

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFIC POWER & LIGHT
COMPANY,

Petition For a Rate Increase Based on a Modified
Commission Basis Report, Two-Year Rate Plan,
and Decoupling Mechanism.

DOCKET UE-15_____

PACIFIC POWER’S PETITION

I. INTRODUCTION

1 Pacific Power & Light Company (Pacific Power or Company), a division of PacifiCorp, petitions the Washington Utilities and Transportation Commission for approval of:

- An expedited rate filing (ERF) allowing Pacific Power to increase its electric rates by \$10.0 million, or 2.99 percent, effective May 1, 2016, updating the rates established in the Company’s most recent general rate case, Docket UE-140762 (2014 Rate Case).
- A two-year rate plan beginning on May 1, 2016, using the ERF for year one and authorizing a second increase of \$10.3 million, or 2.99 percent, effective May 1, 2017. The second-year increase is based on Pacific Power’s 10-year trend of earnings attrition, supported by major costs the Company will incur in 2016, and includes a commitment by Pacific Power to not file a general rate case with a rate effective date earlier than April 1, 2018.
- A decoupling mechanism, including authorizing recording accounting entries associated with the mechanism, effective May 1, 2016.

2 The Company’s proposals in this petition benefit the public interest by addressing the Commission’s “goal to entertain, consider fairly and adopt ratemaking alternatives” that break the cycle of continuous general rate case filings by Washington electric

companies.¹ Over the last ten years, Pacific Power has filed eight general rate cases to address its chronic earnings attrition in Washington.² This filing proposes a different approach, one that benefits customers because it limits the rate increases sought by the Company to less than three percent, extends the time period between general rate cases, increases Low Income Bill Assistance (LIBA) funding in 2016 and 2017 under the five-year LIBA plan approved in Docket UE-111190, requires additional reporting requirements, makes rate increases predictable, and supports Pacific Power's ability to make the investments necessary to continue to provide safe and reliable utility service. As recognized by the Commission, the decoupling proposal also removes any disincentives to aggressively promote conservation programs.³

3 In addition to these benefits, approval of Pacific Power's petition will produce rates that are just, fair, reasonable and sufficient under Revised Code of Washington (RCW) 80.28.010(1) and 80.28.020. Approval will also promote the policy of RCW 80.28.074 that customers pay only reasonable and affordable charges for electric service. Accordingly, Pacific Power respectfully requests approval of its petition.

II. BACKGROUND AND SUMMARY

4 The Commission issued its final order in Pacific Power's 2014 Rate Case in March 2015, providing a recent baseline for the Company's costs and revenues in

¹ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07 at 13, ¶ 32 (June 25, 2013). *See also*, *In the Matter of the Washington Utilities and Transportation Commission's Investigation into Energy Conservation Incentives*, Docket U-100522, Report and Policy Statement on Regulatory Mechanisms, Including Decoupling, to Encourage Utilities to Meet or Exceed their Conservation Targets (Nov. 4, 2010) (Decoupling Policy Statement).

² Dockets UE-050684, UE-061546, UE-080220, UE-090205, UE-100749, UE-111190, UE-130043 and UE-140762.

³ Decoupling Policy Statement at 16-17, ¶ 27.

Washington.⁴ In that same docket, the Commission also adopted a power cost adjustment mechanism (PCAM) to address recovery of the Company's net power costs.⁵ These orders enable the requests in this petition.

5 There are three major drivers for the requests in this petition. These drivers collectively support a larger rate increase than the Company is requesting through this petition.⁶ First, as part of a major plant overhaul, new selective catalytic reduction (SCR) systems for emissions control and other major plant repairs and upgrades at Unit 3 of the Jim Bridger generating plant (Jim Bridger Unit 3) will be placed in service by the end of November 2015. By December 2016, the Company will complete a major overhaul at Unit 4 of the Jim Bridger generating plant (Jim Bridger Unit 4) and new SCR system, plant repairs and upgrades will go in operation at the plant. Under the U.S. Environmental Protection Agency's (EPA) Regional Haze Rules, the Jim Bridger facility Best Available Retrofit Technology (BART) permit issued by the state of Wyoming, a BART appeal settlement agreement with the state of Wyoming, and the Wyoming Regional Haze State Implementation Plan, the Company was required to install the SCR systems on Unit 3 by the end of 2015 and on Unit 4 by the end of 2016. The major overhauls of Jim Bridger Units 3 and 4, including investments in the SCR systems, are prudent and necessary to ensure environmental compliance and the continued safe, reliable, and cost-effective operation of the units.

⁴ *WUTC v. Pacific Power & Light Co.*, Dockets UE-140762 *et al.*, Order 08 (Mar. 25, 2015).

⁵ *Id.*, Order 09 (May 26, 2015).

⁶ As discussed below, the second-year rate increase is also supported by capital expenditures for the Company's new energy management system, the Union Gap Substation Upgrade, and the expiration of production tax credits on certain renewable resources in 2016.

6 Second, the Company proposes to modify the depreciation schedules for Jim Bridger Units 1-4 and Colstrip Unit 4, the coal-fired resources that serve Washington under the West Control Area inter-jurisdictional allocation methodology (WCA), with depreciable lives ending in 2025 and 2032, respectively. This is similar to steam plant lives previously approved in Washington in the Company’s 2002 Depreciation Study and aligns current depreciation periods between Washington and Oregon, the two states that account for most of the load in the west control area.⁷ This provides greater resource planning flexibility for the Company and its customers as Washington implements state and federal environmental policies, including potential future limits on coal imports from other states and greenhouse gas reduction mandates under EPA’s Clean Power Plan.

7 Third, the Company seeks to implement a decoupling mechanism based on the Commission’s 2010 report and policy statement on decoupling,⁸ the decoupling mechanisms recently approved for Avista Corp. (Avista)⁹ and Puget Sound Energy, Inc. (PSE), and feedback from stakeholders.¹⁰ In the Decoupling Policy Statement, the Commission expressed support for full decoupling for electric utilities, concluding that it “can be a tool that benefits both the company and its ratepayers” by reducing revenue volatility between rate cases.¹¹ The Company’s decoupling proposal responds to Order

⁷ See *Wash. Utils. & Transp. Comm'n v. PacifiCorp*, Docket UE-021271, Order Authorizing Revised Depreciation Rates (July 31, 2003).

⁸ See Decoupling Policy Statement.

⁹ *WUTC v. Avista Corp.*, Dockets UE-140188 and UG-140189 (consolidated), Order 05 (Nov. 25, 2014).

¹⁰ Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07.

¹¹ Decoupling Policy Statement at 16-17, ¶ 27. Before this petition was filed, the Company met with all major parties in its 2014 Rate Case and reviewed its key elements. The Company reflected feedback from the parties in this petition.

08 in Pacific Power’s 2014 Rate Case, where the Commission expressly invited Pacific Power to propose a decoupling mechanism.¹²

8 This petition is not a general rate case under the Commission’s rules. The Commission classifies rate increases of “three percent or more” on an overall or customer class basis or filings that change cost of capital as general rate proceedings, subject to additional requirements under Washington Administrative Code (WAC) 480-07, Subpart B: General Rate Proceeding.¹³ Pacific Power’s overall rate increases are below three percent,¹⁴ each customer class’ rate increase is below three percent,¹⁵ and the Company is not proposing changes to its rate of return or capital structure.¹⁶ If the Commission determines that the Company’s filing is considered a general rate case, however, Pacific Power requests an exemption under WAC 480-07-110(1) from the WAC 480-07, Subpart B requirements as necessary for the Commission to fully and expeditiously resolve this petition.

9 Recognizing the important but limited issues in this filing, Pacific Power proposes that this case be set for full adjudication on an abbreviated schedule, with a May 1, 2016 rate effective date, and Pacific Power waives the suspension period under WAC 480-100-194. This schedule is comparable to the schedule followed in other cases of this kind.¹⁷

¹² Dockets UE-140762 *et al.*, Order 08 at 94, ¶ 222.

¹³ WAC 480-07-505(1).

¹⁴ WAC 480-07-505(1)(a).

¹⁵ WAC 480-07-505(1)(b).

¹⁶ WAC 480-07-505(1)(c).

¹⁷ *See WUTC v. Puget Sound Energy*, Docket UG-101644, Order 01 at 3, ¶ 5 (Oct. 28, 2010) (PSE Gas-Only case) (“Our review of the Company’s filing suggests that the scope of this case is narrow and that it can be handled on a shortened schedule.”). Docket UG-101644 was processed on an abbreviated schedule that used only one-half of the normal suspension period. In a recent filing by Cascade Natural Gas Corporation (Cascade) for a rate increase of less than three percent, Public Counsel proposed a schedule based on the PSE Gas-Only case. *See WUTC v. Cascade*, Dockets UG-151309 and UG-150668, Petition for Suspension of Cascade Rate Filing at 5-6, ¶ 9 (July 9, 2015).

To facilitate review of this filing, Pacific Power supports its filing with the documentation normally required for a general rate case. Pacific Power also requests an early prehearing conference, prompt entry of a protective order, and immediate commencement of discovery.

III. PETITIONER'S INFORMATION

10 Pacific Power is an electric utility and public service company doing business in the state of Washington under RCW 80.04.010 and is subject to the jurisdiction of the Commission over its public utility operations, retail rates, service, and accounting practices. Pacific Power's principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon, 97232. Pacific Power's representatives and contacts for purposes of this proceeding are:

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11 In addition, Pacific Power respectfully requests that all data requests regarding this matter be addressed to:

By e-mail (preferred): datarequest@pacificcorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Ariel Son, Regulatory Projects Manager at (503) 813-5410.

IV. DESCRIPTION OF FILING AND SUPPORTING AUTHORITY

A. Pacific Power's Expedited Rate Filing.

1. The Company's ERF is Based on a Modified Commission Basis Report with Limited Pro Forma Adjustments.

12 The Company's ERF is narrowly tailored to meet the Commission's procedural rules for non-general-rate-case filings and to expedite Commission review. The Company's ERF is based on a modified Commission Basis Report with a test year ended June 30, 2015, that includes the following primary adjustments:

- End-of-period plant balances through June 30, 2015;
- Costs associated with a major overhaul and installation of SCR system at Jim Bridger Unit 3; and
- Accelerated depreciation on the Jim Bridger and Colstrip 4 generation resources.¹⁸

13 Given that the Commission set baseline net power costs earlier this year with a pro forma period overlapping the ERF, as well as the recent adoption of a PCAM, the Company is not proposing changes to its net power costs. To adhere to WAC 480-07-505(1), the Company also is not proposing to change to its cost of capital. For both of

¹⁸ In this petition, the Company is reflecting certain transmission assets in the west control area based on actual operations and system reconfigurations, including those resulting from the Idaho Power Asset Exchange. This is described in the testimony of Mr. Rick A. Vail and Ms. Shelley E. McCoy.

these cost elements, the baseline reflected in rates adopted earlier this year remains representative of costs expected during the ERF/rate plan rate effective period.¹⁹

14 To ensure that the impact of the ERF on different customer classes is also capped below three percent, the Company proposes to apply the ERF rate change on an equal percentage basis to all classes. Pacific Power limited the request to under three percent even though the modified Commission Basis Report supports an increase exceeding the Company's requested \$10.0 million rate increase. The rate cap built into the ERF will provide an extra incentive for the Company to control its costs during the period when rates are in effect.

2. Authority for and Purpose of an Expedited Rate Filing.

15 The Commission's rules distinguish between different types of rate increases.²⁰ More significant rate increases are subject to requirements designed to standardize presentations, clarify issues, and simplify processing.²¹ The Commission typically schedules these cases using the full, combined 11-month suspension period under RCW 80.28.060 and RCW 80.04.130(1). Under WAC 480-07-505(1), a rate filing is considered a general rate case—and subject to these standard requirements—if the increase meets any of the following criteria: (1) the amount requested would increase the gross annual revenue of the company by three percent or more; (2) tariffs would be restructured so the gross revenue provided by any one customer class would increase by

¹⁹ The Company sought judicial review of the orders in its 2013 and 2014 general rate cases, and these appeals are pending. If the orders are remanded, the impact on the rate plan will be determined during the remand proceeding.

²⁰ See WAC 480-07-500.

²¹ WAC 480-07-500(3).

three percent or more; or (3) the Company requests a change in its authorized rate of return on common equity or capital structure.²²

16 The Commission developed the ERF using the procedural flexibility accorded to filings that do not meet the criteria for general rate case filings. The Commission indicated that mechanisms like an ERF “are among the tools available to the Commission when carrying out its statutory duties that are fundamentally defined by its obligation to ensure that utility rates are fair, just, reasonable and sufficient on a continuing basis.”²³ The ERF arose from the Commission’s initiative “to entertain, consider fairly and adopt ratemaking alternatives” to break the pattern of nearly continuous general rate cases:²⁴

This pattern of one general rate case filing following quickly after the resolution of another is overtaxing the resources of all participants and is wearying to the ratepayers who are confronted with increase after increase. This situation does not well serve the public interest and we encourage the development of thoughtful solutions.²⁵

17 In Pacific Power’s 2013 general rate case, Docket UE-130043 (2013 Rate Case), the Commission indicated general support for an ERF.²⁶ In that case, Commission Staff proposed that the Company be allowed to submit an ERF in 2014, shortly after filing its standard Commission Basis Report.²⁷ Public Counsel generally agreed with Staff’s ERF process and procedures, with some modifications.²⁸ The Commission declined to approve this proposal, but found “Staff’s proposal of an ERF in this proceeding worthy of

²² WAC 480-07-505(1)(a)-(c). A fourth criteria under WAC 480-07-505(1)(d) relates to solid waste companies and is inapplicable here.

²³ Dockets UE-130137 and UG-130138 (consolidated), Order 07 at 8, ¶ 19.

²⁴ *Id.* at 13, ¶ 32.

²⁵ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-111048 *et al.*, Order 08 at 187, ¶ 507 (May 7, 2012).

²⁶ *WUTC v. PacifiCorp*, Docket UE-130043, Order 05 at 82-85, ¶¶ 210-218 (Dec. 4, 2013).

²⁷ *Id.* at 82, ¶ 210.

²⁸ Docket UE-130043, Cross-Answering Testimony of James R. Dittmer Regarding Expedited Rate Filing Conditions, Exh. No. JRD-5T at 2-3 (Aug. 2, 2013).

future consideration[.]”²⁹ Thereafter, the Commission provided additional guidance for an ERF in PSE’s Dockets UE-130137 and UG-130138 (PSE ERF), in which the Commission approved an “ERF, the decoupling mechanisms, and the rate plan in a single proceeding as a series of steps made in the interest of exploring new forms of rate making.”³⁰

18 The ERF process allows rates to be updated “after a GRC to address cost recovery issues arising from regulatory lag that is an inherent part of the ten month GRC process in which rates are based on audited data from an historic test year.”³¹ As the Commission stated when referring to the PSE ERF, “the filings are in structure, purpose and effect as distinct from a GRC filing as they possibly could be. The very purpose of these filings is to avoid the need for yet another general rate case proceeding.”³² Instead, the purpose of an ERF is to provide utilities a streamlined filing process to update rates without filing a general rate case.

3. Pacific Power’s Modified Commission Basis Report Appropriately Supports the ERF.

19 As noted above, Pacific Power’s ERF is based on a Commission Basis Report modified with three primary adjustments, all of which address Pacific Power’s particular circumstances during the rate effective period. In the PSE ERF, the Commission agreed that an ERF could modify the underlying Commission Basis Report.³³ In calculating rate base, PSE used end-of-period rate base amounts instead of the average of monthly

²⁹ *Id.*, Order 05 at 84, ¶ 217.

³⁰ *See* Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07 at 8, ¶ 21 and Order 15/14 (June 29, 2015).

³¹ *Id.*, Order 07 at 14, ¶ 34.

³² *Id.* at 3, ¶ 9, fn. 10.

³³ *Id.* at 17-21, ¶¶ 39-48.

averages. This was a change in methodology from PSE's most recent rate case and accounted for a significant amount of PSE's revenue deficiency. The Industrial Customers of Northwest Utilities protested PSE's use of end-of-period rate base and argued that it violated the requirement to calculate adjustments in the Commission Basis Report in the same manner as approved in a utility's most recent general rate case.³⁴

20 The Commission rejected this argument and found that the Commission Basis Report was designed to address issues unrelated to the ERF and that "the Commission did not intend to apply its concepts to all aspects of ratemaking."³⁵ The Commission also held that "[t]he use of the CBR here, particularly the modified CBR the Company developed for the period ended June 30, 2012, was for a distinctly different purpose. Simply put, the CBR rule does not legally limit the means PSE can propose to use to update its rates through an ERF."³⁶

21 Pacific Power's modifications to the Commission Basis Report are appropriate and necessary. First, the Company has included end-of-period rate base to address attrition, mitigate regulatory lag, and respond to the lack of the opportunity for Pacific Power to earn its authorized rate of return over an extended historical period.³⁷

22 Second, the Jim Bridger Unit 3 plant overhaul will be complete by the end of this month. The Jim Bridger Unit 3 modifications and plant additions are used and useful, and the associated costs are known and measurable. This is similar to the pro forma adjustment approved in the 2013 Rate Case for the Jim Bridger Unit 2 upgrade.³⁸ The

³⁴ *Id.* at 17-18, ¶¶ 39-40.

³⁵ *Id.*, ¶ 40.

³⁶ *Id.*

³⁷ *Id.* at 19-21, ¶¶ 45-48.

³⁸ Docket UE-130043, Order 05 at 81-82, ¶¶ 207-209.

Jim Bridger Unit 2 upgrade was placed in service while the case was pending, nearly a year after the June 30, 2012 test year.³⁹

23 Third, a return to shorter depreciation schedules for the Company's coal generation resources located in the west control area is an important, time-sensitive and discrete issue, appropriate for consideration in the ERF. The long-term direction of coal generation is in flux due to state and federal environmental policies, mandates, and the EPA's Clean Power Plan. The Company proposes to align Washington's depreciation schedules with Oregon's, with depreciable lives ending in 2025 and 2032 for the Jim Bridger Units and Colstrip Unit 4, respectively. In Washington, the current depreciable life of the Jim Bridger units is through 2037; the current depreciable life of Colstrip Unit 4 is through 2046. The shortened depreciation schedules return the units to their pre-2008 approved depreciable lives in Washington. These changes will provide optimal flexibility to the Commission, the Company, and customers in future resource planning. This request is consistent with the Company's treatment of the Carbon coal plant (a plant outside of the west control area) in the Company's most recent depreciation study filed in Washington in Docket UE-130052.⁴⁰

³⁹ *Id.* at 81, ¶ 207; Advice No. 13-01 (Jan. 11, 2013).

⁴⁰ *In the Matter of the Petition of PacifiCorp, d/b/a Pacific Power & Light Company, For an Order Authorizing a Change in Depreciation Rates Applicable to Electric Property*, Docket UE-130052, Petition of PacifiCorp (Jan. 11, 2013).

4. Pacific Power’s Petition is Not Requesting a Change to Cost of Capital.

24 Pacific Power is not requesting a change to its cost of capital established earlier
this year in the final order in its 2014 Rate Case.⁴¹ There is no legal, policy or
evidentiary requirement for a full cost of capital hearing on this petition.

25 The ERF was intended to update rates established through a general rate case
without including cost of capital issues.⁴² The combination of the ERF with a two-year
rate plan and a decoupling mechanism—each capped at a three percent increase—does
not require the Commission to conduct a full cost of capital hearing. In the Company’s
2014 Rate Case, the Commission determined that, even in a full general rate case, it is not
required to consider changes to a company’s recently determined cost of capital.⁴³

26 The cost of capital review on remand of the PSE ERF does not provide otherwise.
As the Commission explained in its Remand Order:

Although the Court determined that the Commission should have required the evidence necessary and should have undertaken a full analysis of return on equity in the ERF proceeding considering that updated rates were being set in connection with a multi-year rate plan, *we note that there is no statutory or other prohibition against the Commission setting rates without considering this issue.* Indeed, this Commission, like many regulatory authorities throughout the United States, routinely sets rates without explicitly analyzing and determining cost of capital issues. It is not at all uncommon too maintain a previously determined cost of capital structure with its embedded rates of return from one general rate case to the next *Nor is there any reason for the Commission to undertake this detailed and costly analysis when the issues*

⁴¹ The Company’s agreement to not seek changes to the cost of capital is premised on the Commission treating this petition as a request for alternative ratemaking, not a request for a general rate case. If the Commission rejects the Company’s request for an ERF and treats the petition as a general rate case filing with a full cost of capital review, then the Company reserves its right to seek the higher ROE supported by Mr. Strunk’s testimony.

⁴² Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 15/14 at 12, ¶ 21, fn. 18.

⁴³ Dockets UE-140762 *et al.*, Order 08 at 76-77, ¶ 181.

*have been recently decided for a given Company.*⁴⁴

27 The Commission’s conclusion in the PSE ERF applies here—there is no reason for the Commission to undertake costly and detailed cost of capital analysis when it just decided the issue for Pacific Power earlier this year. This approach is also supported by the Commission’s decision to approve Avista’s decoupling mechanism in 2007 outside of a general rate case because “Avista had such a case before us within the past 13 months,” which the Commission concluded was “sufficient in this context to guide our decision.”⁴⁵

28 In addition, the testimony of Mr. Kurt Strunk provides evidence supporting an increase in the Company’s return on equity, which refutes any argument that the Company’s return on equity should be reduced based on market changes, the proposed rate plan, or the proposed decoupling mechanism. Mr. Strunk’s testimony and analysis provides substantial evidence for the Commission to approve this petition without modifying the Company’s currently authorized return on equity.

29 Finally, as Table 1 demonstrates, Pacific Power’s 7.30 percent rate of return is currently the lowest of any Washington utility, and its 9.50 percent return on equity is 30 basis points lower than the 9.80 percent return on equity approved less than five months ago in the Commission’s final order in the remand of the PSE ERF.⁴⁶ Importantly, PSE and Avista had decoupling and power cost adjustment mechanisms in place when the Commission set their current cost of capital. This shows that Pacific Power’s current cost of capital is well within a reasonable range for the rate plan effective period, taking into

⁴⁴ Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 15/14 at 12, ¶ 21, fn. 18. Emphasis added.

⁴⁵ *In the Matter of the Petition of Avista Corp., d/b/a Avista Utilities, for an Order Authorizing Implementation of a Natural Gas Decoupling Mechanism and to Record Accounting Entries Associated With the Mechanism*, Docket UG-060518, Order 04 at 9-10, ¶ 30 (Feb. 1, 2007).

⁴⁶ Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 15/14 at 5, ¶ 8.

account Pacific Power’s new power cost adjustment mechanism and proposed decoupling mechanism.

TABLE 1

	Pacific Power UE-140762	Puget Sound Energy UE-130137	Avista Corporation UE-140188 ⁴⁷	Avista Corporation (settled/pending approval) UE-150204
Return on Equity	9.5%	9.8%	Unspecified	9.5%
Total Rate of Return	7.30%	7.77%	7.32%	7.29%

5. The Company’s Petition Is Not a General Rate Case.

30 The joint consideration of the various components of Pacific Power’s petition does not constitute a general rate case under Commission rules. Parties may argue, as they did in the PSE ERF, that Pacific Power’s combined request results in an increase of more than three percent and is subject to WAC 480-07, Subpart B: General Rate Proceeding.⁴⁸ In the PSE ERF, however, the Commission rejected this argument, a decision that was upheld on appeal.⁴⁹ The Commission clarified that, “[t]hese arguments ignore the purpose of the Subpart B special rules.”⁵⁰ The PSE ERF was a response “to the Commission’s invitation to parties to present innovative approaches to ratemaking that would avoid the complex process of a general rate case and the need to invoke the

⁴⁷ The specific components of cost of capital in Docket UE-140188 were unspecified. A 7.32 percent rate of return, however, was reflected in the stipulation to be used for allowance for funds used during construction and other purposes.

⁴⁸ Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07 at 78-79, ¶ 184.

⁴⁹ *Id.*, at 80-81, ¶¶ 188-190; *Indus. Customers of NW Utils. v. WUTC*, Thurston County Superior Court Case Nos. 13-2-01576-2 and 13-2-01582-7 (consolidated), Order Granting in Part and Denying in Part Petitions for Judicial Review (July 25, 2014).

⁵⁰ Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07 at 79, ¶ 185.

special rules in WAC 480-07, Subpart B.”⁵¹ This decision supports similar treatment of Pacific Power’s petition.

31 If the Commission finds that the general rate case requirements of WAC 480-07, Subpart B, are applicable, Pacific Power requests an exemption as necessary to fully and expeditiously resolve this case. The Commission may grant an exemption from its rules in individual cases “if consistent with the public interest, the purposes of the underlying regulation, and applicable statutes.”⁵² The Commission determined that the PSE ERF met the public interest standard because the filing was consistent with the Commission’s policy objective of pursuing alternatives to the general rate case process.⁵³ This same rationale supports an exemption to WAC 480-07, Subpart B for Pacific Power’s petition.

B. Pacific Power’s Two-Year Rate Plan.

1. Pacific Power’s Second-Year Step Increase is Supported By Attrition Trends and Known and Measurable Cost Increases.

32 Pacific Power proposes a rate plan with a step increase of 2.99 percent in year two, effective May 1, 2017. The second-year increase is based on Pacific Power’s 10-year trend of earnings attrition. As discussed in the testimony of Mr. R. Bryce Dalley, since 2006, Pacific Power has earned a return on equity that is, on average, approximately 500 basis points less than its authorized return on equity.

33 The second-year step increase is also supported by four major cost drivers in 2016:

- The overhaul at Jim Bridger Unit 4, including installation of an SCR system. Like the SCR system installation at Jim Bridger Unit 3, the SCR is required by state and federal air quality regulations and must be completed by December

⁵¹ *Id.* at 80, ¶ 187.

⁵² WAC 480-07-110(1).

⁵³ Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07 at 13, ¶ 32.

2016. The project is underway, with expenditures and timelines comparable to the SCR system installation at Jim Bridger Unit 3. The project has an in-service date of November 2016.

- A Supervisory Control and Data Acquisition and Energy Management System (SCADA EMS) replacement and upgrade, designed to enhance safety and reliability. This project has an in-service date of March 2016.
- The Union Gap Substation Upgrade, with an in-service date of May 2016.
- The expiration of certain production tax credits for the Company's renewable resources, beginning with the Leaning Juniper wind generation project in May 2016.

34 To support the rate plan, Pacific Power agrees to file an attestation before the second-year step increase in late 2016 or early 2017, verifying that each of these investments are in service and confirming the final costs of each investment.

35 The rate plan includes several components to protect customers. First, the Company agrees to not file a general rate case for a rate change effective before April 1, 2018.⁵⁴ The two-year rate plan combined with this stay-out provision creates a defined break in Pacific Power general rate cases that offers relief to all stakeholders. The rate plan will provide an extra incentive for cost management over the next two years, with overall rate increases capped at three percent for each of the two years.

36 Second, Pacific Power agrees to low-income funding increases in 2016 and 2017 under the Company's five-year LIBA plan approved in Docket UE-111190.⁵⁵ In 2012, the Commission approved the Company's LIBA program funding and eligibility

⁵⁴ As noted above, Pacific Power's ERF/rate plan is subject to any adjustments that may be necessary to implement a final order in the Company's 2013 and 2014 Rate Cases that are currently on appeal. In addition, the Company retains the right to file for deferrals during the general-rate-case stay-out period, subject to the Commission's review. This stay-out will not alter the operation or application of existing or new rate adjustment mechanisms authorized by the Commission, including the Company's PCAM and deferrals under the EPS.

⁵⁵ See *WUTC v. PacifiCorp*, Docket UE-111190, Order 07 at 8-9, ¶¶ 17-18 (Mar. 30, 2012); Docket UE-111190, Direct Testimony of Deborah Reynolds, DJR-1T at 13-19 and Exh. No. DJR-3 (Jan. 6, 2012); Direct Testimony of Charles Eberdt, CME-1T and Exh. No. CME-3 (Jan. 6, 2012).

certification process for five years.⁵⁶ The Company also agrees to increase customer benefits by two times the percentage of the requested residential rate increase (approximately six percent annually in 2016 and 2017) as if this filing requested a general rate increase under the terms of the five-year LIBA plan. The Company proposes to increase the Schedule 91 residential surcharge to reflect the increased LIBA funding.⁵⁷ The Company will also engage with the parties to address potential modifications to the LIBA program upon completion of the five-year LIBA plan.

37 Third, to ensure that Pacific Power’s performance under the rate plan is transparent and readily auditable, the Company agrees to file semi-annual Commission Basis Reports during the rate plan effective period.

3. Pacific Power’s Rate Plan and Proposed Second-Year Increase.

38 The purpose of the Company’s petition is to avoid the need for serial general rate cases, while still addressing the Company’s lack of opportunity to earn its authorized rate of return. The rate plan constructively addresses Pacific Power’s earnings attrition and projected cost increases over the next two years.

39 The Company’s rate plan proposal is based upon the Commission’s approval of multi-year rate plans in the PSE ERF and in Avista’s 2012 general rate case to address earnings attrition.⁵⁸ Commission has explained that “[a]ttrition is a term, as noted in the Commission’s Final Order in PSE’s 2011/2012 GRC, that is ‘often loosely applied to any situation in which a rate-regulated business fails to achieve its allowed earnings.’”⁵⁹ More particularly, the Commission indicated that it was open to and is willing to consider

⁵⁶ See *id.*, Order 07 at 8-9, ¶¶ 17-18.

⁵⁷ See *id.* at 8, ¶ 17.

⁵⁸ Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07 at 65-66, ¶¶ 147-150.

⁵⁹ *Id.* at 62, ¶ 142.

specific proposals supported by adequate evidence to address earnings affected by attrition.⁶⁰ The Commission also made clear that an attrition-based rate plan did not require the filing and review of a formal attrition study.⁶¹

40 Pacific Power's proposal to base a second-year rate increase upon an attrition trend is similar to Avista's rate plan approved by the Commission 2012.⁶² A notable difference, however, is that the Company's ERF/rate plan provides extensive testimony and analysis of discrete and identifiable costs components through 2016.⁶³ This evidence supports a second-year rate increase as a necessary escalation in rates to address attrition and create the opportunity for Pacific Power to earn its authorized rate of return.⁶⁴

C. Pacific Power's Decoupling Proposal.

1. Summary of Pacific Power's Decoupling Proposal.

41 Pacific Power's decoupling proposal follows the Commission's Decoupling Policy Statement, guidance from the Commission in past Pacific Power general rate cases,⁶⁵ and is modeled on decoupling mechanisms the Commission has approved for Avista and PSE.⁶⁶ The proposed decoupling mechanism operates independently of other proposals in this filing, except that base revenues for the decoupling mechanism will be updated to reflect the second-year rate increase. Pacific Power's proposed mechanism is

⁶⁰ *Id.* at 62-63, ¶ 143.

⁶¹ *Id.* at 65-66, ¶¶ 146-150.

⁶² *WUTC v. Avista*, Dockets UE-120436 and UG 120437 (consolidated) *et al.*, Order 09/14 at 26-30, ¶¶ 70-78 (Dec. 26, 2012).

⁶³ *Id.* at 27, ¶ 72.

⁶⁴ *Id.* at 26-30, ¶¶ 70-78. *See also*, Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07 at 6566, ¶¶ 147-150.

⁶⁵ Dockets UE-140762 *et al.*, Order 08 at 94, ¶ 222. In a separate statement, Commissioner Jones indicated that he would not go as far as the majority in encouraging the Company to put forth a decoupling proposal. While Commissioner Jones expresses some reservations regarding decoupling for Pacific Power, he nonetheless acknowledges his general support for decoupling. *Id.* at 121-125, ¶¶ 312-320.

⁶⁶ *See* Dockets UE-140188 and UG-140189 (consolidated), Order 05; Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07.

a revenue-per-customer decoupling mechanism that will compare the actual, non-weather-adjusted revenues per customer to the allowed revenue per customer, with any differences deferred for later rebate or surcharge.

a. Customers Subject to the Decoupling Mechanism.

42 The proposed mechanism would address only revenue received from residential (Schedules 16, 17, and 18), general service (Schedules 24 and 36), and irrigation customers (Schedule 40). Large general service customers with loads exceeding 1 MW (Schedule 48) and all street lighting schedules are excluded from the mechanism. Pacific Power excludes these customers from its decoupling proposal because the Company collects relatively more of its fixed costs from these customers through non-volumetric charges, mitigating the issues addressed by decoupling. The exclusion of large general service and lighting customers from the Company's decoupling mechanism is also consistent with Avista's decoupling mechanism.⁶⁷

b. Revenues Subject to the Decoupling Adjustment Mechanism.

43 The Company's revenues recovered from the fixed basic charge and minimum bills will be excluded from the mechanisms. In addition, revenue received to recover net power costs will be excluded. Thus, the mechanism focuses on the fixed costs that the Company recovers through its non-net-power-cost volumetric charges.

44 The allowed revenue per customer (which will be trued-up to the actual revenue per customer) will be based on the test-year revenue and customer count.

⁶⁷ Dockets UE-140188 and UG-140189 (consolidated), Order 05 at 11, ¶ 22, fn. 25. In contrast, PSE excluded street lighting customers and direct access customers from its decoupling mechanism, but included other large customers. Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07 at 56-57, ¶ 129.

c. Calculation of Monthly Deferral.

45 The decoupling mechanism includes a monthly deferral to capture the differences between the allowed and actual revenue. The calculation of the deferred amounts begins with the total revenue allowed for recovery in this case allocated to each rate schedule subject to the mechanism. The net power cost revenue and fixed basic charge revenue are then subtracted from the total revenue to produce the allowed revenue that will be subject to the mechanism's true-up, which is referred to as the Allowed Decoupled Revenue.

46 The Company then determines the Annual Allowed Decoupled Revenue Per Customer by dividing the Allowed Decoupled Revenue by the customer count from the test period. The Annual Allowed Decoupled Revenue Per Customer is shaped based on the monthly energy sales for each customer class during the test year to produce the Monthly Decoupled Revenue Per Customer. Lastly, the Company determines the Allowed Decoupled Revenue Per Kilowatt-Hour Rate by dividing the Allowed Decoupled Revenue by the total test year kilowatt-hours for each rate schedule.

47 To determine the deferred amounts, the Company will subtract the product of the actual kilowatt-hour sales (not weather-adjusted) and the Allowed Decoupled Revenue Per Kilowatt-Hour Rate from the product of the customer count and Monthly Decoupled Revenue Per Customer for that month. If the difference between these two products is positive, this means the Company over-collected its Decoupled Revenue during the month; if the difference is negative, this means the Company under-collected. These monthly differences (deferrals) will be placed in an interest-accruing balancing account that will be included on customer bills as either a surcharge or rebate. The deferrals are

tracked monthly and accrue interest at the rate set by the Federal Energy Regulatory Commission. The Company proposes that the monthly deferrals begin on May 1, 2016.

d. Rate Adjustments under the Decoupling Mechanism.

48 On or before December 1 of each year, the Company will file a proposed rate adjustment surcharge or rebate based on the amount of deferred revenue recorded for the prior July 1-to-June 30 time period. The rate adjustment will be calculated separately for each rate schedule subject to the mechanism.

e. Earnings Test.

49 Before any decoupling rate adjustment, the Company would apply an earnings test. The earnings test is based on the Company's mid-year Commission Basis Report, which is filed with the Commission by October 31 for the previous July 1-to-June 30 period, as described in further detail by Ms. McCoy.

50 If the return on equity exceeds the most recently authorized return on equity:

- any proposed decoupling surcharge will be reduced or eliminated by up to 50 percent of the excess earnings;
- any proposed decoupling surcredit will be returned to customers, as well as 50 percent of the excess earnings.

51 If the return on equity is less than the most recently authorized return on equity, no adjustment is made to any decoupling surcharge or surcredit.

52 In addition to the earnings test, the Company also proposes to limit the annual incremental amount of the rate increase resulting from the adjustment (after application of the earnings test) to three percent (*i.e.*, the annual increase in the surcharge cannot exceed a three-percent rate increase each year), with unrecovered balances carried

forward to future years for recovery. This three-percent annual limit would not apply to customer credits.

f. Duration of the Decoupling Mechanism.

53 The Company proposes that the mechanism be approved for a minimum of five years beginning on May 1, 2016. After three years, the Company proposes to evaluate the effectiveness of the mechanism. The evaluation will examine, at a minimum, the same issues that will be examined as part of the similar review of Avista’s mechanism.⁶⁸

g. Conservation Targets.

54 The Company aggressively pursues cost-effective conservation and will continue to do so once the decoupling mechanism is implemented. Historically, the Company’s annual conservation efforts have far exceeded both the amounts required by the Energy Independence Act⁶⁹ and the higher conservation targets established by the Commission.⁷⁰

55 Moreover, the Company’s recently filed 2015 Integrated Resource Plan (IRP) includes energy efficiency savings that exceed levels in the 2013 IRP by 59 percent through 2024.⁷¹ Over the next ten years, the Company anticipates that the accumulated acquisition of incremental energy efficiency resources will meet 86 percent of forecast load growth.⁷²

⁶⁸ Dockets UE-140188 and UG-140189 (consolidated), Order 05 at 13-14, ¶¶ 27-28.

⁶⁹ RCW 19.285.040(1) (requiring all cost-effective conservation).

⁷⁰ RCW 19.285.040(1)(b) (requiring biennial conservation targets).

⁷¹ PacifiCorp’s 2015 Integrated Resource Plan at 3 (Mar. 31, 2015).

⁷² *Id.*

2. The Company's Decoupling Proposal Is Supported by Commission Policy and Precedent.

56 Full decoupling allows a utility to recover the fixed costs incurred to serve customers independent of the amounts of electricity it sells.⁷³ “Under traditional ratemaking structures, utilities recover a large portion of their fixed costs through charges based on the volume of energy that consumers use. Consequently, a reduction in energy consumption may lower the probability that the utility can fully recover its fixed costs.”⁷⁴ Through decoupling, a utility’s revenues are less reliant on customer usage and therefore less volatile.⁷⁵

57 Decoupling also encourages “utilities to acquire all cost-effective conservation.”⁷⁶ The Commission has recognized that “[c]onservation is one of our cornerstone missions. Consequently, we encourage and support efficiency programs as one of the key objectives in our ratemaking.”⁷⁷ By breaking the “link between a utility’s revenues and retail sales levels,” decoupling reduces the “utility’s risk associated with recovering its fixed costs when retail sales decrease due to customer conservation.”⁷⁸ Thus, full decoupling eliminates a utility’s disincentive to encourage conservation. Full decoupling is also consistent with state and federal law requiring aggressive conservation efforts by utilities,⁷⁹ while protecting utility earnings in the face of increasing energy efficiency.⁸⁰

⁷³ Dockets UE-140188 and UG-140189 (consolidated), Order 05 at 11, ¶22, fn. 22.

⁷⁴ Docket UG-060518, Order 04 at 2, ¶ 9.

⁷⁵ Decoupling Policy Statement at 16-17, ¶ 27.

⁷⁶ *Id.* at 8, ¶ 12.

⁷⁷ *WUTC v. Avista Corp.*, Dockets UE-090134 and UG-090135 (consolidated) *et al.*, Order 10 at 113, ¶ 289 (Dec. 22, 2009).

⁷⁸ *WUTC v. PacifiCorp*, Dockets UE-050684 and 050412, Orders 04/03 at 38, ¶ 102 (Apr. 17, 2006).

⁷⁹ *See e.g.* RCW 19.285.040(1) (electric utilities required to “pursue all available conservation that is cost-effective, reliable, and feasible.”).

⁸⁰ RCW 80.28.260(3) (“The commission shall consider and may adopt other policies to protect a company from a reduction of short-term earnings that may be a direct result of utility programs to increase the efficiency of energy use.”).

58 The Commission has long supported decoupling mechanisms, dating back to its first approved decoupling mechanism for PSE in 1991.⁸¹ In 2006, Pacific Power and the Natural Resources Defense Council (NRDC) jointly proposed a three-year pilot decoupling mechanism that would have allowed a true-up of fixed costs on an annual basis.⁸² While expressing general support for decoupling mechanisms, the Commission declined to approve the Pacific Power/NRDC mechanism and provided detailed information that it expected Pacific Power to provide in support of any future decoupling proposals.⁸³

59 In 2010, the Commission investigated methods to improve the provision of conservation resources to customers and issued a Decoupling Policy Statement, which expressed support for full decoupling for electric utilities and concluded that decoupling “can be a tool that benefits both the company and its ratepayers” by reducing revenue volatility between rate cases.⁸⁴ The Commission provided guidance on the elements that a full decoupling proposal should include and criteria that should be met to support a decoupling mechanism.⁸⁵ The Commission also indicated that the guidance provided “does not imply that the Commission would not consider other mechanisms” even if the mechanisms varied from what was described in the Decoupling Policy Statement.⁸⁶

⁸¹ Dockets UE-140762 *et al.*, Order 08 at 92-94, ¶¶ 220-222.

⁸² Dockets UE-050684 & 050412, Order 04 at 39-40, ¶ 103.

⁸³ *Id.* at 41-42, ¶¶ 108-109. The Commission incorporated generally the same criteria in its Decoupling Policy Statement.

⁸⁴ Decoupling Policy Statement at 16-17, ¶ 27.

⁸⁵ *Id.* at 17-19, ¶ 28.

⁸⁶ *Id.* at 22, ¶ 34; Docket UE-111048 *et al.*, Order 08 at 167, ¶ 456, fn. 617; Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07 at 42-42, ¶ 95.

60 Since the Commission issued its Decoupling Policy Statement, it has approved full decoupling mechanisms for PSE and Avista.⁸⁷ When approving PSE’s mechanism, the Commission reiterated that the Decoupling Policy Statement did not set forth mandatory requirements for decoupling mechanisms and that the Commission was open to proposals that varied from the guidance previously provided by the Commission.⁸⁸ The Commission approved PSE’s decoupling mechanism after concluding that it “presents a decoupling mechanism that follows the Commission’s guidance in the Decoupling Policy Statement in significant regards.”⁸⁹

61 In 2014, the Commission approved a settlement that included a full decoupling mechanism for Avista.⁹⁰ The Commission concluded that the Avista mechanism was “in the public interest, will promote the policy goals of increased conservation, and will result in fair, just, and sufficient rates.”⁹¹

3. The Commission’s Order in Pacific Power’s 2014 Rate Case Supports the Company’s Decoupling Proposal.

62 In the 2014 Rate Case, both the Company and Staff proposed an increase in the residential basic charge to recover a greater portion of the Company’s fixed costs through the fixed component of the residential rate. As recognized by Staff in that case,⁹² the proposed basic charge increase was designed to achieve the same underlying policy goals

⁸⁷ See Dockets UE-140188 and UG-140189 (consolidated), Order 05; Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07.

⁸⁸ Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 07 at 42-43, 50, ¶¶ 95, 111.

⁸⁹ *Id.* at 59, ¶ 135.

⁹⁰ Dockets UE-140188 and UG-140189 (consolidated), Order 05.

⁹¹ *Id.* at 13-14, ¶ 28.

⁹² Dockets UE-140762 *et al.*, Direct Testimony of Jeremy B. Twitchell, Exh. No. JBT-1T at 24:12-25:2 (Oct. 10, 2014).

as decoupling—protecting the Company against the risk of under-recovery of fixed costs in an era of uncertain load.⁹³

63 In the 2014 Rate Case, the Company demonstrated that it currently recovers a significant portion of its fixed costs through volumetric rates,⁹⁴ which is particularly problematic for Pacific Power because of its declining residential load in Washington.⁹⁵ Pacific Power also demonstrated that its customers tend to have high use of electric space heating.⁹⁶ Therefore, fluctuations in weather can have a significant impact on the Company’s ability to recover its fixed costs to serve customers.⁹⁷ Aggressive conservation and energy efficiency programs that target all types of customer usage have further eroded the Company’s fixed-cost recovery.⁹⁸

64 The Commission ultimately declined to accept either the Company’s or Staff’s proposal to increase the basic charge.⁹⁹ The Commission did not, however, reject the underlying policies that supported the proposals or dismiss the Company’s concerns regarding fixed-cost recovery. On the contrary, the Commission noted that several parties, including Staff, supported a decoupling mechanism to address the Company’s

⁹³ While the Company continues to believe that its proposal to increase the basic charge is a more efficient way to address load volatility, it understands that the Commission is not inclined to approve such an increase and has encouraged the Company to explore decoupling as an alternative. The Company recognizes that the problems addressed by decoupling are significant and are expected to become more acute, particularly as loads continue to decrease as conservation efforts continue to increase. The Company is therefore modifying its historically neutral position on decoupling and now supports the implementation of a full decoupling mechanism to address the issues raised in its last rate case.

⁹⁴ Dockets UE-140762 *et al.*, Direct Testimony of Joelle R. Steward, Exh. No. JRS-1T at 19:1-21:17 (May 1, 2014); Direct Testimony of Jeremy B. Twitchell, Exh. No. JBT-1T at 23:1-17.

⁹⁵ *Id.*, Direct Testimony of Jeremy B. Twitchell, Exh. No. JBT-1T at 23:18-24.

⁹⁶ *Id.*, Rebuttal Testimony of Joelle R. Steward, Exh. No. JRS-13T at 40:5-17 (Nov. 14, 2014).

⁹⁷ *WUTC v. PacifiCorp*, Docket UE-100749, Order 06 at 76, ¶ 218 (Mar. 25, 2011) (“temperature may have a significant impact on customer usage.”).

⁹⁸ Dockets UE-140762 *et al.*, Rebuttal Testimony of Joelle R. Steward, Exh. No. JRS-13T at 43:16-18, 44:6-20.

⁹⁹ Dockets UE-140762 *et al.*, Order 08 at 91, ¶ 216.

recovery issues and the Commission urged the Company to consider such a filing.¹⁰⁰

This decoupling filing responds directly to the Commission's order.

65 Finally, it is unnecessary for the Commission to adjust the Company's cost of capital in this case if it adopts decoupling. As noted above, the Company's cost of capital is already lower than other Washington utilities that have decoupling. In addition, similar to the PSE ERF, Pacific Power's decoupling proposal is presented as part of a comprehensive two-year rate plan, including an ERF. As discussed in the testimony of Mr. Strunk, the elements of Pacific Power's petition similarly do not warrant a change to Pacific Power's cost of capital.¹⁰¹

V. SUPPORTING WITNESSES

66 The Company's direct case consists of the testimony and exhibits of eight witnesses:

- **R. Bryce Dalley**, Vice President, Regulation, provides an overview of this petition and highlights the benefits for customers. Mr. Dalley also addresses the regulatory policy issues raised by the petition, including the Company's proposal for accelerated depreciation of the Company's coal resources in the west control area.
- **Kurt G. Strunk**, Vice President at National Economic Research Associates, Inc., provides testimony demonstrating that the Company's current cost of equity is higher than that approved in Pacific Power's most recent general rate case. Mr. Strunk demonstrates that holding the cost of equity constant is reasonable in the context of the petition, and reducing it would not be reasonable.

¹⁰⁰ *Id.* at 94, ¶ 222.

¹⁰¹ Dockets UE-130137 and UG-130138 (consolidated) *et al.*, Order 15/14 at 69-70, ¶ 156. The Commission decided that decoupling did not warrant a change to PSE's cost of capital because PSE had agreed to a stay-out provision that capped increases at three percent, proposed an earnings sharing mechanism, and agreed to conservation goals. Pacific Power's petition includes similar mitigating factors, which provides additional support for the Commission to not adjust Pacific Power's cost of capital.

- **Chad A. Teply**, Vice President of Resource Development and Construction, provides testimony detailing the major overhauls at Jim Bridger Units 3 and 4 and the installation of the SCR systems.
- **Rick T. Link**, Director, Origination, provides analytical support demonstrating the prudence of the Jim Bridger Unit 3 and 4 SCR systems.
- **Stuart J. Kelly**, Vice President, System Operations, describes the Company's investments in the SCADA EMS replacement and upgrade.
- **Richard A. Vail**, Vice President of Transmission, provides testimony supporting the Union Gap Substation Upgrade.
- **Shelley E. McCoy**, Manager, Revenue Requirement, presents the Company's modified Commission Basis Report and revenue requirement evidence supporting the proposals in this petition.
- **Joelle R. Steward**, Director, Rates and Regulatory Affairs, presents the Company's rate spread and rate design proposals, low-income funding increases, and proposed decoupling mechanism.

VI. CONCLUSION

67 The Company respectfully requests that the Commission grant the Company's petition to update its electric rates based on a modified Commission Basis Report effective May 1, 2016, by 2.99 percent, grant a two-year rate plan that results in a second step increase of 2.99 percent, effective May 1, 2017, and approve the Company's decoupling mechanism. The approval of Pacific Power's petition will produce rates that are just, fair, reasonable and will ensure that customers pay only reasonable and affordable charges for electric service. Customers will benefit from limited and predictable rate increases, increased and extended funding for low-income programs, additional reporting requirements, and assurances that Pacific Power will continue to have the ability to make the investments necessary to provide safe and reliable utility service.

Respectfully submitted this 25th day of November, 2015.



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