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May 1, 2014

SENT VIA ABC LMI AND E-MAIL

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

Re: In the Matter of PacifiCorp
Advice No. 14-03 – Hydro Investment Adjustment
Docket No. UE-140617

Dear Mr. King:

Enclosed for filing in the above-referenced docket are the original and ten (10) copies of the Comments of Public Counsel in Response to PacifiCorp's Proposed Tariff and Alternative Petition, and the Certificate of Service.

Sincerely,

Simon Ffitch
Senior Assistant Attorney General
Public Counsel Division
(206) 389-2055

Sf:cm

cc: Service List (First Class Mail & Email)

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of

PACIFICORP d/b/a PACIFIC
POWER & LIGHT COMPANY

Re: Hydro Investment Adjustment,
Advice No. 14-03.

DOCKET UE-140617

COMMENTS OF PUBLIC
COUNSEL IN RESPONSE TO
PACIFICORP'S PROPOSED TARIFF
AND ALTERNATIVE PETITION
FOR DEFERRED ACCOUNTING

I. INTRODUCTION

1. Public Counsel submits these comments in response to PacifiCorp's filing for a proposed tariff rider and alternative petition for deferred accounting. PacifiCorp seeks to recover its capital investment associated with the Merwin Fish Collector (Merwin); a rate base addition which was rejected by the Commission in the recent 2013 general rate case because it was not used and useful and its costs were not known and measurable.¹ The Company states that Merwin is now fully functional with known and measurable costs and it seeks immediate rate relief to recover its Washington-allocated capital investment of \$13.1 million associated with this project.² For the reasons outlined below, Public Counsel recommends that the Commission reject PacifiCorp's requests for a tariff rider and deferred accounting for Merwin and direct the

¹ *Washington Utilities and Transportation Commission v. Pacific Power & Light Co.*, Docket No. UE-130043, Order 05 ¶ 203, (Dec. 4, 2013) (Hereafter, "Order 05.")

² See Attachment F, Advice No. 14-03 Hydro Investment Adjustment filing, Docket UE-140617.

Company to address the cost recovery of this investment in its general rate case filed May, 1, 2014.³

II. COMMENTS

A. Request for a Tariff Rider.

2. PacifiCorp's request for a tariff rider would have the effect of increasing customer rates by \$1.7 million annually or .5%. This would result in an increase of 60 cents to the average residential customer bill.⁴ As discussed below, PacifiCorp's request for a tariff rider to recover costs associated with a capital addition, between general rate cases, is a departure from Commission practice and precedent that is not warranted under the circumstances and should be rejected.

1. Plant investments are appropriately recovered in a general rate case, not through a tariff rider.

3. Traditionally, plant investment costs are presented and supported by prudence evidence in a general rate case which follows the regulatory principle that all components of a utility's ratemaking equation should be considered when new rates are established. Singling out specific expenditures outside of a rate case, as PacifiCorp does in its request, constitutes single-issue ratemaking. The Commission has repeatedly indicated that it will not approve ratemaking schemes involving single-issue ratemaking unless there is an extraordinary and compelling reason to do so. In prior cases the Commission has required a clear and convincing showing that a Company will be denied any reasonable opportunity to earn its authorized rate of return

³ Public Counsel understands that the PacifiCorp rate case filed today includes a request to recover Merwin costs.

⁴ Advice No. 14-03 Hydro Investment Adjustment filing, Docket UE-140617, p. 2.

without extraordinary relief.⁵ Moreover, tariff riders should be limited to recover costs that are largely outside the control of the utility, unpredictable or volatile or substantial and recurring.⁶ Capital investments for plant additions are not generally considered to be highly volatile, uncontrollable or unpredictable. The costs associated with Merwin are not volatile, are non-recurring and the Company has not demonstrated that its financial health will be harmed if cost recovery is not addressed outside of a traditional rate case.

4. Moreover, allowing PacifiCorp to recover the costs for this capital addition through a tariff rider could encourage other utilities to seek rate recovery of capital additions through tariff riders, thereby encouraging single issue ratemaking as well as increasing the administrative burden on the Commission and stakeholders who must review these additional filings.

2. The prudence of Merwin has not yet been determined.

5. In an effort to support its tariff rider request, PacifiCorp states that it demonstrated the prudence for Merwin in the 2013 rate case and no party disputed this. In making this statement PacifiCorp implies that Merwin was determined to be prudent, when, in fact, the Commission Order in the 2013 rate case explicitly states that Staff did not make a recommendation on the prudence of Merwin because cost recovery was disallowed.⁷ For this reason, the Commission Order did not address the prudence of Merwin. Cost recovery for Merwin should not be allowed before prudence is determined. The prudence of a capital investment is properly reviewed in a general rate case. PacifiCorp's new rate case, filed May 1, 2014, provides that opportunity. For

⁵ PSE 2006 GRC, Docket Nos. UE-060266 and UG-060267, Order 08, Paragraph 39.

⁶ "Increasing Use of Surcharges on Consumer Utility Bills," Prepared by Larkin & Associates, PLLC For AARP, May, 2012.

⁷ Order 05, n. 375.

this reason, and others, Public Counsel recommends that the Commission request PacifiCorp to address cost recovery for Merwin in its pending general rate case.

3. The Commission already considered PacifiCorp's request to include costs for Merwin in a tariff rider and did not approve it.

6. As PacifiCorp acknowledges in its filing, the Commission has already considered and decided not to approve a proposal by the Company to use a tariff rider to add the revenue requirement associated with Merwin in rates. The Company proposed this as an alternative approach in the 2013 rate case to address cost recovery of Merwin. The Commission had the opportunity to approve a tariff rider as an alternative means to recover costs associated with Merwin should it have been in favor of this approach. It did not do so.⁸

B. Request for Deferred Accounting.

7. As an alternative to its preferred approach to immediately begin recovering the costs for Merwin in rates in a tariff rider, PacifiCorp requests approval for deferred accounting for these costs. As discussed in the ICNU filing, deferred accounting is also a departure from traditional ratemaking that requires extraordinary circumstances to be authorized.⁹ As previously stated, PacifiCorp has not demonstrated the costs for Merwin are extraordinary or unforeseeable. Furthermore, as a practical matter, the Company will have an opportunity to address cost recovery of Merwin in its upcoming rate case. A request for deferred accounting is unnecessary.

III. CONCLUSION

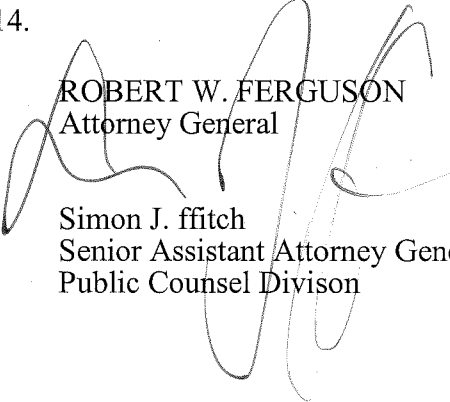
8. For the foregoing reasons, Public Counsel respectfully requests that the Commission deny PacifiCorp's requests for a tariff rider, or for deferred accounting to recover its

⁸ Order 05 (the Commission does not address PacifiCorp's request for a tariff rider in its Order).

⁹ ICNU Petition to Intervene and Opposition of the Industrial Customers of Northwest Utilities, p. 6, Docket UE-140617.

Washington-allocated revenue requirement for the Merwin Fish Collector. Public Counsel recommends that the Commission require PacifiCorp to address cost recovery for Merwin in its pending 2014 general rate case.

9. DATED this 1st day of May, 2014.



ROBERT W. FERGUSON
Attorney General

Simon J. ffitch
Senior Assistant Attorney General
Public Counsel Divison

CERTIFICATE OF SERVICE
Docket No. UE-140617

I hereby certify that a true and correct copy of the *Comments of Public Counsel in Response to PacifiCorp's Proposed Tariff and Alternative Petition for Deferred Accounting* was sent to each of the parties of record shown below in sealed envelopes, via First class mail, postage prepaid, and E-Mail.

SERVICE LIST

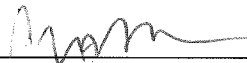
**** = Receive Highly Confidential; * = Receive Confidential; NC = Receive Non-Confidential**

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DATED: May 1, 2014.



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