

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFIC POWER & LIGHT  
COMPANY,

Power Cost Adjustment Mechanism  
Annual Filing to Review Deferrals for  
April-December 2015

DOCKET UE-160783

ORDER 01

ORDER AFFIRMING POWER COST  
ADJUSTMENT MECHANISM  
CALCULATIONS FOR APRIL-  
DECEMBER 2015

**BACKGROUND**

- 1 On May 26, 2015, the Utilities and Transportation Commission (Commission) issued Order 09 in Docket UE-140762 (Order 09). Order 09 authorized Pacific Power & Light Company (Pacific Power or Company) 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 in Order 09, Pacific Power is required to file by June 1 of each year a request to confirm the power costs of the prior calendar year and authority to defer any costs that exceed established thresholds under the PCAM.<sup>1</sup>
- 2 The Company's June 1 filings are intended to be sufficient to provide the Commission and interested parties an opportunity to audit and review the prudence of the PCAM deferrals for the year in question.<sup>2</sup> Although a 90-day review period is contemplated, the parties can agree to extend it.<sup>3</sup> The first PCAM annual review covers a shortened period of April 1, 2015, through December 31, 2015.<sup>4</sup>

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<sup>1</sup> Settlement Stipulation in Docket UE-140762 at ¶19.

<sup>2</sup> *Id.*

<sup>3</sup> *Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Company*, Docket UE-140762, Order 09, 8, ¶ 20 (May 26, 2015)

<sup>4</sup> *Supra* Note 1 at ¶20

- 3 On June 1, 2016, Pacific Power filed testimony, exhibits, and supporting documentation related to power costs deferred under the PCAM for the April 1, 2015, through December 31, 2015, period. The 90-day review period –originally June 1 to August 30, 2016 – was extended by agreement of the parties in a letter filed by Commission Staff (Staff) on August 29, 2016.
- 4 Pursuant to the terms of the PCAM, differences between actual costs and the baseline rate are shared between customers and Pacific Power subject to certain conditions.<sup>5</sup> For the purposes of the stub year only, the first \$3 million of amounts of net power supply costs above the authorized level is absorbed by the Company; for the next \$4.5 million, 75 percent is absorbed by the Company and 25 percent is deferred as a surcharge to customers. Fifty percent of any remaining amount over \$7.5 million is deferred as a potential surcharge to rate payers.<sup>6</sup>
- 5 In 2015, Pacific Power’s actual net power expense allocated to Washington exceeded the authorized baseline expense by \$2,878,072. Because the entire amount falls within the first deadband, there is no balance to share. Given that this is the first year of the PCAM’s operation and the entire deferral falls within the first deadband, the deferral account balance is zero.
- 6 Staff reviewed the Company’s PCAM annual review filing in this docket and is satisfied the Company provided adequate documentation of its PCAM power cost revenue and expenses. No other person or party filed comments with the Commission within the review period.

### DISCUSSION

- 7 Pacific Power’s June 1, 2016, filing provides sufficient information to allow the Commission and interested parties to audit and review the prudence of the PCAM deferrals for 2015. We agree with Staff that the Company’s documentation adequately supports its PCAM power cost calculation for the April 1, 2015, through December 31, 2015, period.

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<sup>5</sup> The baseline for this PCAM calculation results from the power supply revenues and expenses approved by the Commission in Docket UE-140762.

<sup>6</sup> *Id.*

### FINDINGS AND CONCLUSIONS

- 8 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including electric companies.
- 9 (2) Pacific Power is a public service Company subject to Commission jurisdiction. Pacific Power is engaged in the business of providing electric and natural gas service within the state of Washington.
- 10 (3) This matter was brought before the Commission at its regularly scheduled meeting on September 22, 2016. The Commission received no written or oral comments from any person or party other than Commission Staff.
- 11 (4) The Company has provided adequate documentation of its PCAM power costs for the April 1, 2015, through December 31, 2015, period.
- 12 (5) The variance in actual 2015 power costs versus the baseline did not exceed the \$3,000,000 threshold resulting in no deferral.

### ORDER

#### THE COMMISSION ORDERS:

- 13 (1) Pacific Power & Light Company's filing meets the requirements in Docket UE-140762 and properly calculates the April 1, 2015, through December 31, 2015, Power Cost Adjustment Mechanism amount.
- 14 (2) This Order shall in no way affect the Commission's authority over rates, services, accounts, valuations, estimations, or determination of costs, or any matters whatsoever that may come before it. Nor shall this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

15 (3) The Commission retains jurisdiction to effectuate the terms of this Order.

DATED at Olympia, Washington, and effective September 22, 2016.

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner