

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFICORP d/b/a PACIFIC POWER &  
LIGHT COMPANY,

2020 Power Cost Adjustment Mechanism  
Annual Report

DOCKET UE-210447

ORDER 01

APPROVING 2020 POWER COST  
ADJUSTMENT MECHANISM  
DEFERRAL BALANCE

**BACKGROUND**

- 1 On May 26, 2015, the Utilities and Transportation Commission (Commission) issued Order 09 in Docket UE-140762 (Order 09). Order 09 approved and adopted a full Settlement Agreement that, among other things, authorized PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company)<sup>1</sup> to implement a Power Cost Adjustment Mechanism (PCAM) allowing 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 Settlement Stipulation, PacifiCorp is required to file by June 1 of each year a request for the Commission to confirm and approve the deferred PCAM balance for the previous calendar year.<sup>2</sup>
- 2 The Company's June 1 filings are intended to be sufficient to provide the Commission and interested parties an opportunity to audit and review the prudence of the PCAM deferrals for the year in question. Although the Settlement Stipulation contemplates a 90-day review period, the parties can agree to extend it.<sup>3</sup>

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<sup>1</sup> In 2019, PacifiCorp changed its business name with the Commission from "Pacific Power & Light Company" to "PacifiCorp d/b/a Pacific Power & Light Company." See Pacific Power & Light Company's Request to Change Name to PacifiCorp, Docket UE-191004 (December 5, 2019).

<sup>2</sup> Settlement Stipulation in Docket UE-140762 at ¶19 (May 8, 2015) (Settlement Stipulation).

<sup>3</sup> *WUTC v. Pacific Power & Light Company*, Docket UE-140762, Order 09, 8, ¶ 20 (May 26, 2015).

3 On June 15, 2020, PacifiCorp filed testimony, exhibits, and supporting documentation  
related to power costs deferred under the PCAM for the period January 1, 2020, through  
December 31, 2020.

4 Pursuant to the terms of the PCAM, differences between actual costs and the costs  
collected through baseline rates are shared between customers and PacifiCorp subject to  
certain conditions.<sup>4</sup> The Company does not defer annual Net Power Cost (NPC) variances  
within a dead band of \$4 million in either the surcharge or credit direction; the variances  
within the dead bands are absorbed by the Company. Annual NPC variances that exceed  
the dead bands are shared between PacifiCorp and its customers. For positive annual  
NPC variances greater than \$4 million and up to and including \$10 million, 50 percent is  
shared with customers and the remainder is absorbed by the Company. For negative  
annual NPC variances greater than \$4 million and up to and including \$10 million, 75  
percent is allocated to customers and the remaining 25 percent is absorbed by PacifiCorp.  
For NPC variances greater than \$10 million (in either the credit or surcharge direction),  
90 percent is shared by customers with the remaining 10 percent absorbed by the  
Company. If the cumulative positive or negative balance in the PCAM deferral account,  
including monthly interest, exceeds \$17 million, either a surcharge or credit is triggered.

5 In 2020, Pacific Power's actual power costs, allocated to Washington, were less than the  
authorized baseline by \$19.5 million. After applying the PCAM's dead and sharing  
bands, the total deferred credit to ratepayers at the end of 2020 was \$13.7 million.

6 As of December 31, 2020, the cumulative PCAM Deferral Balance is a credit to  
ratepayers of \$23,111,786. This amount exceeds the \$17 million threshold approved in  
Order 09, which would trigger a refund to customers under the 2015 Settlement  
Stipulation.<sup>5</sup>

7 Rather than trigger a refund immediately, PacifiCorp proposes the Commission instead  
apply the full \$23.1 million credit towards the Deferred NPC Baseline Adjustment  
(DNBA) that was established in the Company's 2019 General Rate Case (GRC).<sup>6</sup> The  
DBNA will be included in the PCAM deferral balance calculation for the current

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<sup>4</sup> The baseline for this PCAM calculation results from the power supply revenues and expenses  
approved by the Commission in Docket UE-140762.

<sup>5</sup> Settlement Stipulation ¶ 19.

<sup>6</sup> Painter, Exh. JP-1T at 4:16-22. *See also WUTC v. PacifiCorp d/b/a Pacific Power & Light  
Company*, Dockets UE-191024 (consolidated) Final Order 09/07/12 (December 14, 2019) (2019  
PacifiCorp GRC Order).

calendar year ending December 31, 2021. PacifiCorp submits that this approach will be beneficial for Washington customers and will help prevent significant rate fluctuations over the next two years.<sup>7</sup>

8 On September 24, 2021, the Alliance of Western Energy Consumers (AWEC) filed comments in this docket. AWEC recommends that the Commission require PacifiCorp to refund the full balance in its PCAM deferral account to customers over a two-year period. AWEC notes that another year of over-recovery in energy costs may reduce the PCAM balance below the threshold for a customer refund. Furthermore, AWEC submits that the possibility of a later surcharge should not prevent a refund to customers.

9 On September 28, 2021, the Public Counsel Unit of the Attorney General's Office (Public Counsel) also filed comments in this docket. Public Counsel provides three recommendations: (1) that the 2020 end-of-year PCAM balance should be returned to the ratepayers over a two-year schedule consistent with AWEC's recommendation regarding refund; (2) that the Commission consider ordering an independent evaluation/audit of the prudence of PacifiCorp's Actual NPC for the next PCAM; and (3) that the Commission should not permit recovery of PacifiCorp's costs associated with the Aurora power cost model in the 2021 PCAM because those costs are pending prudence review in the power cost only rate case (PCORC) proceeding in Docket UE-210402. Among other points, Public Counsel submits that returning the PCAM balance credit to customers over a two-year period, rather than a one-year period, mitigates the possibility of rate instability. Public Counsel also notes concerns with PacifiCorp's responses to certain informal discovery requests regarding the setting of its NPC baseline.

10 Commission staff (Staff) reviewed the Company's PCAM annual review filing in this docket and is satisfied the Company provided adequate documentation of its PCAM power cost revenue and expenses.

11 With respect to customer credits, Staff initially recommended in its memorandum that the Company refund half of the approved PCAM balance, totaling \$11.6 million, and require PacifiCorp to apply the remaining half of the approved PCAM balance to offset the DNBA in the 2021 PCAM deferral.

12 At the Commission's September 30, 2021, open meeting, the Commission heard further comments from PacifiCorp, AWEC, and Public Counsel. Each of the stakeholders

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<sup>7</sup> *Id.* at 5:3-9.

provided further comments in support of their earlier, written recommendations. However, Staff revised its recommendation to the Commission.

13 At the open meeting, Staff stated that it now agrees with the Company's proposal to apply the full \$23.1 million credit towards the DNBA that was established in the Company's 2019 GRC. Staff submits that this approach provides benefits to customers by supporting rate stability and helping to prevent increased rates in the near future.

14 Staff continues to recommend that the Commission require PacifiCorp to report PCAM results quarterly beginning December 15, 2021. Currently, the Company is only required to report on the PCAM balance at the end of the deferral year. Staff notes that more frequent reporting will be helpful to the Commission, particularly as utilities move towards multi-year rate plans.

### DISCUSSION

15 We agree with Staff that PacifiCorp's documentation adequately supports its PCAM power cost calculation for the period January 1, 2020, through December 31, 2020. The Company's filing provides sufficient information to allow the Commission and interested parties to audit and review the prudence of the PCAM deferrals for 2020. We therefore approve PacifiCorp's calculation of its 2020 PCAM deferral balance.

16 Because the Company's PCAM deferral balance exceeds the \$17 million threshold established by Order 09, there remains an issue of how this credit should be applied. This issue is made more complicated by the DNBA mechanism, which we approved with reservations in the Company's 2019 general rate case.<sup>8</sup> The DNBA mechanism preserved an immediate rate decrease for customers during the COVID-19 pandemic, but it also allowed the Company to recover increased net power costs through the PCAM mechanism, with interest.<sup>9</sup>

17 After considering the proposals from PacifiCorp, AWEC, Public Counsel, as well as Staff's revised recommendation, we agree that PacifiCorp should apply the full \$23.1 million credit towards the DNBA that was established in the Company's 2019 General Rate Case GRC. We agree with the stakeholders that the PCAM balance should inure to the benefit of customers. However, after considering all of the comments in this docket, we find that the most reasonable and appropriate course of action is to apply the PCAM

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<sup>8</sup> See 2019 PacifiCorp GRC Order ¶¶ 76-89.

<sup>9</sup> *Id.* ¶ 77.

balance to the Company's DNBA. This has the effect of helping to prevent rate volatility and a future rate surcharge, which may result from increased energy costs.

18 We also agree with Staff's recommendation to require quarterly reports on the Company's PCAM deferral balance beginning December 15, 2021. We require similar reports from the other investor-owned utilities in the state.<sup>10</sup> The Commission benefits from having more current information on the Company's PCAM deferral balance throughout the year.

### FINDINGS AND CONCLUSIONS

- 19 (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.
- 20 (2) PacifiCorp is a public service Company subject to Commission jurisdiction. PacifiCorp is engaged in the business of providing electric service within the state of Washington.
- 21 (3) This matter was brought before the Commission at its regularly scheduled meeting on September 30, 2021. The Commission received written comments from the Alliance of Western Energy Consumers (AWEC) and the Public Counsel Section of the Washington Office of the Attorney General (Public Counsel) requesting that the Commission require PacifiCorp to refund the PCAM Deferral Balance over a two-year period. In addition to Commission Staff, representatives from AWEC, Public Counsel, and the Company presented oral comments during the meeting.
- 22 (4) As of December 31, 2020, PacifiCorp's cumulative PCAM Deferral Balance is \$23,111,786.
- 23 (5) PacifiCorp's filing meets the requirements of the Power Cost Adjustment Mechanism implemented in Docket UE-140762 and properly calculates the deferrals incurred from January 1, 2020, through December 31, 2020.

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<sup>10</sup> See, e.g., *WUTC v. Avista Corporation d/b/a Avista Utilities*, Docket No. UE-011595 Fifth Suppl. Order (June 18, 2002) (approving a settlement stipulation that required the utility to provide monthly reports on its Energy Recovery Mechanism balance).

- 24 (6) After reviewing PacifiCorp's 2020 PCAM report, supporting testimony, and giving due consideration, the Commission orders PacifiCorp to apply the full \$23.1 million credit towards the DNBA that was established in the Company's 2019 GRC.
- 25 (7) PacifiCorp must provide quarterly reports on the Company's PCAM deferral balance beginning December 15, 2021.

**ORDER**

**THE COMMISSION ORDERS:**

- 26 (1) PacifiCorp d/b/a Pacific Power & Light Company's filing meets the requirements of the Settlement Stipulation in Docket UE-140762, and PacifiCorp d/b/a Pacific Power & Light Company has properly calculated the 2020 PCAM deferral balance.
- 27 (2) PacifiCorp d/b/a Pacific Power & Light Company shall apply the full \$23.1 million PCAM balance to offset any 2021 PCAM deferrals in the surcharge direction, including the DNBA.
- 28 (3) PacifiCorp d/b/a Pacific Power & Light Company shall provide quarterly reports on PacifiCorp d/b/a Pacific Power & Light Company's PCAM deferral balance beginning December 15, 2021.
- 29 (4) This Order shall in no way affect the Commission's authority over rates, services, accounts, valuations, estimations, or determination of costs, or any matters whatsoever that may come before it. Nor shall this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 30 (5) The Commission retains jurisdiction to effectuate the terms of this Order.

Dated at Lacey, Washington, and effective September 30, 2021.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY BALASBAS, Commissioner