

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of PacifiCorp,  
d/b/a Pacific Power & Light Company for an  
Order Approving Deferral of Costs Related  
to Declining Hydro Generation

DOCKET NO. UE-050412

PETITION FOR  
RECONSIDERATION

1           Commission Staff seeks reconsideration of the Commission’s Order 04 as it relates  
to Docket UE-050412 (hydro deferral petition). The issue is the use of a dead band in the  
calculation of recoverable costs.

2           The only laws and rules involved are WAC 480-07-850 (“Reconsideration of a final  
order by petition”) and RCW 34.05.470 (“Reconsideration”).

**BACKGROUND**

3           In its direct testimony, Staff proposed that a 15 percent “band” be established for  
calculating recoverable deferred hydro costs. In Order 04, the Commission accurately  
recited the arguments and positions of Staff and Company relevant to Staff’s proposal.

4           In particular, the Commission correctly noted PacifiCorp’s argument that Staff  
“conceded in cross-examination that the 15 percent dead band to remove the variance in  
water conditions was already included in base rates. According to the Company, this means  
that Staff is adjusting the same thing twice.”<sup>1</sup>

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<sup>1</sup> Order 04 at 109, ¶ 298 (citations omitted).

5           Likewise, the Commission correctly noted Staff’s counterargument that “Staff denies  
its proposed 15 percent band results in double counting of weather normalization.”<sup>2</sup>

6           Indeed, as Staff explained in its Opening Brief, there was no “double counting” of  
the sort alleged by the Company:

The Company suggested Staff might have double-counted certain adjustments.<sup>3</sup>  
Upon reflection, however, there is no double count. The 15 percent “band” proposed  
by Staff for purposes of maintaining an appropriate risk sharing balance is unrelated  
to what water years are included in base rates. The base rates used in both the  
Company’s and Staff’s deferral calculations remove some level of extreme wet and  
dry water years from the normalized base power supply level calculation. In both the  
Company’s and Staff’s methodologies related to this petition, extraordinary costs  
associated with 2005 water conditions are estimated by comparing actual hydro  
generation to base rate levels and a “replacement” cost determined.

Staff’s proposal incorporates what is nothing more than a 15 percent “deadband,”  
which limits the Company’s recovery of retroactive power costs to those estimates  
that reflect truly extraordinary variations in hydro generation from base rate levels,  
and maintains an appropriate level of risk sharing between investors and ratepayers.  
Staff’s proposal does not result in a double counting of adjustments, as the Company  
is allowed to recover a significant portion of increases in power costs due to the 2005  
drought.<sup>4</sup>

7           In Order 04, the Commission acknowledged Staff’s explanation,<sup>5</sup> but did not decide  
whether or not that explanation was valid. Instead, when it analyzed the double counting  
issue, the Commission simply stated that Staff “conceded in hearing” that there was a double  
counting,<sup>6</sup> and for that reason, Staff’s proposed 15 percent band was inappropriate, and  
could not be used to calculate recoverable deferred hydro-related costs.<sup>7</sup>

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<sup>2</sup> *Id.* at ¶ 299 (citations omitted).

<sup>3</sup> Citing Tr. 966:1-2 (Buckley).

<sup>4</sup> Staff Opening Brief at 31-32, ¶¶ 105 & 106.

<sup>5</sup> Order 04 at 109, footnote 459.

<sup>6</sup> *Id.* at 113-114, ¶ 313.

<sup>7</sup> *Id.*

## DISCUSSION

8           The Commission should reconsider ¶ 313 of Order 04 and either: 1) rule that Staff's proposed 15 percent band does not constitute a double counting, and the band will be used to calculate recoverable deferred hydro costs; or 2) permit the issue of a band to be addressed again when and if PacifiCorp seeks recovery in rates of power costs approved for deferral in Docket UE-050412. Either result would be fair, for the following reasons.

9           First, in Order 04, the Commission concluded it lacked a sufficient record to determine a specific amount of hydro deferral cost recovery.<sup>8</sup> That amount will be determined in a future proceeding. Because prudence and other issues may be litigated at that time, it is fair for the Commission to allow the parties to also address the propriety of using a band to calculate recoverable costs.

10           Second, while Staff in its Opening Brief explained why there was no double counting, Order 04 did not directly address Staff's explanation. Obviously, it would have been preferable for Staff to have provided that explanation during the hearing. However, after the hearings are complete, it is sometimes necessary for a party to clarify or explain a misstatement or misunderstanding. This is one of those instances.

11           Finally, the Commission suggested Staff address the issue of the need for a sharing mechanism in the context of the design of a PCAM.<sup>9</sup> However, that is not an adequate recourse. The PCAM will address power cost recovery prospectively from some future date, when and if a PCAM is ever adopted. By contrast, the hydro deferral costs at issue are now liquidated, so those costs will not be contained in any PCAM.<sup>10</sup>

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<sup>8</sup> Order 04 at 111, ¶ 304.

<sup>9</sup> Order 04 at 114, ¶ 313, last sentence.

<sup>10</sup> *Id.* at 112, ¶ 306 (Commission orders PacifiCorp to cease deferring excess hydro costs as of "the effective date of this order," which was April 17, 2006).

## CONCLUSIONS

12 For the reasons stated above, the Commission should grant reconsideration of Order 04, ¶ 313, and either: 1) rule that Staff's proposed 15 percent band does not constitute a double counting, and the band will be used to calculate recoverable deferred hydro costs; or 2) permit the issue of a band to be addressed again when and if PacifiCorp seeks recovery in rates of power costs approved for deferral in Docket UE-050412.

DATED this 27<sup>th</sup> day of April, 2006.

Respectfully Submitted,

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