

**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

PACIFIC POWER & LIGHT
COMPANY'S PETITION TO ALTER
THE SUR-CREDIT AMORTIZATION
AND EFFECTIVE DATE

I. INTRODUCTION

1 In accordance with WAC 480-07-370(3), Pacific Power & Light Company (Pacific Power), a division of PacifiCorp, petitions the Washington Utilities and Transportation Commission (Commission) for an order altering the sur-credit amortization period for Schedule 97, Power Cost Adjustment Mechanism (PCAM) Adjustment, from 12 months to 24 months and, to allow for adequate time for review of this petition and to minimize rate changes for customers, begin the amortization period on January 1, 2019.

II. BACKGROUND

2 Pacific Power is an electric utility and public service company doing business in the state of Washington under RCW 80.04.010, and its public utility operations, retail rates, service, and accounting practices are subject to the Commission's jurisdiction. PacifiCorp also provides retail electricity service under the name Pacific Power in Oregon and California and under the name Rocky Mountain Power in Idaho, Utah, and Wyoming. The company's principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232.

3 Pacific Power's name and address:

Washington Dockets
Pacific Power
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
washingtondockets@pacificorp.com

Ajay Kumar
Pacific Power
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
Ajay.kumar@pacificorp.com

In addition, PacifiCorp respectfully requests that all data requests be addressed to:

By e-mail (preferred) datarequest@pacificorp.com

By regular mail Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Ariel Son, Regulatory Affairs Manager, at (503) 813-5410.

III. THE BASIS FOR REQUESTING EXTENDED AMORTIZATION

A. Description

4 In May of 2015, the Commission authorized Pacific Power to implement a PCAM. The PCAM allows 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 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. The company tracks these unexpected variations in power costs in the PCAM deferral account.¹ If the cumulative positive or negative balance in the PCAM deferral account, including monthly interests, exceeds \$17 million, either a sur-charge or sur-credit is triggered. On August 30, 2018, the Commission approved Pacific Power's

¹ *Wash. Util. & Transp. Comm'n v. Pac. Power & Light Co.*, Docket UE-140762, Order 09 at ¶29 (May 26, 2015)(hereinafter "2015 PCAM Order").

2017 Power Cost Adjustment Mechanism filing, which resulted in increasing the deferral account balance to approximately \$-17.9 million, which triggers a sur-credit to customers.

5 When the Commission approved Pacific Power’s 2017 PCAM deferral, the company was ordered to “effectuate the refund to customers” with an amortization period for the credited balance to start November 1, 2018, through October 31, 2019.² The overall decrease in rates that would result from this amortization period is 5.1 percent or \$5.88 per month for the average residential customer.³

6 The 2017 PCAM Order also stated that “the Company or other parties may petition the Commission to alter the credit amortization and payout.”⁴ This is further described in the 2015 PCAM Order, where it was determined that “[s]uch petitions may be appropriate, for example, if the accumulated balance is large enough to require a surcharge or credit that might have too significant an impact on customers or the Company if paid monthly over 12 months[.]”⁵ An overall decrease of 5.1 percent represents too significant of an impact on customers.⁶ The Commission has noted that “gradualism in rate change” and “stability of rates” are factors to be considered in rate

² *In the Matter of Pac. Power & Light Co., 2017 Power Cost Adjustment Mechanism*, Docket UE-180494, Order 01 at ¶18 (August 30, 2018) (hereinafter “2017 PCAM Order”).

³ An average residential customer described here uses 1,200 kWh a month. For a full review of the allocations by rate class please refer to Attachment B.

⁴ 2017 PCAM Order at ¶18.

⁵ 2015 PCAM Order at ¶34.

⁶ Pacific Power’s Washington customers are already receiving a decrease of approximately 0.5%, or approximately \$0.58 for the average residential customer due to the decrease in the System Benefits Charge. *See Advice 18-02*, Docket UE-180493 (June 1, 2018).

changes.⁷ A 5.1 percent decrease in rates, only to be followed by a 5.1 percent increase 12 months later would have an adverse impact on rate stability for customers.

7 Consistent with those orders and principles, Pacific Power now proposes a 2-year amortization of the sur-credit to begin on January 1, 2019. Such an amortization would result in a 2.6 percent overall decrease in rates translating to a \$2.94 monthly decrease for the average residential customer. Commission Staff recently supported a request by PacifiCorp to reduce the System Benefits Charge in order to avoid upward rate shocks for customers.⁸ Avoiding rate shock and providing rate stability through this extended amortization is consistent with the Commission's goals and in the best interests of customers.

8 In addition to requesting a change in the amortization period, Pacific Power also seeks approval from the Commission to begin the amortization period, on January 1, 2019. This adjustment in the effective date will minimize rate changes by allowing the expiration of the PCAM deferral amortization credit to occur simultaneously with other pending rate changes requested by the company. Pacific Power recently filed for approval of new depreciation rates and, as part of that filing, Pacific Power requested new depreciation rates be effective January 1, 2021.⁹ In the company's petition to change depreciation rates, Pacific Power explained that a January 1, 2021 rate effective date is consistent with likely upcoming rate case activity and the approval of a new

⁷ *Wash. Util. & Transp. Comm'n v. Puget Sound Energy, Inc.*, Docket UE-072300, Order 12 at ¶68 (October 8, 2008) (Discussing the factors that are considered in determining the rate spread in a general rate case).

⁸ *Pac. Power & Light Co., Advice 18-02*, Docket UE-180493, Staff Open Meeting Memo at 3 (July 26, 2018).

⁹ *In the Matter of Pac. Power & Light Co. For an Order Approving a Change in Depreciation Rates Applicable to Electric Property*, Docket UE-180778, Petition at 1 (Sep. 13, 2018).

interjurisdictional allocation methodology.¹⁰ This potential rate case would likely have a requested rate effective date of January 1, 2021. Under Pacific Power’s proposal, the PCAM deferral amortization credit will expire at the same time as new rates are likely to go into effect, minimizing the number of rate changes experienced by customers. The effective date would be “beneficially adjusted” in a manner consistent with the Commission’s original authorization of the PCAM.¹¹

9 However, if the PCAM deferral amortization credit begins on November 1, 2018, it will expire a mere two months before the likely rate effective date for both new depreciation rates and new base rates. Customers would see a guaranteed 2.6 percent rate increase November 1, 2020, as the result of the expiration of the PCAM deferral amortization credit, followed shortly by another rate change January 1, 2021. By synchronizing the January 1, 2021 start date with the planned rate case activity, customers would still receive the PCAM deferral amortization credit in a timely fashion and ameliorate the frequent rate changes felt by customers upon expiration of the credit. In light of the modest difference between a November and January amortization start date, and the high likelihood of multiple rate changes upon expiration of the PCAM deferral amortization credit, Pacific Power respectfully requests the Commission approve a January 1, 2019 effective date for the amortization period.

¹⁰ *Id.* at 3 (“Pacific Power’s accounting system maintains depreciation rates on a calendar-year basis, and the company recommends January 1, 2021, as the rate effective date to align it with the company’s anticipated implementation of a new interjurisdictional cost allocation methodology. Aligning the effective date of the depreciation rates proposed in the Depreciation Study with the anticipated implementation of a new inter-jurisdictional allocation methodology allows for robust evaluation of both proposals, while minimizing rate changes.”)

¹¹ See 2015 PCAM Order at ¶34.

B. Proposed PCAM Rate Spread

10 Pacific Power proposes to spread the PCAM deferral across customer rate schedules “consistent with the allocation of Base NPC from the Company’s most recent general rate case filing” as agreed to by the parties and approved by the Commission in its order in the 2015 PCAM Order. The class allocation of Base net power costs (NPC) from the company’s class cost of service study filed in the last general rate case (Docket UE-140762) by Federal Energy Regulatory Commission (FERC) account is shown on Attachment A. Allocations by rate schedule for the \$17.9 million PCAM deferral are shown on Attachment B. Attachment C includes proposed tariffs reflecting rates calculated with a two-year amortization period.

11 For Schedule 47T (Large General Service – Partial Requirements Service Metered Time of Use 1,000 KW and Over) customers who are excluded from class allocations in the cost of service study, the company proposes setting their adjustment to the same rate as for Schedule 48T (Large General Service Metered Time of Use 1,000 KW and Over), since their charges are based on the prices in Schedule 48T. After removing Schedule 47T’s share of the PCAM deferral, the remaining deferral is proportionally adjusted for all customer classes to refund a total target amount of \$17.9 million.

12 The proposed rates for each customer class were determined by dividing the allocated PCAM deferral amount to each rate schedule by their energy sales from the 12-month period ended June 30, 2015, that was used to set base rates for the second year of the rate plan effective September 15, 2017, in Docket UE-152253. Column 9 of Attachment B shows the cents per kilowatt-hour adjustments proposed for Schedule 97. Attachment C contains the company’s proposed tariff revisions. The company requests that the proposed Schedule 97 rates become effective on January 1, 2019.

IV. CONCLUSION

13 Pacific Power respectfully requests that the Commission issue an order altering the sur-credit amortization period to refund the accumulated PCAM deferral balance of approximately \$-17.9 million from 12 months to 24 months and begin the amortization period on January 1, 2019.

Respectfully submitted this 8th day of October, 2018.

By: /s/
Ajay Kumar
State Regulatory Attorney
Pacific Power & Light Company
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
Phone: (503) 813-5161
ajay.kumar@pacificorp.com