

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFIC POWER & LIGHT  
COMPANY,

2017 Power Cost Adjustment Mechanism  
Annual Report

DOCKET UE-180494

ORDER 01

ORDER APPROVING 2017 POWER  
COST ADJUSTMENT MECHANISM  
REPORT

**BACKGROUND**

- 1 On May 26, 2015, the Utilities and Transportation Commission (Commission) issued Order 09 in Docket UE-140762 (Order 09). Order 09 authorized Pacific Power & Light Company (Pacific Power 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 in Order 09, Pacific Power 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.<sup>1</sup>
- 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.<sup>2</sup> Although a 90-day review period is contemplated, the parties can agree to extend it.<sup>3</sup> The 2017 PCAM annual review covers the period from January 1, 2017, through December 31, 2017.
- 3 On June 1, 2018, Pacific Power filed testimony, exhibits, and supporting documentation related to power costs deferred under the PCAM for the January 1, 2017, through December 31, 2017, period.

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<sup>1</sup> Settlement Stipulation in Docket UE-140762 at ¶19.

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

<sup>3</sup> *Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Company*, Docket UE-140762, Order 09, 8, ¶ 20 (May 26, 2015)

- 4 Pursuant to the terms of the PCAM, differences between actual costs and the costs collected through baseline rates are shared between customers and Pacific Power subject to certain conditions.<sup>4</sup> 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 Pacific Power 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 Pacific Power. 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 2017, Pacific Power's actual net power expense allocated to Washington exceeded the authorized baseline expense by \$19,249,685. After application of the dead bands, \$15,249,685 of this amount falls into the sharing bands. After the application of the sharing bands, the total credit deferral booked at the end of 2017 was \$12,824,717.
- 6 As of December 31, 2017, the year-to-year deferral balance (with interest) has reached \$17,899,494 in the credit direction, thereby triggering a refund to customers of this entire amount. According to the Company, it will file a tariff revision to Schedule 97 to refund the balance back to customers upon Commission approval of the 2016 and 2017 PCAM reports.<sup>5</sup>

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

<sup>5</sup> UE-180494, Pre-filed direct testimony of Michael G. Wilding, Exhibit No. MGW-1T at 4, lines 3 through 8.

- 7 The terms of the PCAM settlement stipulation in Docket UE-140762 specify if the balancing account is greater than \$17 million as of December 31 in any given year, it will be collected or credited in rates over a 12-month period.<sup>6</sup> However, in Order 09, which approved the PCAM settlement stipulation, the Commission stated that it will consider any petitions to alter the surcharge or credit amortization and payout in any given year.<sup>7</sup>
- 8 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.

### DISCUSSION

- 9 We approve Pacific Power's 2017 PCAM Annual Report. 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 2017. We agree with Staff that the Company's documentation adequately supports its PCAM power cost calculation for the January 1, 2017, through December 31, 2017, period.
- 10 Because more than eight months has elapsed since the end of the 2017 deferral period, the Commission directs Pacific Power to file a tariff revision to Schedule 97 and begin refunding to customers the accumulated deferral of \$17,899,494 by November 1, 2018. The PCAM Settlement Stipulation agreed to by the parties in Docket UE-140762 specifies a 12-month amortization period for either a refund or surcharge. Accordingly, the amortization period for the credited deferral balance will be from November 1, 2018, through October 31, 2019. We note, however, that the Company or other parties may petition the Commission to alter the surcharge or credit amortization and payout pursuant to the terms of the Commission's order that approved the PCAM Settlement stipulation.

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<sup>6</sup> UE-140762 PCAM Settlement Stipulation at ¶18. In Order 08 in Docket UE-140762, the Commission outlined the general parameters of the mechanism and ordered completion of expedited, supplemental proceedings (Phase II) to develop and implement a full PCAM for Pacific Power. On May 8, 2015, parties to Phase II filed a settlement stipulation and joint narrative outlining the details around the operation of Pacific Power's PCAM. In Order 09 in the above referenced docket, the Commission approved the settlement stipulation.

<sup>7</sup> UE-140762, Order 09 at 12:34.

### FINDINGS AND CONCLUSIONS

- 11 (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.
- 12 (2) Pacific Power is a public service Company subject to Commission jurisdiction. Pacific Power is engaged in the business of providing electric and natural gas service within the state of Washington.
- 13 (3) This matter was brought before the Commission at its regularly scheduled meeting on August 30, 2018. The Commission received no written or oral comments from any person or party other than Commission Staff.
- 14 (4) The variance in actual 2017 power costs versus the baseline resulted in a credit deferral of \$12,824,717.
- 15 (5) The total cumulative deferral balance as of December 31, 2017, is \$17,899,494 in the credit direction, thereby triggering a refund to customers of this amount through Pacific Power's Tariff Schedule 97, Power Cost Adjustment Mechanism Adjustment.

### ORDER

#### THE COMMISSION ORDERS:

- 16 (1) Pacific Power & Light Company's filing meets the requirements of the PCAM implemented in Docket UE-140762 and properly calculates the deferrals incurred in the January 1, 2017, through December 31, 2017, period.
- 17 (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.

- 18 (3) Pacific Power & Light Company will file revisions to its Tariff Schedule 97 to effectuate the refund to customers of the accumulated credit deferral balance totaling \$17,899,494 with an effective date of November 1, 2018. The amortization period for the credited deferral balance will be from November 1, 2018, through October 31, 2019. At the time the tariff revisions are filed, the Company or other parties may petition the Commission to alter the credit amortization and payout.
- 19 (4) The Commission retains jurisdiction to effectuate the terms of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective August 30, 2018.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON, Executive Director and Secretary