



**UE-230172,
UE-250086**

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Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission
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RE: Docket UE-230172, Docket UE-250086 —*Washington Utils. And Transp. Comm'n v. PacifiCorp d/b/a Pacific Power and Light Company Annual Provisional Capital Review*

On July 15, 2024, PacifiCorp d/b/a Pacific Power and Light Company (PacifiCorp or Company) filed its annual provisional capital review report consistent with the settlement stipulation that was approved in Order 08/06 in the Company's last general rate case (Docket UE-230172). Through that Capital Review Process, PacifiCorp has identified that the 2023 Washington net plant in-service rate base being provisionally collected in rates is less than Washington net plant in-service rate base placed in-service in 2023 serving customers. As a result, PacifiCorp has not identified any need for a refund. Specifically, \$78,541,060 of 2023 provisional capital is in rates as compared to \$83,783,323 that was placed in-service in 2023. PacifiCorp now files these comments in response to the comments that have been filed by Public Counsel and The Energy Project. Through this process PacifiCorp separately identified that the Foote Creek II-IV acquire and repower wind projects was placed in service at \$484,165 below the amount that was forecasted in Washington rates.

Staff, AWEC, Public Counsel and The Energy Project have filed comments claiming that since this project came online under the forecast amount, this amount should be returned to customers. However, PacifiCorp disagrees with the other parties' interpretation of this stipulation and maintains that such an interpretation is inconsistent with good regulatory policy. Even if the Commission adopts the interpretation taken by the other parties, it may still not result in refunds to customers.

1. The overall plant in-service as compared to the provisional capital in rates should determine the refund

PacifiCorp's position has been described in depth in WUTC Informal Data Request 17.¹ Order 08/06 approves the stipulation that specifically provides for new transmission and new wind resources to be separately identified and addresses concerns with the portfolio approach to

¹ This Data Request has been provided as Attachment 1 to Public Counsel's comments.

reviewing provisional capital. However, for the purpose of determining whether a refund is warranted, per footnote 15 of the settlement stipulation:

“For the purpose of this settlement, performing the annual, provisional pro-forma capital reviews “at the portfolio level” means, when determining whether refunds are warranted, comparing the actual, overall level (\$ amount) of used and useful plant placed in service to the overall level of plant included in rates on a provisional basis. This entails that neither the individual projects nor the ultimate cost of each project needs to match precisely with what was included provisionally in rates. For example, if a \$10 million dollar project that was included in rates as provisional pro forma is cancelled, but the utility prudently spends \$10 million dollars on a different project that was not included in provisional rates, that will not result in a reduction to used and useful pro forma plant during that rate year, and therefore would not trigger the need for a refund in the annual review process...”

Accordingly, the Company has applied this standard in determining whether a refund for calendar year 2023 (CY 2023) provisional capital in-service is necessary and has determined that since the total CY 2023 in-service capital totaled net plant balance of approximately \$84 million, while the provisional capital in rates only reflected net plant balance of \$79 million, a refund for CY 2023 was not warranted. The Company’s interpretation is that this determination of a refund applies to the overall review process not just the review process that occurs at the “portfolio level”.

This interpretation has always been PacifiCorp’s understanding of how this provision of the stipulation should work. The other Parties’ interpretation would result in an outcome that is illogical and inconsistent with good policy. A refund to customers should not be necessary for Foote Creek II-IV, where the overall capital review shows that in-service capital in CY 2023 is greater than the capital costs in rates assumed for CY 2023. Customers are already benefiting from utilization of more capital rate base placed in-service than what customers are paying for in rates. Furthermore, when a portfolio review (of total in-service capital) is relied upon to quantify any necessary refund, also requiring refunds on specifically tracked projects would result in a duplication of amounts being refunded.

For example, assume that the Company’s portfolio level review revealed that in-service capital for CY 2023 was overall less than provisional capital levels assumed in-rates. At the same time, specific project detail reports show the Foote Creek II-IV as slightly underbudget. If a refund on the specific underbudget project is required, in addition to a refund determined by the portfolio-level comparison, which compares all projects assumed placed in-service and actually placed in-service in the reporting period, then the refund for Foote Creek II-IV would be double-counted. This is an illogical result, and is inconsistent with the intent of the stipulation. Public Counsel attempts to claim that this double-count would not occur. However, in order to accomplish Public Counsel’s interpretation, the specific projects must be removed from both the capital identified in rates and the capital placed in service. This is not appropriate, as footnote 15 of the

settlement stipulation clearly outlines that the determination of a refund is to be established upon the overall level of plant included in rates, and not any subset of the portfolio or a specific project basis. The footnote dictating how refunds are to be established in this footnote goes as far as to say that “[t]his entails that neither the individual projects nor the ultimate cost of each project needs to match precisely with what was included provisionally in rates”. Footnote 15 illustrates that the intention of refund component of the provisional capital review process was never intended to isolate specific projects. Staff, AWEC, and Public Counsel contend that this interpretation renders this provision of the stipulation that creates an exception for Gateway South, Gateway West, and new wind resources as irrelevant. However, tracking and identifying those large projects and the amount that is placed in service does provide an important data point when rate increases occur in multiple years in a multi-year rate plan.

Additionally requiring refunds on specific projects that are underbudget, without regard to the overall level of capital rate base in-service, is bad policy because it would result in a disincentive for utilities to manage costs and achieve savings and efficiencies as they place capital projects in service. The Energy Project identifies that there are costs savings associated with acquiring resources like Foote Creek yet completely ignores the disincentive they are creating on utilities investing in wind facilities that support lower costs for Washington customers and better compliance with renewable energy goals. The Commission should reject this punitive interpretation of the stipulation.

2. Even If Public Counsel’s interpretation is adopted, it would not likely result in refunds

The Company would like to point out that the analysis from Public Counsel, TEP, and AWEC fails to identify the annual revenue requirement impact of their proposal. PacifiCorp has provided this information to Staff and Public Counsel in WUTC Informal Data Request 16 and staff has appropriately identified this amount in the Open Meeting Memo. The revenue requirement of the rate base variance between in-rates and in-service capital costs is approximately \$64,000 for Foote Creek II-IV. If the Commission determined that this amount should be refunded to customers, the small amount of this refund would result in an extremely small adjustment to rates. Refunding \$64,000 over one year through per kWh rates would reduce rates by about \$0.00002 per kWh and would result in a 2 cent decrease on the typical residential customer’s bill.

Additionally, a small portion (approximately \$2.2 million on a Washington-allocated basis) of the Gateway South Transmission line came in-service in CY 2023. Because this transmission line was projected to come into service in CY 2024 in the multi-year rate plan, this portion was not expected to be online in 2023, and it was not included in rates for Rate Year 1. As a result, it was not separately identified in the CY 2023 provisional capital review. If Foote Creek II-IV came online as underbudget and were to be considered as a trigger to establish a refund, then it should be netted against the amount of this portion of Gateway South that has come online in CY 2023 but is not being collected in Rate Year 1 rates. This results in no refund to customers, as this portion of the Gateway South Transmission line that came online is greater than the underbudget amount for capital in-service from Foote Creek II-IV.

3. Conclusion

Staff, Public Counsel, AWEC, and TEP have taken an interpretation of this stipulation that is illogical and inconsistent with good policy. However, even if their interpretation is used, there still should not be a refund to customers, because the under-budget amount that was placed into service for the Foote Creek II-IV project is outweighed by the portion of Gateway South that came into service early. As a result, PacifiCorp recommends that the Commission determine that no refund is necessary.

Sincerely,

/s/ Matthew McVee

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Enclosure

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