest in light of all the information available to the commission.”

20 The Commission has emphasized that our purpose is “to determine whether the Settlement terms are lawful and in the public interest.”<sup>15</sup> While the Commission “do[es] not consider the Settlement’s terms and conditions to be a ‘baseline’ subject to further litigation,”<sup>16</sup> it may modify or reject a settlement that is not in the public interest.<sup>17</sup>

21 The Commission may therefore take one of the following actions after reviewing a settlement: (1) approve the proposed settlement without condition, (2) approve the proposed settlement subject to condition(s), or (3) reject the proposed settlement.<sup>18</sup>

22 If the Commission approves a proposed settlement without condition, the settlement is adopted as the Commission’s resolution of the proceeding.<sup>19</sup> If the Commission approves a proposed settlement subject to any conditions, the Commission will provide the settling parties an opportunity to accept or reject the conditions.<sup>20</sup> When the settling parties accept the Commission’s conditions, the Commission’s order approving the settlement becomes final by operation of law.<sup>21</sup> However, when one or more of the settling parties rejects the Commission’s conditions, the Commission deems the settlement rejected and the

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<sup>14</sup> *WUTC v. Cascade Natural Gas Corp.*, Docket UG-210755 Order 10 ¶ 58 (Aug. 23, 2022).

<sup>15</sup> *WUTC v. Avista Corp.*, Dockets UE-080416 & UG-080417 (*consolidated*), Order 08, ¶ 20 (Dec. 29, 2008).

<sup>16</sup> *WUTC v. Avista Corp.*, Dockets UE-080416 & UG-080417 (*consolidated*), Order 08, ¶ 20 (Dec. 29, 2008).

<sup>17</sup> *WUTC v. Avista Corp.*, Dockets UE-080416 & UG-080417 (*consolidated*), Order 08, ¶ 20 (Dec. 29, 2008).

<sup>18</sup> WAC 480-07-750(2).

<sup>19</sup> WAC 480-07-750(2)(a).

<sup>20</sup> WAC 480-07-750(2)(b). *Accord*, *WUTC v. Avista Corp.*, Dockets UE-080416 & UG-080417 (*consolidated*), Order 08, ¶¶ 19-20 (Dec. 29, 2008).

<sup>21</sup> WAC 480-07-750(2)(b)(i).

procedural schedule reverts to the point in time where the Commission suspended the procedural schedule to consider the settlement.<sup>22</sup>

## II. THE MULTIPARTY SETTLEMENT

### a. Overview of the Multiparty Settlement and Testimony

23 On December 20, 2024, the Settling Parties filed a multiparty Settlement that resolves all issues in this proceeding. Public Counsel does not join the Settlement and filed separate comments which will be addressed herein.

24 The Settlement Agreement in this docket contains six key elements:

- 1) PacifiCorp agrees to make the reallocation adjustment that the Commission ordered in the 2022 PCAM.<sup>23</sup> Specifically, if the natural gas hedge ratio for the west natural gas position is below 50 percent in a given month, then swap volumes sufficient to ... [bring] the Washington hedge ratio to 50 percent are reallocated from the east gas swap position to the west gas swap position using the average mark-to-market value per Million British Thermal Units of east side hedges settled during that month, and using the final gas requirement forecast published before the contract month moved into spot. PacifiCorp agrees to make this adjustment in future PCAM proceedings until a new cost allocation methodology is adopted. This adjustment results in a \$0.7 million reduction in the PCAM balance.<sup>24</sup>
- 2) The Parties agree to recommend that the Commission adopt a February 1, 2025, rate effective date for this proceeding to avoid incurring significantly greater interest on the PCAM balance.<sup>25</sup>
- 3) The Parties agree that the PCAM balance will be amortized over a one-year period.<sup>26</sup>

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<sup>22</sup> WAC 480-07-750(2)(b)(ii).

<sup>23</sup> Docket UE-230482, Order 07 at ¶¶ 65, 115.

<sup>24</sup> PacifiCorp 2023 PCAM Annual Report, Docket UE-240461, Settlement Stipulation at ¶ 8.

<sup>25</sup> PacifiCorp 2023 PCAM Annual Report, Docket UE-240461, Settlement Stipulation at ¶ 9.

<sup>26</sup> PacifiCorp 2023 PCAM Annual Report, Docket UE-240461, Settlement Stipulation at ¶ 10.

- 4) In addition to the reduction described in Section A.1 [titled Reallocation of Gas Hedges,] ... PacifiCorp agrees to reduce Washington Net Power Costs (NPC) by \$1,000,000 as an unspecified monetary adjustment to resolve this proceeding.<sup>27</sup>
- 5) The Parties agree that this Stipulation represents a compromise among competing interests and a resolution of all contested issues in this proceeding, with the exception to any adjustments that may arise out of the findings of the audit ordered by the Commission of dispatch of the Chehalis and Hermiston gas plants. Any adjustment to PacifiCorp's Initial Filing not incorporated into this Stipulation directly or by reference would be resolved without an adjustment or recommendation for the purposes of this proceeding. Every party reserves the right to object to any adjustment in future PCAM proceedings.<sup>28</sup>
- 6) In future PCAM filings, PacifiCorp will provide outage logs in the Company's initial workpapers. These outage logs will include the name of the plant where the outage occurred, the duration of the outage, and the megawatt-hour impact of the outage for outages that occurred at any generating plant allocated to Washington during the PCAM period.<sup>29</sup>

25 The Settling Parties agree and recognize that the Settlement represents a compromise, and any provision of the Settlement is appropriate for resolving this matter but shall not be precedential for issues in any other proceeding.<sup>30</sup>

26 In support of the Settlement, through the Joint Testimony of PacifiCorp's Jack Painter and AWEC's Bradley Mullins, the parties assert that the Stipulation results in a \$1.7 million downward adjustment, resulting in the surcharge decreasing from \$81.0 million to \$79.3 million.<sup>31</sup>

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<sup>27</sup> PacifiCorp 2023 PCAM Annual Report, Docket UE-240461, Settlement Stipulation at ¶ 11.

<sup>28</sup> PacifiCorp 2023 PCAM Annual Report, Docket UE-240461, Settlement Stipulation at ¶ 12.

<sup>29</sup> PacifiCorp 2023 PCAM Annual Report, Docket UE-240461, Settlement Stipulation at ¶ 13.

<sup>30</sup> PacifiCorp 2023 PCAM Annual Report, Docket UE-240461, Settlement Stipulation at ¶ 21.

<sup>31</sup> Joint Testimony at 4:7-11.

- 27 AWEC and PacifiCorp also assert that the Settlement resolves all issues with the exception of any adjustments that may arise at the conclusion of the audit of dispatch at the Chehalis and Hermiston gas plants.<sup>32</sup>
- 28 PacifiCorp argues that this Settlement reflects adjustments consistent with those adopted in the 2022 PCAM filing in Docket UE-230482, and therefore provides consistent treatment of PacifiCorp's NPC recovery as was adopted in Docket UE-230482.<sup>33</sup>
- 29 AWEC notes that while it did not agree with the conclusions of Order 07 in Docket UE-230482, AWEC recognizes that Order is "likely dispositive in this docket" and with the incremental \$1.0 million reduction to resolve 2023 power cost issues unrelated to hedging, AWEC believes the Settlement is in the public interest.<sup>34</sup>
- 30 In Staff's separately filed testimony, witness McConnell notes the \$0.7 million adjustment related to west side gas hedges is in the public interest because it is consistent with Order 07 in Docket UG-230482, it supports rate stability during price fluctuations, and PacifiCorp's commitment to apply the adjustment in future proceedings will preserve consistency across filings.<sup>35</sup>
- 31 McConnell testifies that the second adjustment of \$1.0 million is in the public interest as it reduces rate impact on ratepayers.<sup>36</sup>
- 32 Staff also asserts the provision of the Settlement requiring PacifiCorp to include outage information in future PCAM filings is in the public interest because it will permanently increase the transparency of the Company's generation operations.<sup>37</sup>
- 33 Regarding deferral of adjustments based on the audit of the Chehalis and Hermiston gas plants, McConnell asserts it is "in the public interest to preserve any adjustments that may result from that audit, since that audit will likely take place after the conclusion of this proceeding and may result in findings that dispatch decisions led to impacts in the deferral balance."<sup>38</sup>

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<sup>32</sup> Joint Testimony at 4:18-21.

<sup>33</sup> Joint Testimony at 5:14-22.

<sup>34</sup> Joint Testimony at 6:2-8.

<sup>35</sup> Exh. KM-1T at 4:11-17.

<sup>36</sup> Exh. KM-1T at 5:1-3.

<sup>37</sup> Exh. KM-1T at 6:18-20.

<sup>38</sup> Exh. KM-1T at 7:1-9.



- 34 Staff does not recommend any additional conditions upon the Settlement and explains that in Staff's view, the Settlement reflects directives from the Commission in Order 07 UE-230482, and is in the public interest as it will increase transparency of generation outage reporting, offset interest accrued, and reduce the deferral balance consistent with approach adopted in Order 07 UE-230482.
- 35 Public Counsel separately filed comments through witness Earle, who also submitted workpapers and exhibits. Earle argues that PacifiCorp arbitrarily marks up power costs for Washington customers by 155 percent over costs, and that had PacifiCorp (1) built situs resources for Washington customers in prior years and (2) hedged Washington customers separately to reduce their exposure, the PCAM balance would be significantly reduced.<sup>39</sup>
- 36 Earle argues that the Commission has long been concerned with Washington's short position and has repeatedly encouraged PacifiCorp to reduce its reliance on market purchases.<sup>40</sup> Earle argues that the costs of PacifiCorp's continued reliance on market purchases has far exceeded the costs of building situs resources.<sup>41</sup>
- 37 Earle also asserts that PacifiCorp can and should hedge separately for Washington and that PacifiCorp's arguments in the 2022 PCAM proceeding against such an approach lack merit.<sup>42</sup>
- 38 Finally, witness Earle argues the transactions PacifiCorp relies on to assign Washington costs under the Washington Inter-Jurisdictional Allocation Methodology (WIJAM) contain transactions that lack cost causation, and further that PacifiCorp should have included lower cost – Washington eligible – power purchase agreements (PPAs), which would have reduced the total PCAM balance from \$87 million to \$81 million.<sup>43</sup> Of note, witness Earle does not specifically recommend the Commission take any action or deny the Settlement.<sup>44</sup>

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<sup>39</sup> Decl. of Robert L. Earle, at ¶¶ 6-7.

<sup>40</sup> Decl. of Robert L. Earle, at ¶¶ 8-9.

<sup>41</sup> Decl. of Robert L. Earle, at ¶ 10. Earle asserts the weighted average cost of market purchases from 2021 through mid-2024 were \$99.44/MWh, while in 2019, the cost of new wind plant was \$33.16/MWh. *Id.*

<sup>42</sup> Decl. of Robert L. Earle, at ¶¶ 12-17.

<sup>43</sup> Decl. of Robert L. Earle, at ¶¶ 18, 20, 22-24.

<sup>44</sup> *See*, Decl. of Robert L. Earle.

**b. Commission Determination**

- 39 We approve and adopt the Settlement as proposed by the Settling Parties. While we generally agree with some of the points raised by Public Counsel, we recognize that Public Counsel does not explicitly support or oppose the Settlement. Further, many of the arguments raised by Public Counsel are repeated from the 2022 PCAM proceeding, particularly those addressing situs resources, long-term planning, and hedging for Washington separately. The Commission heard and resolved these arguments in Order 07 in Docket UE-230482.<sup>45</sup> Accordingly, we assess the Settlement as an unopposed Settlement and find it appropriate to issue a decision on the written record as requested by Staff and PacifiCorp.
- 40 We find the Settlement sufficiently addresses the issues as resolved in our Final Order in Docket UE-230482. The Commission suspended this matter, in part, because it had not yet entered a Final Order in PacifiCorp's litigated 2022 PCAM proceeding.<sup>46</sup> Because the 2022 PCAM proceeding remained outstanding, the Commission agreed with Staff that resolution of that matter would greatly benefit resolution of this matter. This is not to say that resolution of the 2022 PCAM proceeding is our only concern with PacifiCorp's power costs, as those concerns expressed in Order 07 in Docket UE-230482 remain today. Public Counsel's comments clearly state those concerns. However, we do find that the Settling Parties have sufficiently adopted the resolutions of Docket UE-230482 in the Settlement. In doing so, the Commission finds the terms of the Settlement to be reasonable.
- 41 The Settlement adjusts the deferral balance downward by \$0.7 million, reallocating natural gas hedges from the east to the west when west natural gas hedging positions fall below 50 percent in a given month.<sup>47</sup> We agree with the Settling Parties that the \$0.7 million adjustment is consistent with the approach adopted in Order 07, and is therefore just and reasonable, and in the public interest.<sup>48</sup>

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<sup>45</sup> Docket UE-230482, Order 07, ¶¶ 120-23, 133-38

<sup>46</sup> Docket UE-240461, Order 01 at ¶ 9 (Sep. 27, 2024); *see also*, Joint Testimony at 3:7–4:5; Exh. KM-1T at 2:21–3:5.

<sup>47</sup> PacifiCorp 2023 PCAM Annual Report, Docket UE-240461, Settlement Stipulation at ¶ 8.

<sup>48</sup> Docket UE-230482, Order 07, ¶¶ 114-15.

- 42 Further, the Settlement’s unspecified downward adjustment of \$1,000,000 is uncontested, reduces the rate impact on customers, and is therefore in the public interest because it results in decreased costs to ratepayers.<sup>49</sup>
- 43 We further find that the Settlement’s rate effective period of February 1, 2025, is reasonable and will avoid customers incurring significantly higher interest on the PCAM balance.<sup>50</sup> Accordingly, the Settlement should become effective upon issuance of this Order, with a rate effective date on the earliest possible date to allow compliance filings and review of said filings, to avoid further accrual of interest which if allowed to accrue, would simply offset the benefits of the downward reductions agreed to in the Settlement.
- 44 Similarly, we find that the amortization period, additional reporting requirements regarding outages in future PCAM proceedings, and the provision of deferring adjustments related to the audit of the Chehalis and Hermiston gas plants are in the public interest. While the amortization period gives us pause, we agree with the parties that it is reasonable, and while not discussed by the parties, PacifiCorp’s ability to recover 2022 and 2023 PCAM balances has been significantly delayed. In light of that, the Commission believes it is reasonable for PacifiCorp to collect the 2023 PCAM deferral over 12 months beginning on or about February 1, 2025. Further, we agree that the outage reporting requirements will increase transparency into PacifiCorp’s PCAM process. Finally, as alluded to by witness McConnell, waiting for the conclusion of the audit to address any resulting adjustments in this proceeding would only serve to allow this proceeding to linger and accrue interest while all other issues have been resolved by the parties. Accordingly, we find that rates should begin to be collected now, subject to later adjustments as appropriate following the audit, as agreed to by the parties.
- 45 In approving this Settlement, our concerns over PacifiCorp’s PCAM, WIJAM allocation methodology, and resource planning remain true, and if anything, are only heightened by the amount of the 2023 PCAM deferral balance. The points raised by witness Earle regarding system planning and situs resources are shared by the Commission and were addressed in Order 07 in the 2022 PCAM proceeding.<sup>51</sup>

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<sup>49</sup> RCW 19.405.010(6).

<sup>50</sup> Exh. KM-1T at 6:1-5;

<sup>51</sup> Docket UE-230482, Order 07, ¶¶ 135-38 (Oct. 30, 2024). The Commission specifically requires PacifiCorp “show analysis of the alternative, showing what rates for Washington customers would have been in the preceding 10 years if PacifiCorp had closed Washington’s position with generation resources on its system rather than market positions, and a cost benefit

46 As PacifiCorp witness Painter notes, the reasons for the large deferral balance are in part due to decreased coal generation volumes, increased market purchase volumes, and Washington’s short position under the WIJAM.<sup>52</sup> These are not new or changed circumstances and have consistently been problematic for PacifiCorp and its customers, resulting in consistently high PCAM deferral balances from year to year. This Order in no way negates, diminishes, or delays the obligations placed on PacifiCorp in Order 07 in Docket UE-230482, and the Commission fully requires PacifiCorp to comply with Order 07 moving forward. Further, while we believe witness Earle’s suggested repricing or reallocation of costs under the PCAM would be inconsistent with Order 07 in Docket UE-240461 and allocation methodology under the WIJAM, it is yet another data point supporting the need for PacifiCorp to propose a new allocation methodology as required in Order 07.<sup>53</sup> This Settlement makes adjustments as adopted in Order 07, and we find it reasonable and in the public interest, but we will continue to monitor PacifiCorp’s future PCAM filings closely, and take appropriate action should PacifiCorp not address these concerns.

#### FINDINGS OF FACT

47 Having discussed above in detail the evidence received in this proceeding concerning all material matters, and having stated findings and conclusions upon issues in dispute among the parties and the reasons therefore, the Commission now makes and enters the following summary of those facts, incorporating by reference pertinent portions of the preceding detailed findings:

48 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.

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analysis showing what rates will be 10 years into the future using Washington-based generation resources versus market position.” *Id.* at ¶ 137.

<sup>52</sup> Exh. JP-1CT at 11:1–12:18

<sup>53</sup> Docket UE-230482, Order 07, ¶ 111 (Oct. 30, 2024). The Commission notes Public Counsel’s analysis of PacifiCorp’s transactions in this proceeding is similar to adjustments suggested and rejected by the Commission in UE-230482 as inconsistent with the Commission approved WIJAM methodology and the reallocation of hedges approved in Order 07 of that proceeding. *See, id.* at ¶¶ 73-111.

- 49 (2) PacifiCorp is an “electric company” and a “public service company” as those terms are defined in RCW 80.04.010 and used in Title 80 RCW, and is subject to Commission jurisdiction.
- 50 (3) On June 14, 2024, PacifiCorp filed testimony, exhibits, and supporting documentation for the Company’s PCAM for the period January 1, 2023, through December 31, 2023. In its filing, PacifiCorp explained that actual power costs were significantly higher than the baseline, creating an under-recovery of \$84.5 million. With the PCAM’s sharing mechanism, PacifiCorp sought to recover \$81.0 million from customers.
- 51 (4) On December 20, 2024, PacifiCorp, Staff, and AWEC filed a Settlement and testimony in support thereof, which among other items, reduces the deferral balance by \$1.7 million, from \$81.0 million to \$79.3 million.
- 52 (5) The adjustment in the Settlement resulting in a reduction of the deferral balance by \$0.7 million, due to reallocation of west side gas hedges in months where the west side was not hedged at least 50 percent, is consistent with the approach in Order 07 in Docket UE-230482.
- 53 (6) The adjustment resulting in a reduction of the deferral balance by \$1.0 million will reduce cost impacts on customers.
- 54 (7) The requested rate effective period of February 1, 2025, or as soon thereafter as is practical, will avoid further accrual of significant interest expense in this proceeding.
- 55 (8) The requested amortization period of 12 months is reasonable.
- 56 (9) The agreed upon approach to review adjustments arising from the audit of the Chehalis and Hermiston gas plants will avoid further delay in this proceeding and accrual of interest expense.
- 57 (10) The outage reporting requirements will increase the transparency of PacifiCorp’s PCAM filings in the future.
- 58 (11) The comments submitted by Public Counsel revisit arguments made by Public Counsel in Docket UE-230482, and the Commission is not persuaded its decisions on those same arguments should be revisited in this matter.

- 59 (12) Taken together, the terms of the Settlement are consistent with the public interest  
and should be approved.

### CONCLUSIONS OF LAW

60 Having discussed above all matters material to this decision, and having stated the  
following summary conclusions of law, incorporating by reference pertinent portions of  
the preceding detailed conclusions:

- 61 (1) The Commission has jurisdiction over the subject matter of, and parties to, these  
proceedings.
- 62 (2) PacifiCorp is an electric company and a public service company subject to  
Commission jurisdiction.
- 63 (3) In any proceeding proposing to change a tariff schedule, the effect of which  
would be to increase any rate, charge, rental, or toll theretofore charged, the  
burden of proof to show that such increase is just and reasonable will be upon the  
public service company. RCW 80.04.130(4). The Commission's determination of  
whether the Company has carried its burden is adjudged on the basis of the full  
evidentiary record.
- 64 (4) The Settlement proposed by PacifiCorp, Staff, and AWEC is consistent with the  
public interest and the Commission should approve the Settlement without  
condition.
- 65 (5) The Settlement's proposed adjustments, reducing the PCAM deferral balance by  
\$1.7 million are consistent with Commission precedent, as outlined in Order 07 in  
Docket UE-230482, and should be approved.
- 66 (6) The Settlement's proposed rate effective date and amortization period are  
reasonable when balancing the interests of PacifiCorp to collect lawfully incurred  
expenses and the customer's interest in minimizing further costs due to the  
accrual of interest expense, and should be approved by the Commission, as a non-  
precedential resolution to this matter.
- 67 (7) The Commission should authorize the Commission Secretary to accept by letter,  
with copies to all parties to this proceeding, a filing that complies with the  
requirements of this Order.

- 68 (8) The Commission should retain jurisdiction over the subject matters and the parties to this proceeding to effectuate the terms of this Order.

**ORDER**

**THE COMMISSION ORDERS:**

- 69 (1) The Full Multi-Party Settlement Agreement filed by PacifiCorp d/b/a Pacific Power & Light Company and the Alliance of Western Energy Consumers on behalf of the Settling Parties, and attached to this Order as Appendix A, is approved and adopted.
- 70 (2) The Commission retains jurisdiction over the subject matter and PacifiCorp d/b/a Pacific Power & Light Company to effectuate the provisions of this Order.

Dated at Lacey, Washington, and effective January 28, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



ANN E. RENDAHL,  
Commissioner



MILTON H. DOUMIT,  
Commissioner

**NOTICE TO PARTIES: This is a Commission Final Order. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 and WAC 480-07-870.**

**By this Order, the Commission has approved a settlement subject to condition. The Parties have three business days to accept or reject the Commission's conditions. If all parties to the settlement notify the Commission that they accept the conditions, the Order will become final by operation of law with respect to those issues without further action from the Commission.**

**If any party to the settlement rejects the Commission's condition or does not unequivocally and unconditionally accept the Condition, the Commission will notify the parties that it deems the settlement to be rejected, and the adjudication will return to its status at the time the Commission suspended the procedural schedule to consider the settlement. In either case, a Party may seek clarification or reconsideration of a Commission order approving a settlement agreement with conditions pursuant to WAC 480-07-835, 480-07-840, or 480-07-850.**



**APPENDIX A**

**MULTIPARTY SETTLEMENT AGREEMENT**