

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of) DOCKET UE-180494
)
PACIFICORP, dba PACIFIC POWER &)
LIGHT COMPANY,) RESPONSE OF BOISE WHITE PAPER,
) L.L.C.
2017 Power Cost Adjustment Mechanism)
Annual Report.)
_____)

I. INTRODUCTION

1 Pursuant to WAC 480-07-370(4), Boise White Paper, L.L.C. (“Boise”) files this Response to Pacific Power & Light Company’s (“Pacific Power” or “Company”) Petition to Alter the Sur-Credit Amortization and Effective Date (“Petition”). Boise opposes Pacific Power’s Petition and requests that the Washington Utilities and Transportation Commission (“Commission”) maintain the one-year amortization period, beginning on November 1, 2018, for the Power Cost Adjustment Mechanism (“PCAM”) credit.

II. ARGUMENT

2 Pacific Power requests that the Commission modify the amortization period for the PCAM credit from a one-year period beginning on November 1, 2018 to a two-year period beginning on January 1, 2019.^{1/} The Company states that a one-year amortization period would result in a 5.1% average rate decrease for customers, which would be followed by a corresponding rate increase one year later.^{2/} Arguing that this is “too significant of an impact on

^{1/} Pacific Power Petition ¶ 1.

^{2/} Id. ¶ 5-6.

customers,” Pacific Power states that its proposal would “[a]void[] rate shock and provid[e] rate stability.”^{3/} It also notes that moving the beginning of the amortization date from November 1, 2018 to January 1, 2019 would align expiration of the sur-credit amortization with the Company’s plan to implement new rates on January 1, 2021.^{4/}

3 Preliminarily, it is worth recalling that the credit due to customers is net of the amount Pacific Power has retained for its shareholders over the past two years through application of the dead bands and sharing bands in the PCAM mechanism – approximately \$10.8 million by Boise’s count.^{5/} It is unclear to Boise why the Company should be allowed to recover that money immediately (indeed, to have already recovered it), but customers must wait for two years to receive their full allotment.

4 Moreover, Boise respectfully disagrees that a 5.1% rate increase or decrease would result in “rate shock” for customers. Indeed, it is curious that the Company believes this. Boise does not recall the Company raising concerns about rate shock in its 2014 rate case when it requested an 8.5% rate increase;^{6/} or in its 2013 rate case when it sought a 14.1% rate increase;^{7/} or in its 2010 rate case when it sought a 20.88% rate increase.^{8/} It is true that Pacific Power requested, and was granted, a two-year rate plan in 2016 to phase in consecutive rate increases of just under 3%, but Boise understands the Company’s rationale for its request in that case as primarily designed to avoid the procedural requirements associated with a general rate case,

^{3/} Id. ¶¶ 6-7.

^{4/} Id. ¶ 8.

^{5/} This includes \$4.4 million from the 2016 PCAM and \$6.4 million from the 2017 PCAM.

^{6/} Docket No. UE-140762.

^{7/} Docket No. UE-130043.

^{8/} Docket No. UE-100749.

which would have been required for a request of 3% or more.^{9/} For utilities (Pacific Power included), a desire to avoid “rate shock” and ensure “rate stability” seems primarily to be a concern only when they owe customers money, not the other way around.

5 Nor does the Company’s concerns over “rate shock” related to a 5% swing in rates comport with Commission precedent. During the Western Energy Crisis, for instance, the Commission expressed its concern with rate shock when Avista’s rates were projected to increase by 48%, a far cry from the 5% Pacific Power is concerned with here.^{10/} In the Company’s most recent rate case, the Commission partially justified its decision to accelerate the depreciable lives of Colstrip and Jim Bridger on the prospect that an early closure of these plants could result in rate shock for customers.^{11/} For comparison purposes, the Company’s recently filed depreciation study proposes to increase depreciation rates by \$38 million (a rate impact of over 10% if implemented), \$30 million of which is associated with shortening the depreciable lives of Colstrip and Bridger.^{12/} Conversely, the Commission has specifically found that a rate increase of 4.39% would not cause rate shock.^{13/} In fact, Boise’s research has failed to identify a single instance in which the Commission found that a 5% rate impact would result in rate shock in any of the industries it regulates. The closest it has come is in a disposal case where it allowed the regulated company to phase in a 6.2% rate increase over a two-year period.^{14/}

^{9/} Docket No. UE-152253; WAC 480-07-505(1)(a). Pacific Power’s initial filing in this docket framed its application not as a “general rate case” but as a request for an “expedited rate filing,” a two-year rate plan, and a decoupling mechanism.

^{10/} Re Avista Corp., Docket No. UE-010395, 6th Supp. Order ¶¶ 22, 76-77 (Sept. 24, 2001)

^{11/} Docket No. UE-152253, Order 12 ¶ 267 (Sept. 1, 2016).

^{12/} Docket No. UE-180778, Pacific Power Petition ¶¶ 10, 12.

^{13/} WUTC v. Puget Sound Power & Light Co., Cause No. U-85-53, 2d Supp. Order, 74 P.U.R.4th 536 at *10 (May 16, 1986).

^{14/} WUTC v. Basin Disposal, Inc., Docket Nos. TG-170981 & TG 170982, Order 02 ¶¶ 4, 6 (Dec. 14, 2017).

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Moreover, the Company’s concern that a one-year period will compromise “rate stability” is speculative. The Company notes its plan to process its pending application to update depreciation rates, file a new inter-jurisdictional cost allocation protocol, and implement everything through a general rate case with rates effective January 1, 2021.^{15/} Boise appreciates the Company’s transparency with regard to its future plans, but does not believe Pacific Power’s intentions necessarily provide certainty for the future. For one, negotiations in the ongoing Multi-State Protocol workgroups to develop a new inter-jurisdictional allocation methodology are in flux and it is unclear if and when agreement among the states on such a methodology will occur. It is not certain, therefore, that the Company will be able to stick to its preferred timeline. Furthermore, Pacific Power may have identified a sequence of events that is most preferable for the Company, but that does not mean that the Commission will agree with this plan. It could, for instance, determine that depreciation rates should go into effect immediately upon approval (rather than delaying implementation to 2021). It could also reject a new inter-jurisdictional protocol and determine to maintain the existing West Control Area methodology. It is simply not possible to predict how customer rates will be impacted over the next two years and when those impacts will occur.

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Even with these uncertainties, the Company has the ability to control the rate fluctuations about which it is apparently so concerned, primarily through the savings it continues to collect and defer from the Federal Tax Cuts and Jobs Act.^{16/} In March of this year, Puget Sound Energy filed tariff revisions to update its base rates to reflect the new 21% corporate tax

^{15/} Pacific Power Petition ¶ 8.

^{16/} Docket No. UE-171219.

rate.^{17/} Those straightforward revisions were approved less than a month later at an open meeting. There is no reason Pacific Power could not do the same thing. Boise believes the Company should do that now (indeed, should have done it months ago), but if the Commission is concerned with the prospect of a 5% rate swing a year from now, it could require the Company to make a tariff filing at that time to offset the increase.

III. CONCLUSION

8 Pacific Power is holding customer money and, the Company's good intentions aside, customers should be the ones who determine what is in their interest with respect to what is theirs. Boise supports the Commission's decision in its original order in this docket to refund the PCAM sur-credit over a 12-month period beginning in November.

Dated this 15th day of October, 2018.

Respectfully submitted,

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^{17/} Docket No. UE-180282.