BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFIC POWER & LIGHT COMPANY, a Division of PacifiCorp, Respondent.	DOCKET UE-140762 *(consolidated)* **JOINT NARRATIVE IN SUPPORT OF SETTLEMENT STIPULATION**
In the Matter of PACIFIC POWER & LIGHT COMPANY, Petition for an Order Approving Deferral of the Washington-Allocated Revenue Requirement Associated with the Merwin Fish Collector.	DOCKET UE-140617 *(consolidated)*
In the Matter of PACIFIC POWER & LIGHT COMPANY, Petition for an Order Approving Deferral of Costs Related to Colstrip Outage.	DOCKET UE-131384 *(consolidated)*
In the Matter of PACIFIC POWER & LIGHT COMPANY, Petition for an Order Approving Deferral of Costs Related to Declining Hydro Generation.	DOCKET UE-140094 *(consolidated)*

I. INTRODUCTION

1 This Joint Narrative in Support of Settlement Stipulation (Narrative) is submitted in accordance with WAC 480-07-740(2) by the active[1] parties to Phase II of this proceeding, *i.e.*, Pacific Power & Light Company (Pacific Power or Company), Staff of the Washington Utilities and Transportation Commission (Staff), the Public Counsel Unit of the Attorney General's Office (Public Counsel), and Boise White Paper, L.L.C. (Boise) (collectively referred to as Parties and individually as a Party). This Narrative summarizes and explains the terms of the Settlement Stipulation (Stipulation), and is not intended to modify any terms of the Stipulation.

2 Given the expedited and focused nature of this proceeding, the Parties do not request a hearing to present the Stipulation, and instead respectfully request that the Washington Utilities and Transportation Commission (Commission) review the Stipulation on the current record. If the Commission requires a hearing, however, the Parties are prepared to present witnesses to testify in support of the Stipulation.

II. NATURE AND SCOPE OF THE UNDERLYING PROCEEDING

3 On May 1, 2014, Pacific Power filed its 2014 general rate case (2014 Rate Case). In the 2014 Rate Case, the Company proposed a renewable resource tracking mechanism (RRTM).[2] Alternatively, Staff recommended that the Commission reject the proposed

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[1] Not all parties to Docket UE-140762 are participating in Phase II. The following parties to docket UE-140762 elected to not participate in Phase II: The Energy Project, Walmart Stores, Inc., and The Alliance for Solar Choice.
[2] Duvall, Exh. No. GND-1CT 38:5-43:17; Duvall, Exh. No. GND-4T 51:7-59:10.

RRTM in favor of a PCAM of similar design to the Energy Recovery Mechanism (ERM) currently approved for use by Avista Corporation (Avista).[3]

4 On March 25, 2015, the Commission issued Order 08, which rejected the Company's proposed RRTM but required it to work with the other parties to "develop and implement a full PCAM … consistent with the Commission's direction in prior orders."[4] As a starting point, the Commission found that Staff's PCAM proposal was well-grounded in precedent and incorporated past Commission guidance on the design of a PCAM for Pacific Power.[5] While the Commission was supportive of Staff's PCAM proposal, it concluded that the record should be developed further to identify and resolve the details associated with fully designing and implementing a PCAM for the Company.[6]

5 The Commission ordered a second, expedited phase of the 2014 Rate Case. The Commission required that the Phase II proceedings result in Pacific Power filing a tariff to implement a PCAM by no later than May 31, 2015.[7] The Commission directed Staff to respond to four questions regarding PCAM design.[8]

- Is it appropriate to use the WCA[9] as the jurisdictional divide for wholesale power costs?
- Is $25 million the appropriate dead band and how did Staff determine this amount?
- Does $25 million reflect normalized variability in power costs?

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[3] Gomez, Exh. No. DCG-1CT 19:10-16, 21:17-19.
[4] *Wash. Utils. & Transp. Comm'n v. Pac. Power*, Dockets UE-140762, *et al.*, Order 08 ¶ 121 (Mar. 25, 2015) (Order 08).
[5] *Id.* ¶ 122.
[6] *Id.* ¶¶ 123-24.
[7] *Id.* ¶ 126.
[8] *Id.* ¶ 123.
[9] The WCA is Pacific Power's West Control Area inter-jurisdictional allocation methodology.

- How exactly did Staff arrive at its recommendation for a 50/50 sharing between the Company and its customers for under recoveries of NPC that exceed the dead band and a 25/75 sharing for over recoveries, in favor of customers?[10]

6 On April 9, 2015, Staff filed its response to the Commission's questions in Order 08 (Staff's PCAM Response). In Staff's PCAM Response, Staff provided additional support and detail for its proposed PCAM design.[11]

7 Administrative Law Judge Dennis Moss held a prehearing conference on April 10, 2015, to establish the process and set a procedural schedule for Phase II to complete the PCAM supplemental proceedings required by Order 08. At the prehearing conference, Judge Moss explained that the starting point for Phase II should be Staff's PCAM proposal in Phase I, which was "along the lines" of "what the Commission has previously said it would find acceptable, and following the precedent that we have in terms of the other power cost adjustment mechanisms in the state."[12] Judge Moss further explained that Order 08 did not provide a "great deal of latitude in terms of [PCAM] design," but allowed room to work out the details of the design.[13]

8 During the prehearing conference, Judge Moss addressed Staff's PCAM Response and identified potential issues for further development by the Parties, including: a comparison of Staff's proposed $25 million west control area dead band proposal with the dead band proposals presented by the parties in docket UE-061546 on a Washington-allocated basis; a review of Pacific Power's historical NPC variability; a comparative

[10] *Id.* ¶ 123.
[11] Staff's PCAM Response ¶ 3.
[12] Moss, TR. 775:2-7.
[13] *Id.* 776:5-9.

review of Avista's and Puget Sound Energy's (PSE) NPC-related rate mechanisms; and consideration of asymmetry in the sharing bands to most appropriately strike the balance between customers and the Company.[14]

9 Judge Moss also approved a schedule for Phase II providing two separate technical conferences to allow Parties to collaborate and exchange ideas regarding PCAM design and implementation. The Parties met for the first technical conference on April 16, 2015. Consistent with Judge Moss's recommendation, the Parties reviewed the parameters of Avista's current ERM and PSE's PCA (both current and proposed).[15] Using these models as a reference point, the Parties discussed the appropriate framework for Pacific Power's PCAM in light of Pacific Power's individual circumstances and range of variability of NPC.

10 The Parties met again on April 23, 2015, for the second technical conference and reached an agreement in principle regarding PCAM design and implementation. On that same day, the Parties provided notice to the Commission that they had reached an all-party settlement.

III. SCOPE OF THE STIPULATION AND ITS KEY ASPECTS

A. Overview of PCAM Design

11 The stipulated PCAM is designed to address significant, unexpected variations in power costs that have not been accounted for through the normalization process in a rate case and power-cost-only rate case. As a result, the PCAM's design should reflect an

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[14] *Id.* 776:14-780:4.

[15] *Id.* 778:20-21. Judge Moss had asked the parties to explore "the PSE experience" relative to the modifications to the PCA reached in a multi-party settlement filed with the Commission on March 27, 2014, in UE-130617. The parties have complied with Judge's direction.

equitable balancing of both the risks and rewards of such variations between customers and the Company. As shown in Appendix A to this Narrative, Pacific Power has experienced NPC under recovery in every year, with the difference between actual NPC and in-rates NPC ranging from approximately $1 million to $19 million. This under recovery has occurred in spite of the Company's filing of general rate cases for five of the seven years shown in Appendix A. For its part, the Company remains committed to increase the accuracy of its NPC forecasting to prevent continued under recovery which would allow the PCAM to function in its proper role.

12 In developing the components of the PCAM agreed upon in the Stipulation, the Parties considered Avista's current ERM and PSE's current and proposed PCA to develop parameters. The essential components[16] of those models are provided here:

Avista's Current ERM[17]

- Comparative NPC Data: $108 million Washington-allocated
- Dead Band Amount: +/- $4 million
- Dead Band as percentage of NPC: 3.70 percent of NPC Washington
- Sharing Bands:
    - Asymmetrical: +/- $4 to $10 million
        - Recovery 50 percent to customers / 50 percent to company
        - Refund 75 percent to customers / 25 percent to company
    - Symmetrical: > +/- $10 million
        - 90 percent to customers /10 percent to company
- Carrying Charge: After tax cost of debt, compounded semi-annually

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[16] To derive comparative NPC data, Avista's NPC was averaged from 2007 – 2013 using historical NPC information from Table 1 of Commission Staff's Response to Commission Questions in Order 08, applying an allocation factor of approximately 65 percent. Pacific Power's NPC was derived using a similar historical average, based on the data in Appendix A. PSE's NPC was derived from PSE's most recent compliance filing, docket UE-150523, and reflects 2014 NPC. The "Dead Band as a percentage of NPC" amounts shown below are not fixed metrics mandated by the various mechanisms, but are based on a set of current or averaged costs used for comparison purposes.

[17] *See In Re Petition of Avista Corp., d/b/a Avista Utils., for Continuation of the Company's Energy Recovery Mechanism, with Certain Modifications*, Docket UE-060181, Order 03 (June 16, 2006); *Wash. Utils. & Transp. Comm'n v. Avista Corp., d/b/a Avista Utils.*, Dockets UE-120436, *et al.*, Order 09 ¶ 35 (Dec. 26, 2012); *Wash. Utils. & Transp. Comm'n v. Avista Corp., d/b/a Avista Utils.*, Docket UE-011595, Fifth Suppl. Order (June 18, 2002).

- Filing Date: April 1
- Review Period: 90 days ended June 30
- Amortization Trigger: $30 million or about 6 percent of base retail revenues

PSE's Current PCA[18]

- Comparative NPC Data: $1.3 billion ($734 million variable, $523 million fixed)
- Dead Band Amount: +/- $20 million
- Dead Band as percentage of NPC: 1.5 percent of NPC (includes fixed costs)
- Sharing Bands:
    - Symmetrical: +/- $20 to $40 million
        - 50 percent to customers / 50 percent to company
    - Symmetrical: +/- $40 to $120 million
        - 90 percent to customers / 10 percent to company
    - Symmetrical: > +/- $120 million
        - 95 percent to customers / 5 percent to company
- Carrying Charge: FERC interest rate,[19] compounded monthly
- Filing Date: April 1
- Review Period: 90 days ended June 30
- Amortization Trigger: $30 million, after filing and approval or about 0.14 percent of base retail revenues

PSE's Proposed PCA[20]

- Comparative NPC Data: $734 million variable NPC
- Dead Band Amount: +/- $17 million
- Dead Band as percentage of NPC: 2.32 percent of variable NPC
- Sharing Bands:
    - Asymmetrical: +/- $17 to $40 million
        - Recovery 50 percent to customers / 50 percent to company
        - Refund 65 percent to customers /35 percent to company
    - Symmetrical > +/- $40 million
        - 90 percent to customers /10 percent to company
- Carrying Charge: FERC interest rate, compounded monthly
- Filing Date: April 1
- Review Period: Commission review and approval by September 30
- Amortization Trigger: $20 million or about 0.9 percent of base retail revenues

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[18] *See Wash. Utils. & Transp. Comm'n v. Puget Sound Energy, Inc.*, Dockets UE-011570, *et al.*, Twelfth Suppl. Order (June 20, 2002); *In re Petition of Puget Sound Energy, Inc. for Approval of 2003 Power Cost Adjustment Mechanism Report*, Docket UE-031389. Partial Settlement Stipulation, Exh. A (Dec. 19, 2003).
[19] The current FERC interest rate is 3.25 percent. See FERC Interest Rates, available online at: http://www.ferc.gov/enforcement/acct-matts/interest-rates.asp (last accessed May 4, 2015).
[20] *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy, Inc.*, Dockets UE-130617, *et al.*, Settling Parties Joint Testimony in Support of PCA Modification Settlement (Apr. 3, 2015).

13 After considering Pacific Power's circumstances, the Parties agreed to the following terms for a PCAM for Pacific Power:

Pacific Power Stipulated PCAM

- Comparative NPC Data: $116 million Washington-allocated
- Dead Band Amount: +/- $4 million
- Dead Band as percentage of NPC: 3.45 percent of NPC Washington
- Sharing Bands:
    - Asymmetrical: +/- $4 to $10 million
        - Recovery 50 percent to customers /50 percent to Company
        - Refund 75 percent to customers /25 percent to Company
    - Symmetrical > +/- $10 million
        - 90 percent to customers /10 percent to Company
- Carrying Charge: FERC interest rate, compounded monthly
- Filing Date: June 1
- Review Period: 90 days ended August 30
- Amortization Trigger: $17 million or about 5.1 percent of base retail revenues

14 Similar to the NPC rate mechanisms used by other Washington utilities, Pacific Power's stipulated PCAM is designed to calculate the monthly variance between Pacific Power's NPC embedded in rates and Pacific Power's actual NPC. The PCAM will allow deferral of these variances in a PCAM balancing account. Following application of a dead band and sharing bands, the deferred balance will be evaluated annually. Once the accumulated balance in the PCAM account reaches a trigger point, the Company will amortize the balance in rates through its PCAM tariff.

15 Pacific Power's NPC in rates (also referred to as its base NPC) and its actual NPC are calculated on a West Control Area (WCA) basis. The stipulated PCAM proposes no change to this basic approach. Under the stipulated PCAM, the Company starts with WCA NPC, both in-rates and actual, and allocates these to Washington using the WCA's allocation methodology. The PCAM then compares Pacific Power's Washington-

allocated base NPC (Base NPC) and Pacific Power's Washington-allocated actual NPC (Actual NPC) to determine the variance, as described below.

16 The stipulated PCAM reflects the following agreements with respect to calculation and allocation of Base NPC and Actual NPC: (1) the Company will calculate its Actual NPC using actual costs booked to applicable FERC accounts, consistent with the method used to calculate its Base NPC; (2) the Company will allocate Actual NPC to Washington using allocation factors calculated with actual jurisdictional load; and (3) any changes to the method for calculation of Base NPC and Actual NPC shall be addressed in a general rate case and not in an annual PCAM proceeding, unless otherwise directed by the Commission. Parties reserve the right to contest the prudence and accuracy of calculations.

B. Calculation of NPC Variance

17 The stipulated PCAM captures changes in retail sales in calculating the monthly variance between Base NPC and Actual NPC (NPC Variance). Base NPC is calculated by multiplying in-rates NPC on a unit cost basis (*i.e.* dollars per megawatt hour ($/MWh)) by actual Washington sales at meter. In-rates NPC on a $/MWh basis are calculated by dividing Washington-allocated NPC as established in a general rate case by the Washington sales at meter used to set rates in a general rate case. The following formula illustrates the calculation of the NPC Variance:

$$NPC\ Variance = Actual\ NPC - \left(Base\ NPC_{\$/Mwh} \times Actual\ Sales\right)$$

In the technical conferences in Phase II, the Parties reviewed and analyzed examples of the calculation of NPC Variances using Pacific Power's historical NPC data. The Parties have included an example using 2012 and 2013 NPC data as Appendix A to the Stipulation. This example shows no surcharge or credit in 2012 and a surcharge of approximately $2.7 million in 2013.

C. NPC Accounts Included in PCAM

18 The scope of the PCAM is defined by the six FERC accounts traditionally reflected in the Company's NPC, listed in the Stipulation. This approach is consistent with the Company's PCAM proposal in its 2013 general rate case[21] and Staff's recommendation in Phase I of this case.[22]

D. Dead Band

19 The stipulated PCAM includes a dead band, measured on a Washington basis, of up to and including $4 million—meaning that the Company shall not defer NPC Variances within this range, positive or negative. This dead band is designed to capture Pacific Power's normal NPC variability.

20 The stipulated PCAM dead band of up to and including $4 million is the same as the dead band in Avista's current ERM. The dead band constitutes approximately 3.4 percent of Pacific Power's Washington NPC; an amount that aligns with Avista's 3.7 percent dead band/NPC percentage, and is higher than PSE's proposed dead band/NPC percentage of 2.3 percent.

21 As requested by Judge Moss at the prehearing conference in Phase II, the following table compares the dead band in the stipulated PCAM with Staff's Phase I

[21] *Wash. Utils. & Transp. Comm'n v. Pac. Power*, Docket UE-130043, Duvall, Exhibit No. GND-1CT 27:1-4.
[22] Gomez, Exh. No. DCG-1CT 21:3-16.

PCAM proposal, stated on a Washington-allocated basis, and the parties' PCAM proposals as described in Order 08 in docket UE-061546:

	UE-061546 Pacific Power	UE-061546 Staff	UE-140762 Phase I-Staff	UE-140762 Stipulated PCAM
Dead Band – Washington-allocated	+/- $3 million	+/- $4 million	+/- $5.7 million	+/- $4 million

E. Sharing Bands

22 The stipulated PCAM reflects asymmetrical sharing bands for annual NPC Variances greater than $4 million and up to and including $10 million, positive or negative. Under the PCAM, customers are surcharged for 50 percent of NPC under recovery within the band (*i.e.*, a positive annual NPC Variance), but are credited for 75 percent of NPC over-recovery (*i.e.*, a negative annual NPC variance). While there was discussion about the percentages assigned to the customer and the Company for asymmetrical sharing, the Parties agreed to remain consistent with Avista's ERM (75/25) for over-recovery of NPC costs.

23 As explained in Staff's PCAM Response,[23] this approach was guided by Order 08 in docket UE-061546, in which the Commission indicated its preference for asymmetrical sharing bands.[24] The stipulated PCAM also reflects symmetrical sharing bands for annual NPC Variances in excess of $10 million.

[23] Staff's PCAM Response ¶¶ 11-12.
[24] *Wash. Utils. & Transp. Comm'n v. PacifiCorp*, Docket UE-061546, Order 08 ¶¶ 83-87 (June 21, 2007) ("[I]t is evident that recognition of potential asymmetry in risk in any PCAM design represents a significant refinement that must be considered as we review PCAMs in the future.")

F. Carrying Charge

24 The stipulated PCAM includes a carrying charge on deferred NPC Variances in the PCAM balancing account, calculated monthly using the current FERC interest rate (updated quarterly) and the half-month method illustrated below:

$$\begin{aligned} &\mathit{Monthly\ Carrying\ Charge} \\ &\quad = \left[\mathit{Beg\ Balance} + \left(\mathit{Monthly\ NPC\ Variance} \times {}^{1}\!/_{2}\right)\right] \times {}^{FERC}\!/_{12} \end{aligned}$$

25 Application of the FERC interest rate to the deferred balances is consistent with the interest rate used in PSE's current and proposed PCA.[25] The current FERC interest rate is 3.25 percent.

G. Amortization Trigger

26 The stipulated PCAM includes a trigger for amortization of the PCAM balancing account of $17 million, positive or negative. If the balancing account is greater than $17 million as of December 31 in any given year, it will be collected (or refunded) in rates over a 12-month period through Pacific Power's Schedule 97, Power Cost Adjustment Mechanism. A draft of this tariff is attached as Appendix B to the Stipulation. The balance will be allocated to rate schedules consistent with the allocation of Base NPC from the Company's most recent general rate case filing.

27 The trigger in the stipulated PCAM represents approximately 5.1 percent of Pacific Power's base retail revenues in Washington over the last 8 years. This is comparable to the trigger in Avista's ERM, which is $30 million, or approximately 6

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[25] *Re Puget Sound Energy, Inc.*, Docket UE-031389, Order 04 (Jan. 14, 2004).

percent of Avista's retail revenues, but is higher than the trigger in PSE's proposed PCA of $20 million, or approximately 0.9 percent of PSE's retail revenues.

H. Annual PCAM Filing

28 The stipulated PCAM includes an annual filing by the Company on or before June 1 of each year for the Commission to confirm and approve the deferred PCAM balances for the previous calendar year. The review period for the filing will be 90 days ending August 30 of each year. Avista's ERM includes the same 90-day review period. The Commission's standard discovery rules will apply, except that the response time for data requests will be reduced to seven (7) business days on a best efforts basis, allowing Staff and interested parties an opportunity to review the Company's deferred PCAM balances under the expedited review period. An initial five business day response period is a feature of PCORC discovery in PSE proceedings.

I. Stub Year PCAM Filing

29 The Company will make its first annual PCAM filing on June 1, 2016, covering the first partial year of the PCAM (Stub Year) beginning April 1, 2015, which aligns with the beginning of the rate-effective period in Phase I of this case,[26] and ending on December 31, 2015. The use of an initial stub year allows the stipulated PCAM to convert to a calendar year 12-month period in year two.

30 To conform the stipulated PCAM to the Stub Year PCAM filing, the following PCAM elements will be adjusted to reflect the shorter time period (nine of twelve

[26] Rates from Phase I of the general rate case became effective March 31, 2015. For administrative ease, the Parties agree that the PCAM should become effective April 1, 2015.

months): the dead band for the Stub Year will be plus or minus $3 million; the asymmetrical sharing band will be applied to any Stub Year variance in the range of between plus or minus $3 million and plus or minus $7.5 million; and the symmetrical sharing band will be applied to any Stub Year variance greater than $7.5 million. The carrying charge, filing date, amortization trigger, and review period will not be altered for the Stub Year.

IV. STATEMENTS OF THE PARTIES THAT THE STIPULATION SATISFIES THEIR INTERESTS AND THE PUBLIC INTEREST

31 The Stipulation represents a compromise of the positions of the Parties. In Order 08, the Commission "strongly encouraged" early settlement discussions among the parties on the design of Pacific Power's PCAM.[27] The Parties agree that it is in their best interests to avoid the expense, inconvenience, uncertainty, and delay inherent with a litigated outcome, especially given the expedited and focused nature of Phase II of this case. For these reasons, and those contained in the individual statements of the Parties below, the Stipulation as a whole is in the public interest.

A. Statement of Staff

32 The Parties have agreed upon a power cost adjustment mechanism that is both based upon Commission precedent and conformed to Pacific Power's individual circumstances. The Stipulation reflects a fair compromise on the issues raised by the Parties. Importantly, its terms are consistent with the Commission's guidance on the structure of power cost adjustment mechanisms, and effectively responds to the issues raised by the Commission in ¶123 of Order 08.

[27] Order 08 ¶124.

33 As to the mechanics of the Parties' proposed PCAM, Staff is confident that the symmetrical dead band and asymmetrical sharing bands for NPC variances greater than $4 million and up to and including $10 million as proposed here by the Parties are consistent with Commission precedent. The Parties' proposal to set the sharing band for NPC variances greater than $10 million (positive or negative) at 90 percent customer and 10 percent Company is also consistent with Commission precedent. The Parties' proposed amortization trigger of $17 million is based upon the Commission's experience with Avista Corporation and is conformed to Pacific Power's power costs for the applicable base NPC established in the Company's most recent rate case.

34 Finally, the Stipulation establishes the procedures for implementation of Pacific Power's PCAM through the remainder of calendar year 2015 or Stub Year. During this shortened period, the above PCAM elements will be adjusted to reflect the months remaining in the Stub Year. For example, the dead band will be set at $3 million for 2015. The other Stub Year adjustments are set forth on page 9, ¶ 20 of the Stipulation.

35 In conclusion, Staff believes the Stipulation will result in fair, just, reasonable and sufficient rates, and is otherwise in the public interest.

B. Statement of Pacific Power

36 Pacific Power believes that the Stipulation is in the public interest and meets the Commission's legal and policy standards. In Order 08, the Commission effectively resolved the key policy issues related to the design of Pacific Power's PCAM. Thus in the Company's view, Phase II of this case was a compliance process to effectuate the policy decisions in Order 08.

37 The Company's goal was to implement Order 08 in a manner fair to all parties. The stipulated PCAM is informed by the PCAM models adopted for Avista and PSE and by Pacific Power's individual circumstances, including the approved WCA inter-jurisdictional allocation methodology, and its historical NPC variances. For example, as reflected in Appendix A to the Narrative, the $4 million dead band is less than one-half of the average NPC under recovery experienced annually by Pacific Power between 2007 and 2013. The stipulated PCAM aligns closely with Avista's ERM, although there are aspects that are similar to PSE's PCA.

38 In totality, the Company believes that the stipulated PCAM fairly implements the Commission's decisions in Order 08. The Company understands that the details of the stipulated PCAM may require adjustments over time and it will continue to work with the Parties on refinements to the PCAM as necessary. For these reasons, Pacific Power supports the Stipulation and requests that the Commission approve it.

C. Statement of Public Counsel

39 Public Counsel did not previously recommend a PCA in Phase I of this docket, but, as mentioned in its initial brief, agreed conceptually with Staff's proposal, which incorporated the parameters for PCA design established by the Commission in earlier cases. [28]

40 Public Counsel supports the Stipulation, which adequately satisfies the requirements in the Commission's Order 08 and is in the public interest. Public Counsel believes the proposed PCAM included in the Stipulation is a reasonable resolution of the

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[28] Initial Brief of Public Counsel, ¶ 86.

issues in Phase II of this docket. As mentioned above, the proposed PCAM incorporates design elements from Avista's ERM, which Public Counsel believes is a useful model.[29] Moreover, Public Counsel believes the similar size of Avista and Pacific Power's Washington operations makes the ERM a reasonable starting point for the development of a new PCAM. In agreeing to the PCAM stipulation, Public Counsel is pleased to resolve what has become a recurring issue in Pacific Power's frequent rate cases.

41 In addition to resolving a recurring general rate case issue, Public Counsel hopes that adoption of this mechanism will decrease the frequency of Pacific Power's general rate case filings, as well as reduce the number deferred accounting requests and other single-issue power cost filings that occur between rate cases.

42 As Public Counsel discussed in its initial brief, a PCAM confers a benefit to the Company.[30] Public Counsel believes it will be important to review this benefit as the PCAM operates over the next several years. While the proposed PCAM adheres to the Commission's design parameters for a power cost adjustment mechanisms (including incorporating a dead band and sharing bands to create a more balanced approach to the risk shift associated with the adoption of such a mechanism), the Commission and parties should monitor the operation of the PCAM, to ensure that the Company retains incentives to appropriately forecast and manage its NPC.

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[29] Public Counsel was also a party in the settlement that produced a proposal for a revised version of PSE's PCA, which is pending Commission approval. That proposal makes considerable changes to what costs are included in PSE's PCA, also relied on the ERM as a model. The details of the proposed revisions to the PCA are described above in this narrative statement.
[30] Initial Brief of Public Counsel, ¶ 88.

D. Statement of Boise

43 Both in Phase I testimony and in Phase II technical conferencing of this proceeding, Boise proposed PCAM design elements which are not reflected in the PCAM presented in this settlement. Notwithstanding, in light of the Commission's direction in Order 08, Boise supports the adoption of the proposed PCAM as a reasonable compromise of interests among the Parties.

44 Specifically, given the similarity in size of Washington operations between Pacific Power and Avista, the proposed PCAM incorporates important customer safeguards which are comparable to Avista's ERM. For instance, deadbands, sharing bands, and amortization triggers should provide roughly the same levels of ratepayer protection in the proposed PCAM as Avista customers are afforded through the ERM. Boise also believes that design elements similar to PSE's PCA are reasonable, such as the use of a third-party interest rate for carrying charges on NPC Variances, and represent a fair result for Pacific Power customers.

45 Finally, Boise agrees that further refinement may be required as the PCAM is applied in actual practice, and appreciates the Company's willingness to work with Parties in making any necessary adjustments in the future. Boise understands that all Parties will be able to conduct a comprehensive review of the Company's compliance filing as soon as it is filed with the Commission.

V. CONCLUSION

46 In WAC 480-07-700, the Commission expresses its support for parties' informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest. The Parties have resolved the remaining

issues in dispute between them for Phase II of the 2014 Rate Case. The resolution of issues complies with Commission rules and, as explained above, satisfies the Parties' interests and is consistent with the public interest. The Parties request that the Commission approve the Stipulation in its entirety.

Respectfully submitted this 8 day of May, 2015.

ROBERT W. FERGUSON
Attorney General

PATRICK J. OSHIE
Assistant Attorney General
Counsel for the Utilities and
Transportation Commission Staff

Dated: ____________________, 2015

PACIFIC POWER & LIGHT COMPANY

R. BRYCE DALLEY
Vice President, Regulation
Pacific Power

Dated: ____________________, 2015

ROBERT W. FERGUSON
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Dated: ____________________, 2015

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Counsel for Boise White Paper, L.L.C.

Dated: ____________________, 2015

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Respectfully submitted this ____ day of May, 2015.

ROBERT W. FERGUSON Attorney General	PACIFIC POWER & LIGHT COMPANY
______________________________ PATRICK J. OSHIE Assistant Attorney General Counsel for the Utilities and Transportation Commission Staff Dated: ________________, 2015	RBDalley ______________________________ R. BRYCE DALLEY Vice President, Regulation Pacific Power Dated: May 8, 2015
ROBERT W. FERGUSON Attorney General	DAVISON VAN CLEVE, P.C.
______________________________ SIMON FFITCH Senior Assistant Attorney General Counsel for Public Counsel Unit Dated: ________________, 2015	______________________________ JESSE E. COWELL Counsel for Boise White Paper, L.L.C. Dated: ________________, 2015

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Dated: __________________, 2015

PACIFIC POWER & LIGHT COMPANY

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Pacific Power

Dated: __________________, 2015

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Dated: May 8, 2015

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

UE-140762

Appendix A

to

Joint Narrative in Support of Settlement Stipulation

Pacific Power History of Under Recovery of Net Power Costs, 2007 to 2013

May 8, 2015

PacifiCorp
NPC in Rates vs. Actual (000's)

	2007	2008	2009	2010	2011	2012	2013	Average	Cumulative Total
In Rates	$91,233	$92,542	$95,704	$109,062	$115,956	$119,512	$122,221		
Actual NPC	$106,817	$111,496	$107,667	$110,475	$122,680	$120,502	$133,189		
Difference from In Rates*	$15,584	$18,954	$11,963	$1,413	$6,724	$990	$10,968	$9,514	$66,596
		2008 GRC	2009 GRC	2010 GRC	2011 GRC		2012 GRC		
		UE 080220	UE 090205	UE 100749	UE 111190		UE 130043		
Historic Test Period		12 ME Jun. 2007	12 ME Jun. 2008	12 ME Dec. 2009	12 ME Dec. 2010		12ME Dec. 2012		
NPC Forecast Period		FYE Jun. 2008	FYE Dec. 2010	FYE Mar. 2012	FYE May 2013		FYE Dec 2014		

*Difference from in rates is calculated based on the $/MWh difference between in-rates and actual NPC times the actual load