

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Investigation of AVISTA CORPORATION d/b/a AVISTA UTILITIES, PUGET SOUND ENERGY, and PACIFIC POWER & LIGHT COMPANY Regarding Prudence of Outage and Replacement Power Costs	DOCKET UE-190882
In the Matter of PACIFIC POWER & LIGHT COMPANY, 2018 Power Cost Adjustment Mechanism	DOCKET UE-190458

COMMISSION STAFF CITATIONS LIST

DATED February 18, 2020

Respectfully submitted,

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Commission Staff respectfully submits the following case citations:

Wash. Utils. And Transp. Comm'n v. Puget Sound Energy, Inc., Docket PG-060215 Order 02 ¶1 (April 3, 2008) (“The Commission imposes a penalty of \$ 1.25 million on PSE for the fraudulent actions of certain of its contractor employees in falsifying pipeline inspection records. . . . The Commission emphasizes the responsibly of regulated utilities to ensure adequate safeguards are in place to protect the public, even when relying on contractor employees to achieve portions of their mission.”) (emphasis added)

Wash. Utils. And Transp. Comm'n v. Question Corporation, Docket UT-140597, Order 03 ¶ 25 (Feb. 22, 2016):

What is important for our review is to ensure that CenturyLink has adequate management and oversight systems in place to both reduce the risks of such errors occurring and also to have systems in place to provide awareness of outages and to restore 911 service as rapidly as possible. This applies both to the Company itself and to any contractor or vendor such as Intrado. In other words, we require regulated companies to implement measures that are reasonable under the circumstances to minimize service disruptions and other violations of Commission requirements.”) (emphasis added).

Wash. Utils. And Transp. Comm'n v. Pacific Power & Light Co., Docket UE-152253, Order 12 ¶¶ 1, 107 (Sept. 1, 2016):

With regard to the Company’s request for full recovery of its selective catalytic reduction (SCR) systems on Units 3 and 4 of Bridger, the Commission finds that Pacific Power failed to produce contemporaneous documentation and demonstrate, from May to December 2013, it re-evaluated its options to comply with the Regional Haze Rule obligations when significant changes were occurring in natural gas pricing and coal costs and before it signed the full notice to proceed with the SCR engineering, procurement, and construction services contract. *Thus, the Company failed to meet its burden of proof that the investments were prudent.* (emphasis added).

....

Although helpful, we find that Mr. Teply’s testimony at hearing regarding the verbal exchanges he and his team had among themselves and management in place of a full SO model reassessment is not sufficiently documented or precise enough to support an ultimate decision of prudence on the basis of continuous and rigorous analysis over this seven month period. In our view, Mr. Teply’s explanation simply does not prove that the Company adequately examined the changing circumstances in coal and natural gas prices, which could have impacted a prudent or imprudent decision. As we stated in a previous order involving PSE:

‘robust discussions’ about various resources, with ‘a consensus’ on the decisions, are not sufficient to demonstrate prudence [...] The parties and the Commission therefore should be able to follow the company’s decision-making process, knowing what elements the company used, and the manner in which the company

valued those elements. Such a process should certainly be documented.” (emphasis added).

Wash. Utils. And Transp. Comm’n v. Pacific Power & Light Co, DocketUE-170717, Order 03 ¶¶ 15–17 (July 23, 2018):

B – “**Documentation of Decision-Making Analysis.** Pacific Power should retain for three years official company records that provide decision-making analysis used by Company officers in decisions subject to Commission prudence review, including emails if they provide evidence of an action taken and a record of decision-making analysis that does not exist elsewhere. “Decision-making analysis in this case means, at a minimum, a record of when a decision is made, the executives involved, and a summary of the pertinent information under consideration at the time of that decision.” Pacific Power will provide these records to Staff and other parties upon request in proceedings to determine the prudence of specific Company actions.” (emphasis added).

. . . .
Staff supports the Settlement Stipulation as serving the public interest by providing an equitable balance among the competing objectives. Staff contends that increasing the deferral amount by \$3.5 million insulates ratepayers from the direct expenses related to the Joy Longwall, is a reasonable compromise, and provides needed certainty. The records retention and review of management decisions requirement, in Staff’s view, provides greater transparency of information and serves the interests of all parties by providing clear expectations for future cases and methods to prevent the circumstances in this case from reoccurring. Staff asserts that the post action reporting requirements reflect the Company’s commitment to improving its operations and reducing the chances of a repeat incident. (emphasis added).

Pacific Power believes that the Stipulation appropriately balances the interests of the company’s ability to efficiently and effectively run its business while providing for the type of regulatory review necessary to determine the prudence of Pacific Power’s operations . . .” (emphasis added).

See also *Petition of Puget Sound Power & Light Company for an Order Regarding the Accounting Treatment of Residential Exchange Benefits; WUTC v. Puget Sound Power & Light Company; WUTC v. Puget Sound Power & Light Company*, Dockets UE-920433, UE-920499, and UE-921262, respectively, Nineteenth Supplemental Order ¶ 30:

The company's "robust discussions" about various resources, with "a consensus" on the decisions, are not sufficient to demonstrate prudence.²⁷ The Commission Staff has challenged Puget's process as not documented and not susceptible of replication. Puget sets up the word "replicate" as a straw man--saying that it means that Puget must reproduce in minute detail each decision making process--then knocks the straw man down. Commission Staff made it clear that this is not what it meant by "replicate". These contracts will bind the company and its ratepayers to pay \$6.5 billion over the next 23 years. The parties and the Commission therefore should be able to follow the company's decision-making process, knowing what elements the company used, and the manner in which the company valued those elements. Such a process should certainly be documented.

