

Washington Utilities and Transportation Commission
Docket No. UE-991832

PacifiCorp Response to Commission Bench Requests

Bench Request No. 6

- A. Please clarify whether the reference in Section 11 of the Comprehensive Stipulation to *WUTC v. Pacific Northwest Bell Telephone Company*, Cause No. U-72-30 (October 1972) is to the Second Supplemental Order, or to another order in that proceeding.
- B. Please articulate the “six part standard adopted by the Commission” in the relevant order and describe the specific triggering event or events that would justify filing a general rate case under this provision of the Stipulation.
- C. Please clarify whether the Parties intend by Section 11 that PacifiCorp can be required to make a general rate case filing on motion by any Party or by the Commission, or whether some other process is contemplated. What showing, if any, would be required of a party that petitioned the Commission under this Section of the Comprehensive Stipulation? Who would bear the burden of proof in any subsequent proceedings?

Response to Bench Request No. 6:

- A. The reference is to the “Second Supplemental Order Denying Petition for Emergency Rate Relief” issued by the Commission on October 10, 1972 in Cause No. U-72-30, *WUTC v. Pacific Northwest Bell Telephone Company*.
- B. The six part standard, as described in subsequent Commission orders, is as follows:
1. This Commission has the authority, in proper circumstances, to grant interim relief to a regulated utility; this should be done only after an opportunity for adequate hearing.
 2. An interim rate increase is an extraordinary remedy, and should be granted only where an actual emergency exists or where the relief is necessary to prevent gross hardship or gross inequity.
 3. The mere failure of a utility’s currently-realized rate of return to equal the rate of return previously authorized to the utility by this Commission as adequate is not sufficient, standing alone, to justify a grant of interim relief.
 4. The Commission should review all financial indices as they concern the applicant, including rate of return, interest coverage, earnings coverage, and the growth, stability, or deterioration of each, together with the immediate and short-term demands for new financing and whether the grant or denial of interim relief will have such an effect on financing demands as to substantially affect the public interest.

WUTC		
DOCKET NO. <u>UE-991832</u>		
EXHIBIT # <u>2B</u>		
ADMIT <input checked="" type="checkbox"/>	W/D <input type="checkbox"/>	REJECT <input type="checkbox"/>

5. In the current economic climate the financial health of a utility may decline very swiftly, and interim relief stands as a useful tool in an appropriate case to stave off impending disaster. This tool, however, must be used with caution, and it must be applied only in cases where the denial of interim relief would cause clear jeopardy to the utility and detriment to its ratepayers and its stockholders. This is not to say that interim relief should be granted only after disaster has struck or is imminent, but neither should interim relief be granted in any case where full hearing can be accomplished and the case in chief resolved without clear jeopardy to the utility.
6. As in all matters before this Commission, we must reach our conclusion while keeping in mind the statutory charge to this Commission that we must “regulate in the public interest.” This is our ultimate responsibility, and a reasoned judgment must give appropriate weight to all relevant factors.

See WUTC v. Cascade Natural Gas Corporation, Cause No. U-74-20, Second Supplemental Order (1974); *WUTC v. Pacific Northwest Bell Telephone Company*, Cause No. U-75-40, Second Supplemental Order (1975); *WUTC v. The Washington Water Power Company*, Cause No. U-80-13, Second Supplemental Order (1980) (Commission “will not consider or give weight to long-range economic projections but will concern itself only with an analysis of existing and actual conditions and short-range projections, which in the main are least subject to volatile economic winds and are more conducive to credible reliability than long-range plans [I]nterim rate relief should be granted only upon a reasonable showing that an emergent condition exists and that without affirmative relief the financial integrity and ability of the company to continue to obtain financing at reasonable costs will be compromised and placed in jeopardy. The decision must be made solely upon the record and within the time frame that has close proximity to the claimed emergent conditions.”); *WUTC v. Puget Sound Power & Light Company*, Cause No. U-80-10, Second Supplemental Order (1980); *WUTC v. Washington Natural Gas Company*, Cause No. U-80-111, Second Supplemental Order (1981).

The “specific triggering event or events that would justify filing a general rate case under this provision of the Stipulation” are that (1) the Company is requesting similar rate relief in its two largest U.S. retail jurisdictions, and (2) the Company’s financial condition is such that it satisfies the criteria for interim rate relief in accordance with the above precedent (*i.e.*, the Company has immediate and short-term demands for new financing and is unable to obtain such financing at reasonable costs based on existing and actual conditions (including all financial indicators for the Company) and short-range projections at the time).

- C. If the Company proceeds on its own initiative to make a general rate filing under Section 11, the Company would bear the burden of proof. If the filing is made upon the motion of the Commission or upon the complaint of any Party, the Commission or such Party would bear the burden of proof. The required showing would be that the Company’s then-existing rates are unjust or unreasonable. RCW 80.04.110, RCW 80.28.020.