

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of	DOCKET UE-220441
PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY,	ORDER 01
2021 Power Cost Adjustment Mechanism Annual Report	APPROVING 2021 POWER COST ADJUSTMENT MECHANISM DEFERRAL BALANCE

BACKGROUND

- 1 On May 26, 2015, the Utilities and Transportation Commission (Commission) issued Order 09 in Docket UE-140762 (Order 09). Order 09 approved and adopted a full Settlement Agreement that, among other things, authorized PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company)¹ to implement a Power Cost Adjustment Mechanism (PCAM) allowing for positive or negative adjustments to its rates to account for fluctuations in power costs outside of an authorized band for power-cost recovery in base rates. Under the Settlement Stipulation, PacifiCorp is required to file a request for the Commission to confirm and approve the deferred PCAM balance for the previous calendar year by June 1 of each year.²
- 2 The Company's June 1 filings are intended to be sufficient to provide the Commission and interested parties an opportunity to audit and review the prudence of the PCAM deferrals for the year in question. Although the Settlement Stipulation contemplates a 90-day review period, the parties can agree to extend it.³
- 3 On June 15, 2022, PacifiCorp filed testimony, exhibits, and supporting documentation related to power costs deferred under the PCAM for the period January 1, 2021, through December 31, 2021. The Company also filed a petition seeking to: (1) extend the

¹ In 2019, PacifiCorp changed its business name with the Commission from "Pacific Power & Light Company" to "PacifiCorp d/b/a Pacific Power & Light Company." See Pacific Power & Light Company's Request to Change Name to PacifiCorp, Docket UE-191004 (December 5, 2019).

² Settlement Stipulation in Docket UE-140762 at ¶19 (May 8, 2015) (Settlement Stipulation).

³ *WUTC v. Pacific Power & Light Company*, Docket UE-140762, Order 09 ¶20 (May 26, 2015).

amortization of the PCAM surcharge from 12 months to 24 months to avoid rate shock and provide rate stability; and (2) establish a new Schedule 99 Production Tax Credit (PTC) Tracker Adjustment in accordance with the Stipulation and Order from PacifiCorp's most recent General Rate Case.⁴

- 4 On August 15, 2022, Commission Staff (Staff) filed a notice to the Commission that PacifiCorp and the parties reviewing the filing agreed to extend the time for review of the PCAM report from August 30 to November 30, 2022.
- 5 Pursuant to the terms of the PCAM, differences between actual costs and the costs collected through baseline rates are shared between customers and PacifiCorp subject to certain conditions.⁵ The Company does not defer annual Net Power Cost (NPC) variances within a dead band of \$4 million in either the surcharge or credit direction; variances within the dead bands are absorbed by the Company. Annual NPC variances that exceed the dead bands are shared between PacifiCorp and its customers. For positive annual NPC variances greater than \$4 million and up to and including \$10 million, 50 percent is allocated to customers and the remainder is absorbed by the Company. For negative annual NPC variances greater than \$4 million and up to and including \$10 million, 75 percent is allocated to customers and the remaining 25 percent is absorbed by PacifiCorp. For NPC variances greater than \$10 million (in either the credit or surcharge direction), 90 percent is allocated to customers with the remaining 10 percent absorbed by the Company. If the cumulative positive or negative balance in the PCAM deferral account, including monthly interest, exceeds \$17 million, either a surcharge or credit is triggered.
- 6 In 2021, PacifiCorp's actual power costs allocated to Washington were greater than the authorized baseline by \$41,805,222. After applying the PCAM's dead bands, sharing bands, and the DNBA adjustment,⁶ the total deferred surcharge for 2021 was \$31,624,700 before interest.
- 7 As of December 31, 2021, the cumulative PCAM Deferral Balance is a surcharge to ratepayers of \$25,572,345. This amount exceeds the \$17 million threshold approved in Order 09, which would trigger a refund to customers under the 2015 Settlement

⁴ *Washington Utilities and Transportation Commission v. PacifiCorp d/b/a Pacific Power & Light Company*, Dockets UE-191024 et al, Final Order 09/07/12 ¶ 70 (Dec. 14, 2020).

⁵ The baseline for this PCAM calculation results from the power supply revenues and expenses approved by the Commission in Docket UE-140762.

⁶ See Dockets UE-191024 et al, Final Order 09/07/12 ¶¶76-89.

Stipulation.⁷

8 Staff reviewed the Company's annual PCAM filing in this docket and is satisfied the Company provided adequate documentation of its PCAM power cost revenue and expenses. Staff recommends the Commission approve the Company's petition to extend the amortization period for surcharges on Schedule 97 PCAM from 12 months to 24 months to stabilize rates and mitigate rate shock. Staff also recommends the Commission approve the Company's petition to establish new surcharges with a 12-month amortization period on new Schedule 99, PTC Tracker Adjustment.

DISCUSSION

9 We agree with Staff that PacifiCorp's documentation adequately supports its PCAM power cost calculation for the period January 1 through December 31, 2021. The Company's filing provides sufficient information to allow the Commission and interested parties to audit and review the prudence of the PCAM deferrals for 2021. We therefore approve PacifiCorp's calculation of its 2021 PCAM deferral balance.

10 Because the Company's PCAM deferral balance exceeds the \$17 million threshold established by Order 09, the 2021 PCAM results in a surcharge of approximately \$25.6 million. Under the current terms of the PCAM, this would increase Schedule 97 prices overall by 6.5 percent. By approving the Company's petition to extend the amortization of the PCAM surcharge from 12 months to 24 months, the overall rates would increase by approximately 3.3 percent.

11 After considering the proposals from PacifiCorp and Staff's recommendation, we agree that the amortization period should be extended to 24 months.

FINDINGS AND CONCLUSIONS

12 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including electric companies.

13 (2) PacifiCorp is a public service Company subject to Commission jurisdiction. PacifiCorp is engaged in the business of providing electric service within the state of Washington.

⁷ Settlement Stipulation ¶19.

- 14 (3) This matter was brought before the Commission at its regularly scheduled meeting on November 23, 2022.
- 15 (4) As of December 31, 2021, PacifiCorp's cumulative PCAM Deferral Balance is \$25,572,345.
- 16 (5) PacifiCorp's filing meets the requirements of the Power Cost Adjustment Mechanism implemented in Docket UE-140762 and properly calculates the deferrals incurred from January 1, 2021, through December 31, 2022.
- 17 (6) After reviewing PacifiCorp's 2021 PCAM report, supporting testimony, and giving due consideration, the Commission orders PacifiCorp to amortize its PCAM Deferral Balance surcharge in Schedule 97 over 24 months.

ORDER

THE COMMISSION ORDERS:

- 18 (1) PacifiCorp d/b/a Pacific Power & Light Company's filing meets the requirements of the Settlement Stipulation in Docket UE-140762, and PacifiCorp d/b/a Pacific Power & Light Company has properly calculated the 2021 PCAM deferral balance.
- 19 (3) PacifiCorp d/b/a Pacific Power & Light Company shall continue to provide quarterly reports on PacifiCorp d/b/a Pacific Power & Light Company's PCAM deferral balance.
- 20 (4) This Order shall in no way affect the Commission's authority over rates, services, accounts, valuations, estimations, or determination of costs, or any matters whatsoever that may come before it. Nor shall this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 21 (5) The Commission retains jurisdiction to effectuate the terms of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Executive Director and Secretary to enter this Order.

DATED at Lacey, Washington, and effective November 23, 2022.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AMANDA MAXWELL
Executive Director and Secretary