

Agenda Date: February 28, 2025
Item Number: A1

Docket: UE-250086
Company: PacifiCorp d/b/a/ Pacific Power and Light Company

Staff: Kristen Hillstead, Regulatory Analyst
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Recommendation

Require PacifiCorp d/b/a Pacific Power and Light Company (PacifiCorp or Company) to refund approximately \$64,000 in provisional rates collected from ratepayers for the Foote Creek II-IV new wind project.

Background

On March 19, 2024, the Washington Utilities and Transportation Commission (Commission) entered Order 08/06 in Dockets UE-230172 and UE-210852 (Consolidated), the Company's 2023 general rate case. Order 08/06 approved a settlement stipulation and required PacifiCorp to file an annual provisional capital review report (Report). The Commission required that the Company include in these reports information about all plant placed into service subject to refund for a given rate year.

The settlement stipulation required PacifiCorp to file its Report by July 15, 2024, for the investment period of January 1, 2023, to December 31, 2023. On July 15, 2024, PacifiCorp filed its annual provisional capital review report. Commission staff (Staff) reviewed the compliance filing, which included issuing informal data requests and meeting with the Company and other parties to discuss, specifically, PacifiCorp's investments in the Foote Creek II-IV wind project.

Discussion

Staff and other parties have concerns about PacifiCorp's treatment of Foote Creek II-IV. Namely, PacifiCorp included investments in Foote Creek II-IV with its other capital investments when determining whether it must refund provisionally collected rates despite the governing settlement's exclusion of new wind projects from the portfolio basis review applicable to other capital investments.

Language from Order 08/06 at ¶ 244 states:

“The Settling Parties agree that the annual provisional pro-forma capital reviews will be performed at the portfolio level except for Gateway South, Gateway West, and new wind resources. . . .”

Language from the settlement stipulation at ¶ 29 states:

The Parties agree that the annual provisional pro-forma capital reviews will be performed at the portfolio level, with the exception of Gateway South, Gateway West, and new wind resources. However, the review of the costs of these projects will be included in the same provisional pro-forma review filing.

and further at ¶ 30 states:

The Parties agree to the following structure for the earnings test and provisional pro-forma capital review:

a. PacifiCorp will make a filing to initiate the provisional pro-forma capital review proceeding, which will determine if any refund is necessary through that process (Capital Review Refund). For the avoidance of doubt, PacifiCorp will refund all amounts for plant not placed in service by the forecasted date, regardless of the Company's earnings.

In the Report, the Company identified approximately \$6.5 million investment included provisionally in rates for the Foote Creek II-IV project during the 2023 investment period, while the actual investment costs in service is \$6.0 million, for a variance of (\$484,165). The estimated revenue requirement differential for this investment is approximately \$64,000. The Company did not provide a refund when it filed its Report.

In response to informal data request 14, in which Staff asked PacifiCorp to explain its position that a refund should not be required, the Company referred and responded to paragraph 246 of Order 08/06:

“ . . . Gateway South and other projects are not subject to portfolio level review, which ameliorates any possible concerns with the portfolio level review.”

As a result, even though Foote Creek came in under budget and has been a cost item that is identified and tracked separately for the purposes of the pro forma review filing, the fact that it came in under budget, the fully comprehensive outcome of the calendar year (CY 2023) provisional capital review is that when viewing the entire value of assets in-service, PacifiCorp put in-service a net total capital rate base amount that is greater than what customers in Washington are paying for through rates in the CY 2023 review period, despite this one project being slightly underbudget, so there should be no refund for the purposes of the Capital Review Refund as identified in subsection (a) of paragraph 30.

Interpreting this in a manner to require a Capital Review Refund for these larger projects that are tracked separately for transparency purposes is not only inconsistent with the process laid out in the stipulation, but also a slightly illogical outcome, where a refund to customer is deemed necessary despite customers already benefiting from utilization of

more capital rate base placed in-service than what they are paying for in rates. It would create a disincentive for utilities to manage costs and achieve savings and efficiencies as they place capital projects in service.

Based on the Report, the provisional capital investment for 2023 included in rates is approximately \$79.3 million gross plant, while actual gross plant placed in service is approximately \$85.5 million. Overall, the Company has more plant investment in service than it is recovering from its customers.¹

Conclusion

The plain language of the order and settlement leads to the conclusion that Foote Creek II-IV, a new wind resource, is to be excluded from the portfolio review, and the under budget amount for this project is subject to refund.

¹In response to a supplemental informal data request, the Company did place in service \$2.1 million gross investment related to Gateway South. This amount is not included in provisional rates so it is not subject to refund at this time, although it is included in the total overall actual plant in service of \$85.5 million.