

October 28, 2014

***VIA ELECTRONIC FILING***

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
P.O. Box 47250  
Olympia, WA 98504-7250

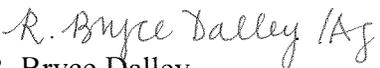
**RE: Docket No. UE-100749—Pacific Power & Light Company’s Reply in Support of  
Change to Renewable Energy Revenue Adjustment**

Dear Mr. King:

Pacific Power & Light Company (Pacific Power or Company), a division of PacifiCorp, submits for filing in the above-referenced proceeding its reply to parties’ comments in accordance with the October 21, 2014 Notice of Opportunity to File a Reply.

Informal questions should be directed to Natasha Siores, Director, Regulatory Affairs & Revenue Requirement, at (503) 813-6583.

Sincerely,

  
R. Bryce Dalley  
Vice President, Regulation

Enclosures

cc:

Christopher M. Casey, Counsel for Commission Staff  
Tom Schooley, Commission Staff  
Simon ffitich, Public Counsel  
Melinda Davison and Tyler Pepple, ICNU  
Service List—Docket UE-100749

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

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

Respondent.

**DOCKET NO. UE-100749**

**PACIFIC POWER & LIGHT  
COMPANY’S REPLY IN SUPPORT  
OF CHANGE TO RENEWABLE  
ENERGY REVENUE ADJUSTMENT**

**I. INTRODUCTION**

1           On October 3, 2014, Pacific Power & Light Company (Pacific Power or Company), a division of PacifiCorp, filed a proposed change to Schedule 95, the Renewable Energy Revenue Adjustment. Pacific Power requested a rate adjustment to recover \$5.2 million in revenues from the sale of renewable energy credits (RECs) over-credited to customers from April 3, 2011, through December 31, 2013. Commission Staff, Public Counsel, and the Industrial Customers of Northwest Utilities (ICNU) filed responses to Pacific Power’s filing on October 17, 2014. Pacific Power files this reply to the parties’ comments in accordance with the Notice of Opportunity to File a Reply issued October 21, 2014.

**II. DISCUSSION**

2           The parties’ proposals are all based on unfounded assertions that Pacific Power should have filed its request for a rate adjustment earlier. As the parties note, Pacific Power, Staff, Public Counsel, and ICNU filed a letter detailing an “agreed-upon proposal

for a mechanism to account” for the revenues received from the sale of RECs.<sup>1</sup> Staff asserts that Pacific Power should have filed its request on May 1, 2014, under the terms of this agreed-upon mechanism. Staff recommends that the Commission require amortization over two years with no interest to avoid allowing Pacific Power to receive a “windfall” or “additional financial benefit from delaying its true-up request[.]”<sup>2</sup> Public Counsel asserts that Pacific Power should have filed on May 1, 2013, and recommends disallowing interest from May 1, 2013, through November 16, 2014 (the effective date requested by Pacific Power).<sup>3</sup> ICNU argues that Pacific Power’s filing does not comply with previous Commission orders or the parties’ agreement and therefore should be rejected in its entirety or suspended. If interest is allowed, ICNU recommends limiting interest to the “one-year account balance for 2014 or the first year following Order 06’s issuance.”<sup>4</sup>

3           Contrary to the parties’ assertions, Pacific Power has been transparent and forthcoming about the amount of the over-credited REC revenues and has complied with the Commission’s orders in this docket. As noted in a December 13, 2012 motion, Pacific Power sought to mitigate the impact of the over-credited REC revenues beginning in 2012, stating that “over the past two months” it had

...made several filings intended to accomplish the same goal: to mitigate a potential surcharge to customers to recoup the rate credits currently flowing to customers through Schedule 95 (the Renewable Energy Revenue Adjustment) for the proceeds from the sale of renewable energy credits (REC revenues) from April 3, 2011, to the present.<sup>5</sup>

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<sup>1</sup> February 28, 2013 Joint Letter regarding Renewable Energy Revenue Tracking Mechanism.

<sup>2</sup> Staff Response at 3 (Oct. 17, 2014).

<sup>3</sup> Public Counsel Response at 1 (Oct. 17, 2014).

<sup>4</sup> ICNU Response at 13 (Oct. 17, 2014).

<sup>5</sup> PacifiCorp’s Motion to Amend Order 06 at 1 (Dec. 13, 2012).

4           Staff, Public Counsel, and ICNU initially opposed Pacific Power’s requests to set Schedule 95 to zero to mitigate the over-credited amounts. The parties argued that the over-credited amounts should be used to offset a portion of the credit for historical REC revenues (REC revenues from January 1, 2009, through April 2, 2011). In Order 12, the Commission declined to use the over-credited amounts to offset the credit for historical REC revenues. The Commission noted that it had not yet adopted a mechanism for REC revenues, and stated “[u]ntil we adopt and implement that mechanism, we will not ‘borrow’ from historic REC sales proceeds to offset deficiencies in the credits established in Order 06.”<sup>6</sup>

5           After working collaboratively with parties to develop an agreed-upon tracking mechanism and explain its REC revenue calculations, Staff and Public Counsel supported (and ICNU did not oppose) setting Schedule 95 to zero. Through Order 13, issued February 12, 2013, the Commission approved setting Schedule 95 to zero, stating: “No party disputes that PacifiCorp is over-crediting its customers under the current Schedule 95 or that reducing those credits to zero cents per kilowatt hour is reasonable in light of those over-credits and the REC sales proceeds the Company anticipates receiving in 2013.”<sup>7</sup>

6           As noted above, the parties filed a letter detailing the agreed-upon REC revenue tracking mechanism on February 28, 2013. This letter included an explicit agreement that interest would accrue on over- or under-credited amounts “on the net balance at the Company’s Washington after-tax authorized rate of return[.]”<sup>8</sup> The Company noted that

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<sup>6</sup> Order 12, ¶ 9 (Dec. 28, 2012).

<sup>7</sup> Order 13, ¶ 6 (Feb. 12, 2013).

<sup>8</sup> February 28 Joint Letter at 2.

interest was not reflected in the attachments to the February 28 letter, but that interest would be “calculated and presented in the Company’s compliance filings on May 1 of each year.”

7           The parties agreed that the Company’s first filing under the agreed-upon mechanism would be made May 1, 2013. The Company complied with this commitment, although because the Commission had not yet issued an order requiring a compliance filing or approving the mechanism, the Company noted that the May 1, 2013 filing was being made “to inform the Commission and other parties of actual [REC] revenues from April 1, 2011, through December 31, 2012.”<sup>9</sup> The accounting of actual REC revenues included interest through April 30, 2013, as explicitly shown in page one of Attachment A to the compliance filing (line 5 of the table).

8           In the May 1, 2013 filing, Pacific Power noted the over-credited REC revenues and explicitly stated that the amount of over-credited revenues included interest on the balance through April 30, 2013.<sup>10</sup> The Company also noted that the Commission had just set Schedule 95 to zero in February 2013 and that it was not proposing to change Schedule 95 at that time.<sup>11</sup>

9           As Public Counsel notes, in Order 13, the Commission explicitly required Pacific Power to “make the annual report and true-up filing contemplated in Order 06 by January 31 of each year” beginning in 2014. The annual filing must include:

- The actual REC sales proceeds attributable to Washington that PacifiCorp received during the prior calendar year;

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<sup>9</sup> May 1, 2013 Compliance Filing at 1.

<sup>10</sup> *Id.*, n.3.

<sup>11</sup> *Id.* at 2.

- The total amount of Schedule 95 credits the Company provided to its customers during that calendar year;
- A forecast of REC sales proceeds attributable to Washington that PacifiCorp reasonably anticipates receiving during the upcoming calendar year; and
- Any proposed revision to the credit rate in Schedule 95 to be in effect during the upcoming calendar year.

10 In a notice issued January 23, 2014, the Commission extended the deadline for the first compliance filing under Order 13 to May 1, 2014. In that notice, the Commission stated:

The Commission has not yet established or approved a mechanism for accounting for REC sales proceeds *due to the Company's judicial appeal and other factors*. Pending further Commission action on that issue, the Commission extends the initial deadline for PacifiCorp to comply with paragraph 8 in Order 13 to May 1, 2014, based on the parties' agreement that the Company will submit a filing detailing its REC sales proceeds by May 1 of each year.<sup>12</sup>

11 On May 1, 2014, the Company submitted its compliance filing under paragraph 8 of Order 13. In that filing, Pacific Power provided *all* of the information required by paragraph 8, including actual REC sales proceeds for the previous calendar year and the amount credited to customers in 2013 (approximately \$0.9 million). The May 1, 2014 compliance filing also noted that no change in Schedule 95 was being requested because circumstances had not changed since the Schedule was set to zero in February 2013. The filing again explicitly noted that interest was accruing.<sup>13</sup> Because a full and comprehensive accounting of actual REC revenues from April 2011 through December 31, 2012, was provided with the May 1, 2013 compliance filing, the Company did not

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<sup>12</sup> Notice of Extension of Deadline for Compliance Filing at 1 (emphasis added).

<sup>13</sup> May 1, 2014 Compliance Filing, Attachment A at 1 (line 5).

repeat that information in the 2014 filing. Staff, Public Counsel, and ICNU received the May 2013 and May 2014 compliance filings and the accompanying workpapers. None of these parties informally or formally commented on the compliance filings.

12           Despite clear and transparent reporting and explicit Commission acknowledgment that official adoption of a tracking mechanism for REC revenues was delayed by the “judicial appeal and other factors,” the parties now accuse Pacific Power of undue delay and incomplete information. These accusations are unfounded as demonstrated by the facts outlined above and Pacific Power’s multiple filings detailing actual REC revenues.

13           In addition, ICNU and Public Counsel have previously made arguments that directly contradict their most recent filings. ICNU now argues against interest accruals, but ICNU previously “supported allowing interest to accrue on both positive and negative balances for both historic and current REC revenues.”<sup>14</sup> In fact, ICNU explicitly requested “that the Commission clarify that interest will accrue on any REC negative or positive balances.”<sup>15</sup> Public Counsel now argues that Pacific Power should have made a filing for a rate adjustment in May 2013, but in January 2013, Public Counsel supported setting Schedule 95 to zero, stating that it preferred that the Company “make a rate change to address the overpayment of REC revenues and the credit for historic REC revenues at the same time” but recognized that the Commission was not prepared take that approach at this time.<sup>16</sup>

14           Pacific Power has made extensive efforts to communicate to the Commission and to parties regarding the amount of over-credited REC revenues. Pacific Power has

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<sup>14</sup> ICNU Response in Opposition to PacifiCorp’s Motion to Amend Order 06 at 11, ¶20.

<sup>15</sup> *Id.*

<sup>16</sup> See Public Counsel Letter re: Order 12 Compliance Filing at 2 (Jan. 31, 2013). See also Order 13, ¶5.

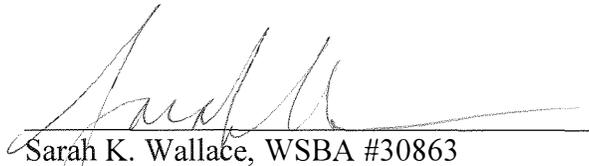
provided no less than five separate and detailed filings that describe the over-credited position and make it clear that interest is accruing on the balance, as agreed to by the parties. As soon as reasonably feasible after the conclusion of the judicial appeal, Pacific Power sought a change to Schedule 95 to recover the over-credited amounts. Allowing interest on these amounts, including during amortization, does not provide a financial benefit or “windfall” to Pacific Power. Instead, interest simply reflects the time value of money. Disallowing interest would require that the Company write-off a portion of the amounts accrued on its balance sheet, which would unfairly and unnecessarily penalize the Company. The Company has accrued these amounts based on the explicit agreement between the parties and consistent with generally accepted accounting principles.

### III. CONCLUSION

15 PacifiCorp respectfully requests that the Commission approve its proposed revision to Schedule 95 to recover \$5.2 million in over-credited REC revenues from customers over a one-year period beginning November 16, 2014.

Respectfully submitted this 28th day of October, 2014.

By:



Sarah K. Wallace, WSBA #30863  
Assistant General Counsel  
Pacific Power & Light Company

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served this document upon all parties of record in this proceeding by electronic mail and/or Overnight Delivery.

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DATED this 28<sup>th</sup> of October, 2014

  
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