

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFICORP, d/b/a
PACIFIC POWER & LIGHT
COMPANY,

2019 Power Cost Adjustment Mechanism
Annual Report

DOCKET UE-200507

ORDER 01

APPROVING 2019 POWER COST
ADJUSTMENT MECHANISM
DEFERRAL BALANCE

BACKGROUND

- 1 On May 26, 2015, the Utilities and Transportation Commission (Commission) issued Order 09 in Docket UE-140762 (Order 09). Order 09 approved and adopted the Settlement Agreement which, among other things, authorized PacifiCorp, d/b/a Pacific Power & Light Company, (PacifiCorp 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, PacifiCorp is required to file by June 1 of each year a request for the Commission to confirm and approve the deferred PCAM balance for the previous calendar year.¹
- 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. Although the Settlement Stipulation contemplates a 90-day review period, the parties can agree to extend it.³
- 3 On June 1, 2020, in Docket UE-200507 PacifiCorp filed testimony, exhibits, and supporting documentation related to power costs deferred under the PCAM for the period January 1, 2019, through December 31, 2019.

¹ Settlement Stipulation in Docket UE-140762 at ¶19 (May 8, 2015).

² *Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Company*, Docket UE-140762, Order 09, 8, ¶ 20 (May 26, 2015).

³ *Id.*

- 4 Pursuant to the terms of the PCAM, differences between actual costs and the costs collected through baseline rates are shared between customers and PacifiCorp subject to certain conditions.⁴ The Company does not defer annual Net Power Cost (NPC) variances within a dead band of \$4 million in either the surcharge or credit direction; the variances within the dead bands are absorbed by the Company. Annual NPC variances that exceed the dead bands are shared between PacifiCorp and its customers. For positive annual NPC variances greater than \$4 million and up to and including \$10 million, 50 percent is shared with customers and the remainder is absorbed by the Company. For negative annual NPC variances greater than \$4 million and up to and including \$10 million, 75 percent is allocated to customers and the remaining 25 percent is absorbed by PacifiCorp. For NPC variances greater than \$10 million (in either the credit or surcharge direction), 90 percent is shared by customers with the remaining 10 percent absorbed by the Company. If the cumulative positive or negative balance in the PCAM deferral account, including monthly interest, exceeds \$17 million, either a surcharge or credit is triggered.
- 5 In 2019, PacifiCorp's actual net power expense allocated to Washington exceeded the authorized baseline expense by \$6,269,634. After application of the dead bands, \$2,269,634 of this amount falls into the sharing bands. After the application of the sharing bands, the total credit deferral booked at the end of 2019 (with interest) was \$2,118,821.
- 6 As of December 31, 2019, the year-to-year deferral balance (with interest) reached \$9,450,998 in the credit direction. The deferral balance is below the \$17 million trigger threshold; therefore, it will remain in the deferred balancing account.
- 7 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.

⁴ The baseline for this PCAM calculation results from the power supply revenues and expenses approved by the Commission in Docket UE-140762.

DISCUSSION

8 We agree with Staff that the Company's documentation adequately supports its
PCAM power cost calculation for the period January 1, 2019, through December 31,
2019. The Company's filing provides sufficient information to allow the Commission
and interested parties to audit and review the prudence of the PCAM deferrals for
2019. We therefore approve PacifiCorp's 2019 PCAM Annual Report.

FINDINGS AND CONCLUSIONS

- 9 (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.
- 10 (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.
- 11 (3) This matter was brought before the Commission at its regularly scheduled
meeting on August 27, 2020. The Commission received no written or oral
comments from any person or party other than Commission Staff.
- 12 (4) The variance in actual 2019 power costs versus the baseline resulted in a
credit deferral of \$2,118,821.
- 13 (5) The total cumulative deferral balance as of December 31, 2019, is \$9,450,998 in
the credit direction. The deferral balance is below the \$17 million trigger
threshold; therefore, it will remain in the deferred balancing account.
- 14 (6) PacifiCorp's filing meets the requirements of the Power Cost Adjustment
Mechanism implemented in Docket UE-140762 and properly calculates the
deferrals incurred in the January 1, 2019, through December 31, 2019, period.

ORDER

THE COMMISSION ORDERS:

- 15 (1) PacifiCorp, d/b/a Pacific Power & Light Company's, Power Cost Adjustment Mechanism balance of \$2,118,821 deferred for the period January 1, 2019, through December 31, 2019, is approved.
- 16 (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.
- 17 (3) The Commission retains jurisdiction to effectuate the terms of this Order.
- 18 The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective August 27, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON
Executive Director and Secretary