

**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

ORDER 02

DENYING PETITION TO AMEND
ORDER 01

BACKGROUND

- 1 On May 26, 2015, the Washington Utilities and Transportation Commission (Commission) issued Order 09 in Docket UE-140762 (Order 09), approving a Settlement Stipulation and authorizing Pacific Power & Light Company (Pacific Power or Company) to implement a Power Cost Adjustment Mechanism (PCAM). Order 09 required Pacific Power to file by June 1 of each year a request to confirm the power costs of the prior calendar year and to authorize the deferral of any costs that exceed established thresholds under the PCAM.
- 2 On June 1, 2018, Pacific Power filed such a request with supporting testimony, exhibits, and documentation for the period from January 1, 2017, through December 31, 2017.
- 3 On August 30, 2018, the Commission issued Order 01, Order Approving 2017 PCAM Report, in this docket (Order 01), approving Pacific Power's request and requiring the Company to file a tariff revision to its Schedule 97, effective November 1, 2018, to pass back the accumulated credit deferral of \$17,899,494 to ratepayers over a 12-month period beginning November 1, 2018, and ending October 31, 2019.
- 4 On October 8, 2018, Pacific Power filed with the Commission a Petition to Alter the Sur-Credit Amortization and Effective Date (Petition) requesting that the Commission amend Order 01 to allow the Company to amortize the accumulated deferral balance over a 24-month period beginning January 1, 2019.

5 Pacific Power explains in its Petition that the 12-month amortization period authorized by the Commission would result in a rate decrease of 5.1 percent, or \$5.88 per month for the average residential customer. Pacific Power argues that the subsequent 5.1 percent increase in rates following the 12-month amortization period would cause rate instability for customers. The Company reasons that an extended amortization period would result in a decrease to rates of 2.6 percent, or \$2.94 per month, for the average residential customer, thus avoiding customer “rate shock.”

6 Pacific Power next argues that, because it plans to file an upcoming rate case with a rate effective date of January 1, 2021, granting its request to commence the amortization period on January 1, 2019, would synchronize the expiration of the PCAM deferral amortization credit with the effective date resulting from its future general rate case. Pacific Power argues that this timeline would reduce the frequency of customer rate changes.

7 Commission staff (Staff) opposes Pacific Power’s request and recommends the Commission issue an order affirming the requirements set out in Order 01 and directing Pacific Power to refund \$17, 899,494 of over-collected power costs through Schedule 97 effective November 1, 2018, over 12 months.

8 On October 15, 2018, Boise White Paper, LLC (Boise) filed a response opposing Pacific Power’s Petition and requesting the Commission maintain the 12-month amortization period beginning November 1, 2018, for the refund to customers. Boise argues that the decrease in rates will not result in “rate shock” and that Pacific Power’s intention to file a general rate case with rates effective January 1, 2021, does not provide sufficient certainty. Boise requests that the Commission direct the Company to return customers’ money currently in its possession consistent with the terms of Order 01.

DISCUSSION AND DECISION

9 We deny Pacific Power’s Petition. We agree with Staff and Boise that the Company has failed to present sufficiently compelling reasons to amend the terms of Order 01.

10 When issues related to the accumulated deferral balance refund came before the Commission in August, we considered both that more than eight months had already elapsed since the end of the 2017 deferral period and that the PCAM Settlement Stipulation specified a 12-month amortization period for any refund to customers.

11 In Order 09, which approved the PCAM Settlement Stipulation, we addressed the possibility of altering the 12-month amortization period for surcharges or refunds in certain circumstances, such as when:

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, or if other rate changes are imminent and may be beneficially adjusted by use of some or all of the accumulated PCAM deferral balance in excess of \$17 million.¹

12 We are not persuaded that the circumstances presented here warrant changes to the schedule established by Order 01 and agreed to in the Settlement Stipulation. The Settlement Stipulation clearly reflects the settling parties' agreement that refunding or charging to customers a \$17 million balance over 12 months is appropriate and reasonable. The \$17,899,494 balance at issue here is not significantly greater than the amount contemplated by the parties. Accordingly, the deferral balance amount does not justify altering the 12-month amortization period the settling parties agreed to.

13 Similarly, we are not convinced that delaying the amortization commencement date is appropriate. Pacific Power argues that delaying the amortization period will benefit customers by: (1) aligning with the Company's intent to file a general rate case requesting rates to become effective January 1, 2021, and (2) avoiding multiple rate changes to customers over a short period resulting from the conclusion of the refund of the accumulated deferral balance and the subsequent rate increase. We disagree. We do not consider rate changes resulting from a future general rate case, which may or may not be filed on the schedule the Company anticipates, to be "imminent" for purposes of altering the amortization period of refunds to customers pursuant to the terms of the PCAM Settlement Stipulation. Further, the filing of a general rate case does not guarantee that it will result in an increase to customers' rates, and we decline to make such an assumption here. Additionally, it is neither reasonable nor consistent with the public interest to withhold from customers the benefit of the refund for a full year from the end of the 2017 deferral period.

14 Regardless, both of the Company's arguments are moot because it has failed to sufficiently justify extending the 12-month amortization period to 24 months. Moving the

¹ *Wash. Utils. and Transp. Comm'n v. Pacific Power & Light Co.*, Docket UE-140762, Order 09, 12, ¶ 34 (May 26, 2015).

commencement date to January 1, 2019, therefore, would neither help to align the conclusion of the refund with the effective date of a rate increase in 2021, nor help to avoid multiple rate changes to customers in a short period.

15 Pacific Power must refund to customers \$17,899,494 balance over a 12-month period beginning November 1, 2018, consistent with the terms set out in Order 01.

FINDINGS AND CONCLUSIONS

- 16 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including electric companies.
- 17 (2) Pacific Power is a public service Company subject to Commission jurisdiction. Pacific Power is engaged in the business of providing electric service within the state of Washington.
- 18 (3) On August 30, 2018, the Commission issued Order 01 in this docket, requiring Pacific Power to file a tariff revision to its Schedule 97, effective November 1, 2018, to pass back the accumulated credit deferral of \$17,899,494 to ratepayers over a 12-month period beginning November 1, 2018, and ending October 31, 2019.
- 19 (4) On October 8, 2018, Pacific Power filed with the Commission a Petition to Alter the Sur-Credit Amortization and Effective Date requesting that the Commission amend Order 01 to allow the Company to amortize the accumulated deferral balance over a 24-month period beginning January 1, 2019.
- 20 (5) This matter was brought before the Commission at its regularly scheduled meeting on October 19, 2018.
- 21 (6) Requiring Pacific Power to refund \$17,899,494 to customers through its Tariff Schedule 97 according to the terms of the Power Cost Adjustment Mechanism Settlement Stipulation approved by Order 09 in Docket UE-140762 is reasonable and consistent with the public interest.
- 22 (7) Requiring Pacific Power to commence the refund to customers by November 1, 2018, is reasonable and consistent with the public interest.

- 23 (8) Pacific Power failed to demonstrate that circumstances exist to justify extending the amortization period for, or delaying the commencement of, the refund to customers.
- 24 (9) Pacific Power's Petition seeking to amend the terms of Order 01 should be denied.

ORDER

THE COMMISSION ORDERS:

- 25 (1) The Pacific Power & Light Company's Petition to Alter the Sur-Credit Amortization and Effective Date is DENIED.
- 26 (2) Pacific Power & Light Company will refund \$17,899,494 to customers through its Tariff Schedule 97 effective November 1, 2018, with an amortization period of 12 months consistent with the terms of Order 01.
- 27 (3) The Commission retains jurisdiction to effectuate the terms of this Order.

DATED at Olympia, Washington, and effective October 19, 2018.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner