

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFIC POWER & LIGHT
COMPANY,

Petition For a Rate Increase Based on a
Modified Commission Basis Report,
Two-Year Rate Plan, and Decoupling
Mechanism

DOCKET UE-152253

COMMISSION STAFF'S
RESPONSE TO
PACIFIC POWER'S
MOTION FOR CLARIFICATION
OF ORDERS 12 AND 13

I. INTRODUCTION

1 Commission Staff of the Washington Utilities and Transportation Commission (Commission) submits this response pursuant to the Commission's Notice dated September 13, 2016, inviting parties to respond to the Motion for Clarification of Orders 12 and 13 (Motion) filed by Pacific Power & Light Company ("Pacific Power" or "Company"). Commission Staff (Staff) supports Pacific Power's request regarding the decoupling schedule and, therefore, does not discuss it further in this response. But Staff does not support Pacific Power's request to include in rate base certain other Jim Bridger projects that would not have been part of the overhauls absent SCR installation.

II. DISCUSSION

2 In Order 12, the Commission concluded, as a matter of law, that Pacific Power should be authorized to include in Washington rates "only the return of, but not the return on, the Washington portion of its investment in the SCR systems."¹ In Order 13, in Appendix A, the Commission's Adjustment 8.4 applies this ratemaking treatment to all Jim Bridger capital costs. Appendix A thus indicates that the Commission authorized a return of

¹ Order 12, 92, ¶ 306. See also Order 12 at 7, ¶ 8; at 40, ¶¶ 114 and 116.

but not a return on all of the capital projects, including SCR, in the Jim Bridger Unit 3 and Unit 4 overhauls.

3 On September 12, 2016, Pacific Power filed its Motion, requesting that the Commission “clarify that the omission of the Jim Bridger Unit 3 and 4 non-SCR capital projects from rate base was ministerial error, and correct the revenue requirement accordingly.”² Pacific Power reasons that, because the “non-SCR” capital projects were not challenged as imprudent or disallowed in Order 12, they should be allowed in rate base.³ The term “non-SCR” capital projects, as the Company terms them in its motion, obscures the fact, however, that some of these capital projects are bound up with SCR in that they would not have been included in the Jim Bridger overhauls had Pacific Power not proceeded with the SCR installation.⁴ With respect to these capital projects, Appendix A logically reflects ratemaking treatment that is identical to the treatment of the SCR investment. Certain other projects, however, would have been part of the overhaul regardless of the choice to install SCR or to pursue gas conversion. Staff believes that these projects are prudent and should be allowed in rate base.

4 In Mr. Jeremy Twitchell’s responsive testimony, filed March 17, 2016, Mr. Twitchell recommended disallowance of both the incremental capital cost of the SCR systems and the capital cost of several other projects included in the Jim Bridger Unit 3 and Unit 4 overhauls. These projects would have been avoided in the gas conversion scenario.⁵ Mr. Twitchell’s disallowance is calculated based on Exhibit No. JBT-16, a discovery response in which Pacific Power explains which overhaul projects would not have been

² Motion, ¶ 9.

³ See Motion at ¶¶ 7 and 9.

⁴ See Exh. No. JBT-16.

⁵ Twitchell, Exh. No. JBT-1T 54:6 - 55:Table 1 Staff’s Disallowance Calculation.

included in the overhauls under a gas conversion scenario. Because these projects would not have been included in the overhauls absent SCR installation, it is logical to disallow these maintenance projects along with the SCR systems.

5 Finally, since these projects were inextricably related to SCR installation, an independent imprudence claim concerning these maintenance projects is unnecessary. If Pacific Power had pursued gas conversion, these projects would not have been included in the overhauls. The Commission declared the decision to build the SCR installation was imprudent; it follows logically that the additional capital investments resulting from this decision also should be excluded from rate base. These capital costs need not undergo a separate prudence review because they would not even exist but for the imprudent decision related to the SCRs.


IV. CONCLUSION

6 Commission Staff respectfully requests that the Commission grant Pacific Power's Motion with respect to the decoupling schedule, but deny the Company's request to include in rate base Jim Bridger capital costs that could have been avoided had the Company pursued gas conversion.

Dated this 20th day of September 2016.

Respectfully submitted,

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