



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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January 22, 2018

**NOTICE OF OPPORTUNITY TO RESPOND TO STAFF'S MOTION TO
REJECT PACIFIC POWER'S PROPOSED DECOUPLING TARIFF FILING
FOR NONCOMPLIANCE WITH ORDER 12**
(Responses Due By 3 p.m., Thursday, January 25, 2018)
(Staff's Reply Due By 3 p.m., Monday, January 29, 2018)

RE: *Washington Utilities and Transportation Commission v. Pacific Power & Light Company*, Docket UE-152253

TO ALL PARTIES:

On September 1, 2016, the Washington Utilities and Transportation Commission (Commission) entered Order 12 approving the proposed decoupling mechanism¹ of Pacific Power & Light Company (Pacific Power or the Company) with certain conditions added to the program's design. Two of these conditions include:

- requiring that each decoupled rate class deferral account reach 2.5 percent of the allowed revenue per customer prior to triggering a rate surcharge or surcredit on that rate class,² and
- directing Pacific Power to apply an earnings test such that:
 - If the actual return on equity (ROE) exceeds the most recently-authorized ROE:
 - any proposed decoupling surcharge would be reduced or eliminated by up to 50 percent of the excess earnings, and

¹ The decoupling mechanism approved by the Commission in this proceeding employs a deferral of the difference between the Company's actual annual non-weather adjusted revenues and Pacific Power's allowed decoupling revenues for subsequent true-up through a surcharge or surcredit to customers.

² Order 12, ¶128.

- any proposed decoupling surcredit will be returned to customers as well as 50 percent of the excess earnings.³

On December 1, 2017, Pacific Power filed proposed tariff sheets and attachments which indicated that it earned \$6,463,193 in excess of its authorized ROE.⁴ The Company states that two of the decoupled customer classes have a surcredit and another decoupled class has a surcharge; however, none of these classes have balances that reach the 2.5 percent trigger.⁵ For a fourth customer class, Pacific Power proposed a rate surcharge on Schedule 40 customers (Irrigation) amounting to \$0.288 per kilowatt-hour.⁶

On January 19, 2018, the Commission's regulatory staff (Staff) filed a Motion to Reject Filing for Noncompliance with Order 12 (Motion). Staff states that Order 12 provided that the earnings test "is the same as the earnings test approved for both PSE and Avista."⁷ Staff argues this means "that a surcharge or surcredit (up or down) would be offset (or increased) by the customers' share of excess earnings regardless of whether the decoupling balance triggered a rate change,"⁸ and Pacific Power should be required to file tariffs that return the customers' share of the excess earnings regardless of whether the 2.5 percent decoupling trigger has been met.⁹ Staff recommends that the Commission reject this tariff filing and direct Pacific Power to refile the tariff sheets consistent with Order 12.

NOTICE IS GIVEN That parties who wish to respond to Staff's Motion must do so by 3:00 p.m., Thursday, January 25, 2018. NOTICE IS ALSO GIVEN That Staff may file replies to any responses the Commission receives and must do so by 3:00 p.m., Monday, January 29, 2018.

MARGUERITE E. FRIEDLANDER
Administrative Law Judge

³ *Id.*, ¶134.

⁴ Attachment C to tariff filing, Docket UE-152253 (December 1, 2017).

⁵ *Id.*

⁶ Cover letter from Etta Lockey, Vice President, Regulation, Pacific Power, to Steven V. King, Executive Director and Secretary, Commission (December 1, 2017).

⁷ Staff's Motion, fn 4 (citing Order 12 at 46, ¶133).

⁸ *Id.*, ¶8.

⁹ *Id.*, ¶11.