

Exh. AMT-15

Dockets UE-230172 and UE-210852

Witness: Alex M. Tellez

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**PACIFICORP d/b/a PACIFIC POWER
AND LIGHT COMPANY,**

Respondent.

**DOCKETS UE-230172 and
UE-210852 (Consolidated)**

In the Matter of

**ALLIANCE OF WESTERN ENERGY
CONSUMERS'**

**Petition for Order Approving Deferral of
Increased Fly Ash Revenues**

EXHIBIT TO TESTIMONY OF

ALEX M. TELLEZ

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

*Docket UE-152253, PacifiCorp's Petition to Modify and Extend
the Decoupling Mechanism*

September 14, 2023

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP DBA PACIFIC POWER
AND LIGHT COMPANY,

Respondent.

DOCKET UE-152253

PACIFICORP'S PETITION TO
MODIFY AND EXTEND THE
DECOUPLING MECHANISM

I. INTRODUCTION

1 In accordance with WAC 480-07-370(3), PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp) petitions the Washington Utilities and Transportation Commission (Commission) for an order to modify and extend the decoupling mechanism that was previously approved in this proceeding with the following changes: (1) changing the timing of the deferral period; (2) removing Schedule 36 and Schedule 40 customers from the mechanism; (3) conducting the tracking and true-up for all decoupled customers as one class; and (4) basing the earnings test only on earnings from decoupled customers.

II. BACKGROUND

2 PacifiCorp is an electric utility and public service company doing business in the state of Washington under RCW 80.04.010, and its public utility operations, retail rates, service, and accounting practices are subject to the Commission's jurisdiction. PacifiCorp also provides retail electricity service under the name Pacific Power in Oregon and California and under the name Rocky Mountain Power in Idaho, Utah, and

Wyoming. The company's principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon, 97232.

3 PacifiCorp's name and address:

Washington Dockets PacifiCorp 825 NE Multnomah Street, Suite 2000 Portland, OR 97232 washingtondockets@pacificorp.com	Ajay Kumar PacifiCorp 825 NE Multnomah Street, Suite 2000 Portland, OR 97232 Ajay.kumar@pacificorp.com
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In addition, PacifiCorp respectfully requests that all data requests be addressed to:

By e-mail (preferred) datarequest@pacificorp.com

By regular mail Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Ariel Son, Regulatory Affairs Manager, at (503) 813-5410.

III. PACIFICORP'S REQUEST TO MODIFY AND EXTEND THE DECOUPLING MECHANISM

A. Description

4 On September 1, 2016, the Commission issued a final order in PacifiCorp's 2015 Limited Issue Rate Filing (Order 12).¹ In this order, the Commission approved PacifiCorp's decoupling mechanism with an earnings test and deferral trigger.² This order also indicated that the decoupling mechanism would be approved for a minimum of five years and set out a specific timeline for the decoupling mechanism each year.³

¹ *WUTC v. Pacific Power & Light Co.*, Docket UE-152253, Order 12 (Sept. 1, 2016) (*hereinafter* Order 12).

² Order 12 at ¶139.

³ *Id.*

Additionally, PacifiCorp agreed to file an evaluation of its decoupling mechanism when the Company had three years of information on the mechanism. As part of this evaluation, PacifiCorp has reviewed the operation of the decoupling mechanism and now proposes to continue the mechanism with the following modifications discussed below. The full support and analysis supporting these modifications is included in the evaluation, which is provided at Attachment C to this Petition. Additionally, Attachments A and B provide proposed tariff pages that would implement these proposed modifications. Since PacifiCorp's decoupling mechanism expires on September 14, 2021, PacifiCorp requests the Commission act on this petition by that date.

B. The timeline for the Deferral Period should be Modified.

5 PacifiCorp proposes that the Deferral Period six should begin September 15, 2021, and last until December 31, 2022, and each subsequent Deferral Period should be a calendar year. Also, the Company's deadline to file the annual Schedule 93 rate adjustment should change from December 1 to June 15, and the effective date of any adjustments associated with this filing should change from February 1 to September 1.⁴

6 Making these adjustments to the deferral period will simplify the calculations that are required for the Company's annual earnings test. This change will also provide benefits for customers because it will ensure that any increases that occur as a result of this mechanism will not occur during the winter heating season, but rather at the end of summer.⁵

⁴ Attachment C at 19.

⁵ *Id.*

C. Schedule 36 (Large General Service) and Schedule 40 (Agricultural Pumping Service) customers should be removed from the Decoupling Mechanism.

7 PacifiCorp proposes to remove Schedule 36 and Schedule 40 customers from the decoupling mechanism. One of the goals of the decoupling mechanism is to improve the revenue stability for the Company. Through its evaluation, PacifiCorp compared the fixed costs that were allocated to each customer class against the fixed charge recovery that was occurring for each customer class.⁶ Through that process, PacifiCorp identified that the fixed cost recovery for Schedule 36 and Schedule 40 was higher as compared to residential and schedule 24 customers.⁷ Schedule 36 and Schedule 40 customers have a larger percentage of their costs recovered through non-volumetric rates, and this results in a higher fixed cost recovery, which is similar to Schedule 48T. As a result, PacifiCorp proposes to remove them from the mechanism.

D. Tracking and true-up for all decoupled customers should be done as one class.

8 PacifiCorp proposes that the Commission authorize PacifiCorp to track and true-up all decoupled customers as a single class. Through its evaluation, PacifiCorp compared the effect of using a single deferral (combining all decoupled classes) against the current process which includes separate tracking and true-up deferrals for each decoupled class.⁸ This comparison demonstrated that rates would not significantly change if all customers had been tracked as a single class.⁹ However, combining all decoupled

⁶ *Id.* at 9-10.

⁷ *Id.*

⁸ *Id.* at 12-13.

⁹ *Id.*

classes would decrease volatility and would reduce the administrative burden on the company and stakeholders who are reviewing the annual filings.

E. The Earnings Test should be based only on earnings from decoupled customers.

9 PacifiCorp is in a unique position as compared to other Washington utilities due to its multi-jurisdictional operations. PacifiCorp currently allocates costs consistent with the Washington Inter-Jurisdictional Allocation Methodology (WIJAM), which is a part of the 2020 Interjurisdictional Cost Allocation Protocol (2020 Protocol).¹⁰ Under these agreements, Washington uses certain dynamic allocation factors, which means allocations of non-distribution costs are based upon the share of Washington energy, peak demand, and customer counts relative to other jurisdictions. This means shifts in energy, peak demand, and customer counts in other states impact the allocation of non-distribution costs to Washington.¹¹ These dynamic allocation factors shifted costs to Oregon and California as a result of increased load in those states and amplified overearnings attributable to Washington in a way that a primarily single state utility would not experience.¹² This has driven significant artificial over-earnings during the period that the decoupling mechanism has been in place. The earnings test that is currently used in the mechanism could undermine the decoupling mechanism's purpose, which is to provide revenue stability.¹³ To partially alleviate this issue, PacifiCorp proposes to modify the earnings test so that it is based only on earnings from the Company's decoupled customers. This will help mitigate PacifiCorp's earning test issues.

¹⁰ *WUTC v. Pacific Power & Light Co.*, Docket UE-191024 et. al., Final Order 09/07/12 at ¶102-103 (Dec. 14, 2020).

¹¹ Attachment C at 17.

¹² *Id.* at 18.

¹³ *Id.* at 16-17.

IV. CONCLUSION

10 PacifiCorp respectfully requests that the Commission issue an order extending the decoupling mechanism that was previously approved in this proceeding with the following modifications: (1) changing the timing of the deferral period; (2) removing Schedule 36 and Schedule 40 customers from the mechanism; (3) conducting the tracking and true-up for all decoupled customers as one class; and (4) basing the earnings test only on earnings from decoupled customers.

Respectfully submitted this 10th day of August, 2021.

By:

/s/
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