

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

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

Respondent.

DOCKET UE-190458

FINAL ORDER 06

APPROVING SETTLEMENT
STIPULATION

BACKGROUND

- 1 On May 26, 2015, the Utilities and Transportation Commission (Commission) issued the final order in Docket UE-140762 (Order 09), authorizing PacifiCorp, d/b/a Pacific Power & Light Company,¹ (PacifiCorp or Company) to implement a Power Cost Adjustment Mechanism (PCAM). The PCAM allows for positive or negative adjustments to the Company's rates to account for fluctuations in power costs outside of an authorized band for power-cost recovery in base rates. Under the Settlement Stipulation approved by Order 09, PacifiCorp 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. The Company's 2019 PCAM filing proposes to return approximately \$6.9 million to Washington ratepayers.
- 2 On June 3, 2019, PacifiCorp submitted its 2018 PCAM filing, including direct testimony and exhibits, as well as supporting workpapers. On July 15, 2019, Commission staff (Staff) filed a letter with the Commission stating that the parties reviewing the PCAM filing had agreed to extend the review period to November 22, 2019.

¹ On December 5, 2019, Pacific Power & Light Company filed a petition with the Commission changing its name to PacifiCorp, d/b/a Pacific Power & Light Company. References in this Order to PacifiCorp apply to the Company under both names.

- 3 On October 24, 2019, the Commission issued Order 01 in this docket, suspending the PCAM filing. Also on October 24, 2019, the Commission directed Staff to initiate a prudence investigation into the 2018 outage at the Colstrip Generating Station in Docket UE-190882.
- 4 On November 21, 2019, the Commission convened a prehearing conference at its headquarters in Lacey, Washington.
- 5 On March 20, 2020, the Commission issued Final Order 05 in Docket UE-190882, which addressed the prudence of the costs PacifiCorp incurred to acquire replacement power for the duration of the 2018 Colstrip outage and the prudence of its decision-making leading up to the outage. The Commission determined that PacifiCorp was authorized to recover \$338,240 in post-outage costs, but was not authorized to recover from Washington ratepayers \$457,000 in replacement power costs resulting from the outage.² The Commission left for resolution in this Docket “how the post-outage costs allowed and disallowed for recovery from Washington ratepayers” should interact with PacifiCorp’s power cost mechanism.³
- 6 On May 13, 2020, PacifiCorp, Staff, the Public Counsel Unit of the Washington Attorney General’s Office (Public Counsel), and Packaging Corporation of America (PCA) (collectively, the Parties), filed with the Commission a full settlement (Settlement Stipulation) and supporting joint narrative (Joint Narrative) in this Docket.
- 7 Ajay Kumar of PacifiCorp, and Katherine A. McDowell, of McDowell Rackner Gibson PC, Portland, Oregon, represent PacifiCorp. Joe M. Dallas and Daniel J. Teimouri, Assistant Attorneys General, Lacey, Washington, represent Staff.⁴ Lisa W. Gafken and Nina Suetake, Assistant Attorneys General, Seattle, Washington, represent Public Counsel. Tyler C. Pepple and Brent L. Coleman, of Davison van Cleve, P.C., Portland, Oregon, represent PCA.

² *In re Investigation of Avista Corp. d/b/a Avista Utils., Puget Sound Energy, and Pacific Power & Light Co. Regarding Prudence of Outage and Replacement Power Costs*, Docket UE-190882, Final Order 05, 26, ¶¶ 113-14 (May 20, 2020).

³ *Id.* at 21, ¶ 68.

⁴ In formal proceedings such as this, the Commission’s regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners’ policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

DISCUSSION AND DECISION

8 Settlements must comply with applicable legal requirements and be consistent with the public interest.⁵ The Commission “will approve a settlement if it is lawful, supported by an appropriate record, and consistent with the public interest in light of all the information available to the commission.”⁶ The Commission may approve a settlement agreement, with or without conditions, or reject it.⁷

9 Pursuant to the terms of PacifiCorp’s PCAM, differences between actual costs and the costs collected through baseline rates are shared between customers and PacifiCorp subject to certain conditions.⁸ 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. NPC 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, 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, 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.

10 In this case, PacifiCorp witness Wilding initially testified that there was a \$12.6 million credit before application of the dead bands and sharing bands.⁹ After applying the dead bands and sharing bands, PacifiCorp initially proposed returning to its Washington customers a deferral balance credit of \$6,913,591.¹⁰

⁵ WAC 480-07-740.

⁶ WAC 480-07-750(2).

⁷ *Id.*

⁸ The baseline for this PCAM calculation results from the power supply revenues and expenses approved by the Commission in Docket UE-140762.

⁹ Wilding, Exh. MGW-1T at 3:4-9.

¹⁰ *See id.*; Wilding, Exh. MGW-2 at 1-2.

11 The deferral balance credit is affected by the Commission's Final Order 05 in Docket UE-190882, which determined that PacifiCorp should not be allowed to recover \$457,000 in costs associated with the 2018 Colstrip Outage.¹¹ The only disputed issue remaining for resolution in PacifiCorp's PCAM is how the disallowance described in that order impacts the deferral balance of PacifiCorp's PCAM, which is to be returned to customers.¹² The Settlement Stipulation resolves this outstanding issue.

12 The Settlement Stipulation provides a credit to PacifiCorp's Washington customers, and states:

Consistent with the Order 05 in Docket UE-190882, the Parties agree to an adjustment to reduce the Washington-allocated actual net power costs by \$456,643, which are the calculated replacement power costs for the 2018 Colstrip outage. This adjustment to Washington-allocated actual net power costs results in an additional credit of \$418,586 to the PCAM balancing account. This results in a revised annual deferral balance of \$-7,332,177.¹³

13 The proposed reduction to Washington-allocated actual net power costs during the 12-month period from January 1, 2018, through December 31, 2018, will result in the addition of a larger deferral credit, to the benefit of Washington customers, being added to PacifiCorp's cumulative deferral balancing account (PCAM balancing account). When the PCAM balancing account exceeds \$17 million, a return to customers is triggered. A return to customers was triggered in 2018 when PacifiCorp's PCAM balancing account totaled approximately \$17.9 million. Customers received the benefit of that return until October 31, 2019.¹⁴

14 PacifiCorp's PCAM balancing account is currently at \$0. In PacifiCorp's initial filing in this docket, it proposed to credit \$6,913,591, to the benefit of Washington customers, to

¹¹ PacifiCorp's authorized recovery \$338,240 in post-outage costs is not included for recovery in this Docket or the Settlement Stipulation. Joint Narrative at 4, n. 5.

¹² See Joint Narrative at 4-5, ¶¶ 9-13.

¹³ Settlement Stipulation at 3, ¶ 8.

¹⁴ *In re Pacific Power & Light Co. 2017 Power Cost Adjustment Mechanism Annual Report*, Docket UE-180494, Order 01, Approving 2017 PCAM Report (Aug. 30, 2018) (approving Pacific Power's request and requiring the Company to file a tariff revision to its Schedule 97, effective November 1, 2018, to pass back the accumulated credit deferral of \$17,899,494 to ratepayers over a 12-month period beginning November 1, 2018, and ending October 31, 2019).

the PCAM balancing account.¹⁵ Now, with the agreed incorporation of the \$456,643 disallowance from Docket UE-190882,¹⁶ PacifiCorp will credit \$7,332,177 to the PCAM balancing account.

15 We find that the Settlement Stipulation is lawful, supported by an appropriate record, and consistent with the public interest. We therefore conclude that the Settlement Stipulation¹⁷ should be approved without condition.

FINDINGS AND CONCLUSIONS

- 16 (1) The Commission is an agency of the state of Washington vested by statute with the authority to regulate electric companies in Washington, including PacifiCorp.
- 17 (2) The Commission has jurisdiction over the subject matter of, and parties to, this proceeding.
- 18 (3) PacifiCorp is a “public service company” and an “electrical company” as those terms are defined in RCW 80.04.010 and used in Title 80 RCW.
- 19 (4) The Settlement Stipulation’s terms are lawful, supported by an appropriate record, and consistent with the public interest in light of all the information available to the Commission.
- 20 (5) The Commission should approve the Settlement Stipulation without condition.

ORDER

THE COMMISSION ORDERS

- 21 (1) The Commission approves the Settlement Stipulation, which is attached as Exhibit A to, and incorporated into, this Order, and adopts the Settlement Stipulation as the final resolution of the disputed issues in this docket. The full

¹⁵ Wilding, Exh. MGW-1T at 4:16 - 5:16.

¹⁶ The \$457,000 figure as described in Final Order 05 of Docket UE-190882 is rounded from the more precise amount — \$456,643 — contained in the Settlement Stipulation.

¹⁷ The Settlement Stipulation and its attachments are included as Appendix A to this Order. Appendix A is incorporated into, and made part of, this Order by this reference. The terms of the Settlement Stipulation control to the extent of any arguable inconsistency between our description and the terms of the Settlement Stipulation.

settlement agreed to by all parties to this proceeding is lawful, supported by an appropriate record, and consistent with the public interest and is, therefore, approved without condition.

- 22 (2) PacifiCorp, d/b/a Pacific Power and Light Company, and any other party to the proceeding, is authorized and required to make any compliance filing and any other filing or submission necessary to effectuate the terms of this Order.
- 23 (3) The Commission retains jurisdiction to enforce the terms of this Order and delegates to the Executive Director and Secretary the authority to confirm compliance with this Order.

DATED at Lacey, Washington, and effective May 29, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner

APPENDIX A – SETTLEMENT STIPULATION