

WUTC Data Request 151

Power Costs - Please explain PacifiCorp's understanding of the purpose of the deadbands in the PCAM and explain why it is reasonable to eliminate the use of deadbands as proposed by witness Painter.

Response to WUTC Data Request 151

PacifiCorp's understanding of the purpose of the deadbands in the power cost adjustment mechanism (PCAM) is twofold: to ensure a fair distribution of risk between customers and the Company for power cost variability, and to incentivize the Company to effectively manage or reduce power costs. As explained by Washington Utilities and Transportation Commission (WUTC) staff in prior dockets, the inclusion of deadbands and sharing bands in the mechanism necessitates a well-forecasted baseline for it to function properly.¹ If the baseline is consistently forecasted too high, customers will end up overpaying for power costs, while the Company will receive a net benefit due to the existence of the deadband and vice versa.²

Accordingly, it is reasonable to eliminate the deadbands because net power costs (NPC) forecasts have become less accurate in part due to policy-driven shifts from fossil fuel generation to renewable generation. Inaccurate NPC forecasts can result in unbalanced outcomes for customers given this existence of deadbands as shown in the direct testimony of Company witness, Jack Painter, Exhibit JP-1T, specifically Table 1 and Figure 1 on page 8. Additionally, the Company has announced its intention to join the extended day ahead market (EDAM), which will provide customers with state-of-the-art economic dispatch that further decreases NPC. Given that the Company will then no longer have direct control over both the day-ahead and real-time economic dispatch of a majority of its resources and the proven risk of unbalanced outcomes for customers, it is reasonable to eliminate the PCAM deadbands.

Further explanations, which both expand upon this data request and provide response/rebuttal to WUTC staff and intervenor positions, will be filed in accordance with the schedule established by the WUTC in Order 03, issued in this docket on May 24, 2023.

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¹ *WUTC v. Avista Corp.*, Docket UE-170485, Gomez Exh. DCG-1CT, Pages 4:5–8:6 (October 27, 2017).

² *Id.*