

Agenda Date: July 26, 2018
Item Number: A7

Docket: UE-180493
Company: Pacific Power & Light Company

Staff: David Panco, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff pages filed by Pacific Power & Light Company in Docket UE-180493 to become effective on August 1, 2018, by operation of law.

Background

Jurisdictional electric utilities in Washington are required by WAC 480-109-130 to file an annual conservation cost adjustment for recovery of expected conservation costs and amortization of deferred balances.

On June 1, 2018, Pacific Power & Light Company (Pacific Power or Company) filed with the Washington Utilities and Transportation Commission (commission) a tariff revision that would decrease rates for Schedule 191, which is the System Benefit Charge tariff that funds the company's conservation programs. The company's proposed changes would decrease revenue by about \$1.75 million over the next year, which represents a 0.5 percent overall average decrease. If approved, the tariff would decrease the monthly bill of the average residential customer using 1,200 kilowatt-hours per month by approximately 58 cents.

Discussion

In Advice 18-03, the company provided plausible explanation for having underspent during 2017 while meeting its conservation commitments. Unanticipated cost savings resulted from the residential portfolio delivering slightly higher than forecasted energy savings for approximately \$500,000 less than expected, the *wattsmart* Business program delivering close to projected energy savings for approximately \$1 million less than forecast, and customer projects being completed with lower costs than originally estimated.

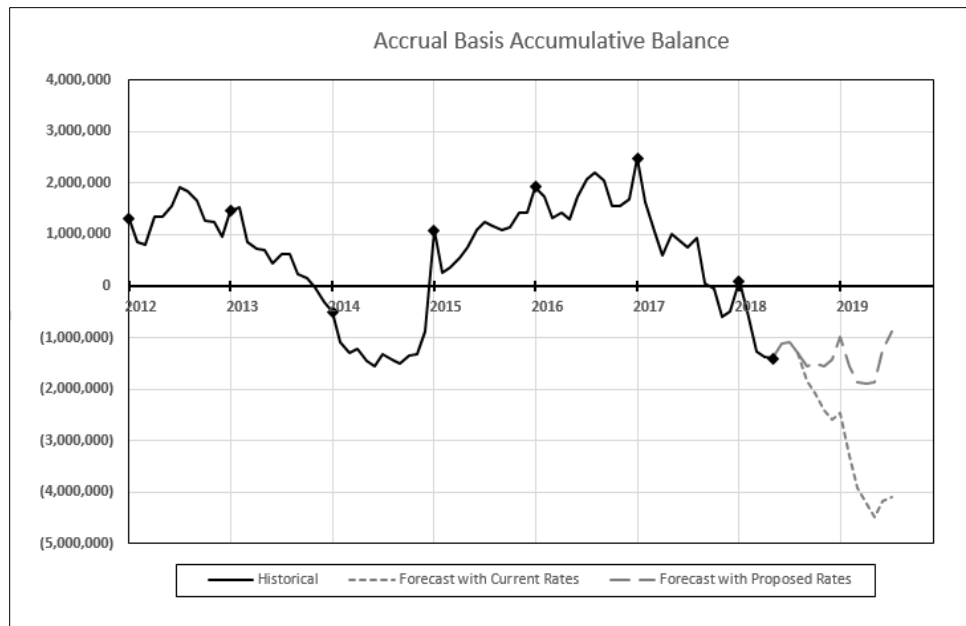
Commission staff (staff) did conduct an on-site review of selected conservation cost documentation on July 16, 2018, and found that the company has a high degree of granularity in quickly accessing expense support down to individual specific invoice line item level. Several dozen invoices from a representative spread of conservation program areas were reviewed. Staff found no reason to question either the programmatic appropriateness or the geographic jurisdictional accuracy of any of the supporting documents reviewed.

Advice 18-03 also provided an analysis of actual monthly conservation costs and recovery from 2012 through April 2018, with forecasted monthly data through June 2019. These forecasts

included data which allowed staff to compare historical deferral balances to forecast deferral balances 1) with the collection rate remaining unchanged, and 2) with the proposed decreased collection rates applied.

Staff found that leaving existing rates in place will likely result in excessive over collection, resulting in approximately double the greatest historical balance in the deferral account. The proposed revised rates will likely provide a return to the historical range of variability in the deferral balance. A graphic depiction of actual historical deferral balance, and forecast balances both with current rates and with proposed rates is on the following page.

The comparison of historical deferral balances to forecast deferral balances 1) with the collection rate remaining unchanged, and 2) with the proposed decreased collection rates applied is provided below. Accepting the proposed decrease in collection rates is forecast to return the variability in the deferral balance to within its historical range since 2012.



Comments were submitted by Boise White Paper, LLC, (Boise) late on July 23, 2018. In these comments, Boise suggests that the Schedule 48T rate decrease should equal that of the residential class. However, Boise appears to mis-identify the proposed rate decrease for customers taking service under Schedule 48T, and actually refers to the *proposed tariff rate* of 0.231 cents per kilowatt hour. This proposed rate decrease for Schedule 48T customers is actually 0.034 cents per kilowatt-hour, representing a decrease of 12.8 percent. This is nearly identical to the 12.7 percent decrease residential class customers would receive.¹ In other words,

¹ The proposed rate for Schedule 48T customers is 0.231 cents per kilowatt-hour, representing a decrease of 0.034 cents from the previous rate of 0.265 cents per kilowatt-hour. In comparison, the proposed rate for residential

the company's proposed rates already achieve what Boise is requesting. Furthermore, the company appears to have simply matched its rate spread and rate design to its underlying volumetric rates as directed by the commission.²

Boise also requests that the rates be further decreased beyond what the company is proposing. As previously discussed in this memo, and as shown in the chart above, the proposed revised rates aim to return the deferral balance to within the historical range of variability. Attempting to zero out this balance in any single year will increase the risk of over-correcting rates, and increase the likelihood of upward rate shocks for customers.

Conclusion

Take no action, allowing the tariff to go into effect by operation of law.

Schedule 16 is 0.330 cents per kilowatt-hour, representing a decrease of 0.048 cents from the previous rate of 0.378 cents per kilowatt-hour.

² See Docket UE-171092, Biennial Conservation Plan for 2018-2019, Order 01, pg. 15 at ¶9b, "Recovery for Each Customer Class — Rate spread and rate design must match Pacific Power's underlying base volumetric rates."