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Via Electronic Filing

Mr. Mark L. Johnson
Executive Director & Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

Re: **Dockets UE-200780, UG-200781, UE-200407, UG-200408, UE-200234, UG-200479, and UG-200264**

Dear Mr. Johnson:

The Alliance of Western Energy Consumers (“AWEC”) files these comments in support of the Joint Response of the Office of the Washington Attorney General Public Counsel Unit and The Energy Project (“Joint Response”), filed in the above-referenced dockets on November 19, 2020.

In particular, AWEC supports the Joint Response’s recommendation that the Washington Utilities and Transportation Commission (“Commission”) reject any deferral requests seeking: (1) lost revenues (which AWEC now understands no utility requests); (2) recovery of late fees and disconnection fees not charged; (3) recovery of costs directly associated with COVID-19, as such costs are likely offset by savings in other areas; (4) recovery of labor costs, which are already included in utility base rates; and (5) carrying charges on any deferred amounts. AWEC further supports the Joint Response’s recommendation that an earnings test apply before recovery of any deferred amounts is authorized.

AWEC agrees with the Joint Response’s analysis that deferral of late fees and reconnection charges would work an end-around the Governor’s Proclamation 20-23.11 prohibiting the utilities from charging these fees. This Proclamation was made, in part, on the finding that “the available financial resources of many of our people and businesses are becoming limited with many of them suffering considerable economic hardship as a result of the economic impacts of the COVID-19 pandemic on our economy”^{1/} That continues to be the case today, and recovery of these fees and charges from all customers through deferred accounting does not further than intent of the Proclamation any more than recovering them from the subset of customers who caused the fees and charges does.

^{1/} Proclamation 20-23.11 at 1.

The Joint Response is also correct that the utilities have not demonstrated that direct costs associated with COVID-19 or labor costs represent a material incremental cost increase relative to what is already being recovered in rates, nor have the utilities shown that these costs, if any, substantially outweigh the cost savings the utilities have enjoyed in other areas, such as travel, meals, and others. This is the very danger of single-issue ratemaking that the Commission has previously warned against:

Costs and revenues are carefully balanced or “matched” in a general rate case. If a company is largely assured recovery of fixed costs and most variable costs are routinely passed through to customers (*e.g.*, via purchased gas adjustment mechanisms and the like), then there is less reason for the company to file a general rate case. In this context, any cost savings achieved by the company are not shared with customers. The result risks over-earning by the company and over-paying by the customers.^{2/}

The utilities must bear the burden to demonstrate that direct and labor costs they are seeking to defer substantially outweigh offsetting cost savings to ensure the deferral does not result in unjust and unreasonable rates overall.

Finally, the Joint Response is correct to oppose interest or carrying charges on any deferred amounts. Importantly, most if not all of the expenses PacifiCorp (the only utility expressly requesting interest) proposes to defer are not related to capital investments included in rate base; they are expense items. In occasions where the Commission has considered whether to allow deferral of carrying charges, they have been as a component of a return on a capital investment. In Dockets UE-140762 *et al.*, for instance, the Commission authorized deferral of O&M and depreciation expense for PacifiCorp’s investment in the Merwin Fish Collector, but denied recovery of the deferred return on the utility’s investment.^{3/} Staff argued in that case that denying the return on investment before the project was placed into rates eliminated a primary incentive for utilities to seek inter-rate case cost recovery of projects.^{4/}

AWEC is also strongly supportive of the Joint Response’s recommendation to apply an earnings test before authorizing recovery of any deferred amounts. An earnings test is essential to guard against the dangers of single-issue ratemaking quoted above. It is axiomatic that the “end result” of the ratemaking process yields utility rates that are just and reasonable as a whole.^{5/} An earnings test on recovery of individual cost items ensures that this just and reasonable result is maintained and not distorted in favor of the utilities. If an earnings test prevents recovery of certain items otherwise deemed deferrable, this does not harm the utility; it only proves out that the utility’s costs have decreased in other areas to offset the foregone recovery.

^{2/} WUTC v. Puget Sound Energy, Inc., Docket Nos. UE-060266/UG-060267, Order 08 ¶ 63 (Jan. 5, 2007).

^{3/} WUTC v. Pacific Power & Light Co., Docket Nos. UE-140762 *et al.*, Order 08 ¶ 251 (Mar. 25, 2015).

^{4/} Id. ¶ 246.

^{5/} Federal Power Comm’n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944).

In closing, AWEC proposes one addition to the Joint Response's recommendations. The Joint Response recommends that incremental bad debt expense incurred in 2020 and 2021 be eligible for deferral.^{6/} AWEC understands that most utilities include an assumed level of bad debt expense in base rates based on historical levels. Therefore, if the Commission agrees with the Joint Response's recommendation, then it should also make clear that such incremental amounts will not factor in to the historical average that is included in base rates in future rate cases, as these are outlier amounts for which the utilities will have received full recovery.

AWEC commends Public Counsel and The Energy Project on their thorough and thoughtful comments in these dockets and appreciates the Commission's attention to these important matters.

Dated this 7th day of December, 2020.

Respectfully submitted,
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^{6/} Joint Response ¶¶ 14-17.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing **Comments of the Alliance of Western Energy Consumers** upon the parties below via electronic mail.

DATED this 7th day of December, 2020.

Davison Van Cleve, P.C.

/s/ Jesse O. Gorsuch

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