Service Date: December 10, 2021

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY, Petitioner, For an Order Modifying and Extending the Decoupling Mechanism	DOCKET UE-152253 ORDER 18 GRANTING EXTENSION AND MODIFICATION OF DECOUPLING MECHANISM SUBJECT TO CONDITIONS

BACKGROUND

1 On September 1, 2016, the Washington Utilities and Transportation Commission (Commission) issued Order 12; Final Order Rejecting Tariff Sheets as Filed; Granting Accelerated Depreciation with Modifications; Granting Recovery of, but not Return on, SCR Investment; Granting Request for Two-Year Rate Plan; Authorizing Decoupling Proposal with Modifications; and Requiring Compliance Filings (Order 12) in Docket UE-152253. Among other things, Order 12 authorized PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) to implement a decoupling mechanism.[1]

2 On October 3, 2016, PacifiCorp submitted a compliance filing implementing the decoupling mechanism. The Commission accepted the compliance filing and the revised tariff became effective on October 4, 2016.[2] The current decoupling mechanism ended on September 14, 2021.

3 On August 10, 2021, PacifiCorp filed a petition seeking to extend and modify the decoupling mechanism (Petition). Specifically, PacifiCorp requests:

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[1] After Order 12 was issued, PacifiCorp changed its business name with the Commission from "Pacific Power & Light Company" to "PacifiCorp d/b/a Pacific Power & Light Company." *See Pacific Power & Light Company's Request to Change Name to PacifiCorp*, Docket UE-191004 (December 5, 2019). The Company's current name is used throughout this Order.

[2] The procedural history of this docket is summarized only insofar as it is relevant to the Petition at hand.

(1) To change the next deferral period to September 15, 2021, through December 31, 2022, and make each subsequent deferral period a calendar year. The deadline to file the annual Schedule 93 rate adjustment would be changed to June 15 from December 1, and the effective date would be changed to September 1 from February 1;
(2) To remove Large General Service under 1 MW (Schedule 36) and Agricultural Pumping Service (Schedule 40) customers from the decoupling mechanism;
(3) To track and true-up all decoupled customers as one decoupled group; and
(4) To base the earnings test only on earnings from decoupled customers.[3]

4 On September 9, 2021, the Commission entered Order 17 in this Docket, which extended the current decoupling mechanism until December 31, 2021, to allow parties additional time to review the changes proposed by PacifiCorp.

5 On December 3, 2021, the Public Counsel Unit of the Attorney General's Office (Public Counsel) filed written comments in this Docket. Public Counsel recommends eliminating PacifiCorp's decoupling mechanism because PacifiCorp stated there is no evidence decoupling has achieved its desired result of supporting conservation.[4] Alternatively, if the Commission grants the Petition, Public Counsel supports the Company's proposal with the exception of its request to combine all of the Company's decoupled customers into one classification group to track and true-up. Public Counsel instead recommends requiring PacifiCorp to continue to separately track and true-up deferrals by rate class.

6 At the Commission's regularly scheduled open meeting on December 9, 2021, representatives from the Northwest Energy Coalition (NWEC) and the Natural Resources Defense Council (NRDC) expressed support for the Petition's request to extend the Company's decoupling mechanism, arguing that breaking the link between revenue and conservation continues to eliminate a conservation disincentive for the Company. NRDC further argues that this benefits customers because it leads to efficiency on the pathway to electrification.

7 Commission staff (Staff) reviewed the Petition and believes the proposed modifications are in the public interest. Staff recommends the Commission adopt the Company's proposals subject to the following conditions:

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[3] Petition, Attachment C at ¶19.

[4] *See Public Counsel's Written Comments*, (December 3, 2021), at pp 2-3, Docket UE-152253.

(1) The next deferral period shall be January 1, 2022, through December 31, 2022, and each calendar year thereafter.

(2) The deadline to file the annual Schedule 93 rate adjustment shall be June 15 of each year and the rate effective date shall be September 1 of each year.

(3) PacifiCorp must evaluate decoupling in its next general rate case to better determine the relationship between an earnings test and the general purpose of decoupling.

DISCUSSION

8 We agree with Staff and grant the Petition filed by PacifiCorp to extend and modify its decoupling mechanism to become effective on January 1, 2022, subject to the conditions that Staff recommends.

9 In Order 12 in this Docket, the Commission approved PacifiCorp's proposed decoupling mechanism with several conditions. The decoupling mechanism required a true-up between PacifiCorp's allowed decoupled revenue and the actual non-weather adjusted decoupled revenue per class at the end of each year-long deferral period.[5] The Commission also required the Company to apply the same earnings test as it implemented in the decoupling mechanisms for Puget Sound Energy (PSE) and Avista Corporation d/b/a Avista Utilities (Avista).[6] Like these utilities, PacifiCorp was required to share its over-earnings with its decoupled customer classes if the Company's actual ROE was greater than its authorized ROE.[7] The Commission approved the decoupling mechanism for a minimum of five years.[8]

10 As this initial five-year evaluation period is closing, PacifiCorp reasonably proposes to extend the decoupling program with certain modifications. We address each proposed modification in turn.

11 *Change the deferral period and effective date*. PacifiCorp's current deferral period is July 1 through June 30. PacifiCorp seeks to modify the deferral period to follow the calendar

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[5] Order 12, ¶ 124.

[6] *Id.* ¶ 133.

[7] *Id.* ¶ 134.

[8] *Id.* ¶ 139.

year.[9] We agree with Staff that moving to a calendar year eliminates the use of a mid-year Commission basis report, which is administratively burdensome to review. Calendar year Commission basis reports are consistent with timing established by the decoupling mechanisms approved for PSE and Avista.

12 *Remove Large General Service and Agricultural Pumping from Decoupling*. Overall, decoupling is heavily influenced by each schedule's rate design, specifically the use of volumetric versus demand charges. Large General Service and Agricultural Pumping both have a higher portion of their costs recovered through non-volumetric rates, like other non-decoupled customers. Conversely, Residential and Small General Service customers primarily recover costs through volumetric rates. Therefore, we agree the Large General Service and Agricultural Pumping Service customers are more like the non-decoupled schedules and should be removed from the mechanism.

13 *Combine the remaining decoupled rate schedules into one group.* With the removal of the Large General Service and Agricultural Pumping Service, only the Residential and Small General Service schedules are decoupled. Given the close revenue relationship of these two customer classes, the Company believes combining the currently decoupled classes would modestly reduce administrative burdens and have minimal impact on decoupled rates. We agree and approve this modification.

14 *Earnings test based on decoupled earnings only*. Currently, the earnings test applies to *all* earnings received by a company subject to decoupling during the deferral period, regardless of if the earnings came from decoupled or non-decoupled customers. Although earnings tests are applied this way for Avista and PSE, PacifiCorp differs because the Company operates in six states and has dynamic allocation factors for the three western states (California, Oregon, and Washington). This unique operating structure has resulted in the Company passing back earnings to Washington customers even when the overearnings were not specifically attributable to Washington operations or Washington decoupled revenues.[10]

15 We agree that narrowing the earnings test to decoupled earnings only will bring the actual earnings sharing more in-line with other Washington electric utilities because PacifiCorp

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[9] PacifiCorp's Petition anticipated the need for "stub year", beginning in September of 2021, due to the timing of the original filing. However, Order 17 delayed the original filing until the end of 2021 eliminating the need for such treatment.

[10] Petition, Attachment C at 16-18.

operates in multiple states.[11] Because the relationship between decoupling mechanisms and performance goals such as increasing conservation cannot be resolved outside of the context of a general rate case,[12] this issue will be re-examined in PacifiCorp's next general rate case to better determine whether decoupling should be continued for this Company, and if so, how to align an earnings test with the general purpose of decoupling.

FINDINGS AND CONCLUSIONS

16 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.

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

18 (3) By Order 12 in this Docket, the Commission approved PacifiCorp's proposed decoupling mechanism with conditions for a minimum of five years.

19 (4) On August 10, 2021, PacifiCorp filed a Petition with the Commission to extend and modify the decoupling mechanism.

20 (5) This matter came before the Commission at its regularly scheduled meeting on December 9, 2021.

21 (6) After reviewing PacifiCorp's Petition and giving due consideration to all relevant matters and for good cause shown, the Commission finds that it is consistent with the public interest to extend and modify PacifiCorp's decoupling mechanism subject to the conditions described in paragraph 7 of this Order.

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[11] *Id.* at Table 7.

[12] The Commission is actively investigating this topic through proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, Docket U-210590.

ORDER

THE COMMISSION ORDERS:

22 (1) PacifiCorp d/b/a Pacific Power & Light Company's Petition for an Order Modifying, and Extending the Decoupling Mechanism is GRANTED, subject to the conditions described in paragraph 7 of this Order.

23 (2) The Commission retains jurisdiction over the subject matter and PacifiCorp d/b/a Pacific Power & Light Company to effectuate the provisions of this Order.

Dated at Lacey, Washington, and effective December 10, 2021.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner