

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKET UE-140762
TRANSPORTATION)	
COMMISSION,)	ORDER 03
)	
Complainant,)	DOCKET UE-140617
)	
v.)	ORDER 01
)	
PACIFIC POWER & LIGHT)	COMPLAINT AND ORDER
COMPANY,)	SUSPENDING TARIFF AND
)	GRANTING DEFERRED
Respondent.)	ACCOUNTING; ORDER OF
)	CONSOLIDATION
.....)	

BACKGROUND

- 1 On April 14, 2014, Pacific Power & Light Company (PacifiCorp or Company) filed with the Washington Utilities and Transportation Commission (Commission) a new tariff - Schedule 90 entitled “Hydro Investment Adjustment.” The purpose of this schedule is to recover the “mandatory environmental investments”¹ and costs associated with the Merwin Fish Collector project (Merwin Project). The proposed tariff would result in an overall increase of 0.5 percent, or \$.60 per month, to the average customer using 1,300 kilowatt-hours per month. As an alternative to the separate tariff rider, PacifiCorp also included in its filing an accounting petition for authorization to defer the revenue requirement associated with the Merwin Project.

- 2 The Federal Energy Regulatory Commission (FERC) required the Merwin Project as a condition to relicense the Lewis River hydroelectric project (License). PacifiCorp reached a settlement with 26 parties, including Cowlitz PUD, the Washington Department of Ecology, and the Washington Department of Fish and Wildlife, to receive a 50-year License from the FERC. One condition of the License was the construction of a fish passage system that collects and transports fish around the three

¹ PacifiCorp Petition ¶ 7.

dams covered by the License. The facility was designed, with PacifiCorp's input, by the various parties to the settlement.

3 PacifiCorp requested recovery of the costs associated with the Merwin Project in its last general rate case (GRC).² The Commission rejected including recovery of those costs through the Company's rates at that time because the project was not yet used and useful.³ The Merwin Project subsequently went into service on March 28, 2014.

4 PacifiCorp filed a GRC on May 1, 2014, in Docket UE-140762. The Company included the Merwin Fish Collector as a rate base addition in their filing and proposes to update the GRC pending the result of the proposed tariff filing in Docket UE-140617.⁴

5 Staff has not yet performed a prudency review of the Merwin Project and believes the best forum for determining prudency is a GRC, rather than a separate consideration of PacifiCorp's Schedule 90 or a deferred accounting review. Staff nevertheless is aware that the Commission exercises its discretion to allow recovery of some additions to rate base between rate cases "[i]f the investments are shown to be prudent, the amounts are reasonable, and the plant is demonstrated to be used and useful."⁵

6 Given the specific and unique circumstances of the Merwin Project, Staff recommended that the Company be allowed to defer the operation and maintenance costs associated with the Merwin Project as well as the depreciation expense. FERC required the Merwin Project as a condition of PacifiCorp's continued operation of the Lewis River hydroelectric project, enabling ratepayers to benefit from low cost hydropower. The Commission previously denied recovery of project costs not on the merits but because the project was not yet in use to satisfy the requirements of the License.⁶ The Merwin Project is now in-service and although the Commission has not issued a determination of prudency, the project represents costs imposed by another government agency that Staff believes are generally reasonable.

² *Utilities & Transp. Comm'n v. PacifiCorp*, Docket UE-130043.

³ *Utilities & Transp. Comm'n v. PacifiCorp*, Docket UE-130043, Order 05 ¶ 203 (Dec. 14, 2013).

⁴ Docket UE-140762, Exhibit No. NCS-1T at 7:22 – 8:6 (May 1, 2014).

⁵ *Utilities & Transp. Comm'n v. PSE*, Docket UE-060266, Order 08 ¶ 51 (January 5, 2007)

⁶ *Utilities & Transp. Comm'n v. PacifiCorp*, Docket No. UE-130043, Order 05 ¶ 204 (Dec. 14, 2013).

7 Staff recommended that the prudence evaluation of the Merwin Project be included in the Company's recently filed GRC. As the Commission has done in prior cases,⁷ Staff advocates that the Company not be allowed to accrue a return on the deferral balance during the deferral period.⁸ In the alternative, Staff recommended that the Commission suspend that tariff and consolidate Docket UE-140617 with the pending GRC in Docket UE-140762.

8 On April 25, 2014, the Industrial Customers of Northwest Utilities (ICNU) filed a petition to intervene and opposition in Docket UE-140617. ICNU opposes PacifiCorp's tariff filing as a request for single issue ratemaking, which the Commission has historically disfavored. ICNU also opposes the Company's alternative proposal for a deferred accounting for failure to demonstrate that the costs of the Merwin Project are extraordinary or unforeseeable. ICNU contends that the Company has not identified any circumstances that justify either form of relief.

9 On May 1, 2014, Public Counsel filed comments in response to PacifiCorp's filing. Public Counsel opposed the tariff filing because it departs from Commission precedent and is most appropriately dealt with in a general rate case. Further, Public Counsel notes that in PacifiCorp's previous GRC a prudency determination was not made. Public Counsel agrees with ICNU and opposes the accounting petition as being unnecessary.

DISCUSSION AND DECISION

10 We authorize PacifiCorp to defer the revenue requirement associated with the Merwin Project as proposed by the Company in its accounting petition. While we share ICNU's and Public Counsel's concerns about limiting the use of deferred accounting of investment costs between rate cases, we require a more complete and fully developed record before we issue a decision on the eligibility of these amounts for inclusion in rates. We make no finding as to whether the amount of the revenue requirement the Company seeks to recover is prudent but leave that issue for determination in Docket UE-140762, PacifiCorp's pending GRC.

⁷ *In re Petition of Avista Corporation For an Accounting Order to Defer Costs Related to Improving Dissolved Oxygen Levels in Lake Spokane*, Docket UE-131576, Order 01 (Sept. 26, 2013).

⁸ *See Utilities & Transp. Comm'n v. Puget Sound Energy*, Docket UE-060266 and UG-060267, Order 08 ¶ 47 & n.33 (Jan. 5, 2007).

11 PacifiCorp has not yet demonstrated that the amounts of the costs for which it seeks
recovery through the tariff filed in Docket UE-140617 are prudent and that the
proposed rates are fair, just, reasonable, and sufficient. Accordingly, we suspend
Schedule 90 for further investigation.

12 We further agree with Staff's recommendation that because the factual and legal
issues of Schedule 90 and the accounting treatment overlap with the issues in the
pending GRC, Dockets UE-140617 and UE-140762 should be consolidated, and we
take that action through this Order.

FINDINGS AND CONCLUSIONS

13 (1) The Washington Utilities and Transportation Commission is an agency of the
State of Washington vested by statute with the authority to regulate rates,
regulations, practices, and accounts of public service companies, including
electric companies.

14 (2) PacifiCorp is an electric company and a public service company subject to the
Commission jurisdiction.

15 (3) PacifiCorp should be authorized to defer the revenue requirement associated
with the Merwin Project beginning April 14, 2014.

16 (4) PacifiCorp has not yet demonstrated that the amounts of the costs for which it
seeks recovery through the tariff filed in Docket UE-140617 are prudent and
that the proposed rates are fair, just, reasonable, and sufficient.

17 (5) The Commission should investigate PacifiCorp's books, accounts, practices
and activities; to make a valuation or appraisal of PacifiCorp's property; and to
investigate and appraise various phases of PacifiCorp's tariffs and operations
to determine whether the proposed rates are fair, just, reasonable, and
sufficient.

18 (6) Dockets UE-140617 and UE-140762 present common issues of fact and law
and should be consolidated for Commission determination.

ORDER

THE COMMISSION ORDERS:

- 19 (1) Beginning April 14, 2014, Pacific Power & Light Company may defer the
revenue requirement associated with the Merwin Project.
- 20 (2) The tariff Pacific Power & Light Company filed on April 14, 2014, is
suspended.
- 21 (3) The Commission consolidates Dockets UE-140617 and UE-140762 for joint
investigation of Pacific Power & Light Company's books, accounts, practices,
activities, property, tariffs, and operations to determine whether the proposed
rates in both dockets are fair, just, reasonable, and sufficient.

DATED at Olympia, Washington, and effective May 29, 2014.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

JEFFREY D. GOLTZ, Commissioner