

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	DOCKET UE-230482
PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY,	ORDER 01
Petitioner,	APPROVING POWER COST ADJUSTMENT MECHANISM ANNUAL REPORT AND
2022 Power Cost Adjustment Mechanism Annual Report	EXTENSION OF AMORTIZATION PERIOD; GRANTING LEAVE TO REPLY; DENYING PETITION FOR ADJUDICATION

**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>
- 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>

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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).

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

3 On June 15, 2023, PacifiCorp filed testimony, exhibits, and supporting documentation related to power costs deferred under the PCAM for the period January 1, 2022, through December 31, 2022. The Company also filed a petition to extend the amortization of the PCAM surcharge from 12 months to 24 months to avoid rate shock and provide rate stability (Petition).

4 PacifiCorp explains that during 2022, actual power costs were significantly higher than the baseline, creating an under-recovery of \$72.7 million. This under-recovery was due to price and load volatility, extreme weather, and market events that were unaccounted for during the baseline and rate-setting process. Given the operation of the PCAM's sharing mechanism, PacifiCorp customers are responsible for \$71.5 million or \$77.3 million grossed up.

5 Thus, the Company is requesting a revenue increase of \$37.2 million or 9.5 percent, effective January 1, 2023. A typical residential customer using 1,200 kWh would see a \$11.09 monthly increase on their bill.

6 On October 10, 2023, the Alliance of Western Energy Consumers (AWEC) filed a Petition for Adjudication (Petition for Adjudication). AWEC raises concerns that the Company's proposed rate increase reflects an imprudent hedging strategy. AWEC submits that there are issues of material fact that require further evaluation, which are most appropriately handled in an adjudication.

7 On October 30, 2023, PacifiCorp filed a Response to AWEC's Petition. PacifiCorp argues that AWEC ignores the Company's direct testimony submitted in this docket, which addresses the Company's risk management program, and that power cost adjustments are routinely handled through the Commission's open meeting process. PacifiCorp recommends that the Commission deny the Petition and that AWEC's desires to understand the Company's hedging processes are better handled through an informal collaborative.

8 On November 7, 2023, AWEC filed a Motion for Leave to Reply (Motion for Leave to Reply) with a proposed reply (Reply). In its Reply, AWEC argues that an informal collaborative process is not a proper substitute for an adjudication, which would provide it remedies for discovery violations and other procedural rights. AWEC argues further that the parties have not had an opportunity to test PacifiCorp's assertion that it is more cost-effective to hedge for the Company's system as a whole.

9 Commission staff (Staff) has reviewed the 2022 PCAM Report and recommend that the Commission grant it and direct staff to open a new docket to explore PacifiCorp's hedging practices. Staff notes that it sent the Company numerous informal data requests. Staff also retained Consultant John Wilson of Grid Strategies LLC to evaluate the Company's filing. Staff also obtained an extension of its period for reviewing the Company's 2022 PCAM Report until November 20, 2023.

10 In sum, Staff recommends that the Commission issue an order:

- Authorizing PacifiCorp to record a 2022 ratepayer deferral of \$71.5 million for calendar year 2022, as reported in its 2022 PCAM Report.
- Approving Extension of the amortization period for surcharges on Schedule 97, PCAM, from 12 months to 24 months.
- Directing Staff to open a new docket to explore PacifiCorp's hedging practices.

11 Staff submits that an adjudication is not warranted, and Staff recommends that the Commission deny AWEC's Petition.

12 This matter came before the Commission at its regularly scheduled open meeting on November 22, 2023. The Commission heard additional comments from PacifiCorp, Staff, Public Counsel, and AWEC. AWEC maintains that it has concerns with the Company's hedging practices and that an adjudication would be the most appropriate course of action. Public Counsel argues that Staff's power cost expert acknowledges a lack of expertise in hedging issues and likewise supports an adjudication.

13 PacifiCorp disagrees with Public Counsel's comments on hedging practices, arguing that it is inaccurate to suggest that the Company has not hedged for the western portion of its system. PacifiCorp also discussed the implications of the WIJAM, noting its recommendation to discuss issues around cost allocation in a collaborative setting.

### **DISCUSSION**

14 After considering all of the testimony and comments submitted by PacifiCorp, Staff, Public Counsel, and AWEC, we approve PacifiCorp's 2022 PCAM Report. We conclude that an adjudication is the most appropriate course of action at this time.

**I. AWEC's Motion for Leave to Reply**

15 As an initial matter, we grant AWEC's Motion for Leave to Reply. Pursuant to WAC 480-07-370(5)(a), a party must seek leave of the Commission to reply to a response, and a party must also establish good cause for its reply. AWEC credibly maintains that PacifiCorp's recommendation for an informal collaborative raises a new issue that warrants a reply. We have therefore considered AWEC's Reply in coming to our decision.

**II. AWEC's Petition for Adjudication**

16 We grant AWEC's Petition for Adjudication. Pursuant to WAC 480-07-305(1), the Commission may commence an adjudicative proceeding at any time with respect to any issue within its jurisdiction.

17 After considering the arguments presented by AWEC, PacifiCorp, and other interested persons, we conclude that an adjudicative proceeding is warranted given the circumstances. Although the Commission routinely considers power cost adjustment mechanism filings through its open meeting process, we have previously indicated the need for further evaluation of PacifiCorp's hedging practices.<sup>4</sup> Considering the conflicting positions taken by the parties and the evidence presented so far in this proceeding, particularly the concerns raised around hedging raised by AWEC and Public Counsel, we conclude that we do not have a sufficient record at this time to approve the 2022 PCAM Report. This matter should therefore be suspended and set for adjudication. The Commission shall consider whether to approve the 2022 PCAM Report in its final order resolving the coming adjudication.

**FINDINGS AND CONCLUSIONS**

18 (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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<sup>4</sup> *WUTC v. PacifiCorp d/b/a Pacific Power and Light Co.*, Docket No. UE-210402, Order 06 at ¶ 154 (Mar. 29, 2022) (discussing the need to consider “prudence of its risk management practices for hedging for its Washington-allocated resources over calendar year 2022 and its choice of market exposure for its Washington-allocated portfolio given concerns raised by the Commission over a number of years.”).

- 19 (2) PacifiCorp is a public service company subject to Commission jurisdiction. PacifiCorp is engaged in the business of providing electric service within the state of Washington.
- 20 (3) The Commission should grant AWEC's Motion for Leave to Reply.
- 21 (4) The tariff revisions PacifiCorp filed on June 15, 2023, would increase charges and rates for service provided by PacifiCorp and might injuriously affect the rights and interests of the public.
- 22 (5) PacifiCorp has not yet demonstrated that the tariff revisions would result in rates that are fair, just, reasonable, and sufficient.
- 23 (6) In order to carry out the duties imposed upon the Commission by law, and as authorized in RCW 80.04.130, the Commission believes it is necessary to investigate PacifiCorp's books, accounts, practices and activities; to make a valuation or appraisal of PacifiCorp's property; and to investigate and appraise various phases of PacifiCorp's operations.
- 24 (7) The Commission finds that this docket meets the criteria of WAC 480-07-400(2)(b)(i) and that the parties may conduct discovery pursuant to the Commission's discovery rules in WAC 480-07-400 – 425.
- 25 (8) As required by RCW 80.04.130(4), PacifiCorp bears the burden to prove that the proposed increases are fair, just, reasonable, and sufficient.
- 26 (9) PacifiCorp may be required to pay the expenses reasonably attributable and allocable to such an investigation, consistent with RCW 80.20.020.

**ORDER**

**THE COMMISSION ORDERS:**

- 27 (1) The Commission grants the Alliance of Western Energy Consumer's Motion for Leave to Reply.
- 28 (2) The Commission grants the Alliance of Western Energy Consumer's Petition for Adjudication.
- 29 (3) The tariff revisions PacifiCorp d/b/a Pacific Power & Light Company filed on June 15, 2023 are suspended.

- 30 (4) The Commission will hold hearings at such times and places as may be required.
- 31 (5) PacifiCorp d/b/a Pacific Power & Light must not change or alter the tariffs filed in this docket during the suspension period unless authorized by the Commission.
- 32 (6) The Commission will institute an investigation of PacifiCorp d/b/a Pacific Power & Light's books, accounts, practices, activities, property, and operations as described above.
- 33 (7) The parties may conduct discovery pursuant to the Commission's discovery rules in WAC 480-07-400 – 425.
- 34 (8) PacifiCorp d/b/a Pacific Power & Light shall pay the expenses reasonably attributable and allocable to the Commission's investigation consistent with RCW 80.20.020.

DATED at Lacey, Washington, and effective November 22, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVE W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner