



September 25, 2024

VIA ELECTRONIC FILING

Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop S.E.
P.O. Box 47250
Lacey, WA 98504-7250

RE: Docket UE 240461—2023 Power Cost Adjustment Mechanism—Comments in Response to UTC Staff, Public Counsel, and AWEC

Introduction and Background

PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) hereby submits to the Washington Utilities and Transportation Commission (Commission) these Comments in this proceeding on the Power Cost Adjustment Mechanism Adjustment (PCAM). In order to prevent the accrual of a significant amount of interest on the PCAM balance, PacifiCorp recommends that the Commission allow for a compliance filing to implement the impacts of the 2022 PCAM order for the 2023 PCAM. In the alternative, PacifiCorp recommends that the Commission adopt interim rates for the PCAM if the Commission determines an adjudication is necessary.

During 2023, actual power costs were significantly higher than the baseline, creating an under-recovery of \$87.5 million. Under PacifiCorp's PCAM, customers' share of this imbalance (after application of the deadband and asymmetrical sharing bands) is \$72.7 million. Including interest, the total PCAM recovery for the deferral period is \$81.0 million. Over the course of the amortization period, the Company is requesting to recover a total of \$84.5 million, which includes interest through the 12-month amortization period. This represents a revenue requirement increase of approximately 20.0 percent in overall bills for all customers affected by this tariff change. Through this filing, the Company also seeks revisions to Schedule 99—Production Tax Credit Tracker Adjustments—to recover approximately \$1.2 million over 12 months. Consistent with the 90 day review period for the PCAM, PacifiCorp has proposed a rate effective date of October 1, 2024.

Response to Staff and Public Counsel

On September 24, 2024, Staff filed a Staff Memo and Recommendation and Public Counsel filed Comments recommending that the Commission set this proceeding for an adjudication. Specifically, Staff notes that prudence to the Company's costs cannot be determined while the resolution of the 2022 PCAM (Docket UE 240461) is pending.¹ Public Counsel, states that the

¹ Staff Report and Recommendation at 7, Docket UE-240461 (Dated Sept. 26, 2024).

“the same factual and legal questions from the 2022 PCAM proceeding prevent the Commission from approving the 2023 PCAM.”²

PacifiCorp agrees that there may be impacts from the 2022 PCAM that would need to be implemented into this 2023 PCAM. However, delaying recovery of these costs does implicate certain issues related to the amount that may eventually be recovered. Under the Commission Order that approved the PCAM, the PCAM balancing account accrues a carrying charge at the FERC interest rate, which is currently 8.50 percent.³ Under the current levels of this interest rate, this means that for every month that amortization of the PCAM balance is delayed, it will accrue approximately \$0.6 million in additional interest. If this PCAM is suspended for the full ten-month suspension period, then the balance will accrue an additional \$6.0 million in interest.

PacifiCorp does not feel it is appropriate for these additional costs to be incurred (and eventually passed on to customers) when an Order from the 2022 PCAM can direct PacifiCorp to revise the 2023 PCAM tariff (after the rate has taken effect) to incorporate the Commission determinations through a compliance filing. This would allow any outcome from the 2022 PCAM to flow through to the 2023 PCAM without incurring a significant balance of interest if amortization is delayed.

Response to AWEC

In addition to echoing the argument raised above by Staff and Public Counsel, the Alliance of Western Energy Consumers (AWEC) claims there are independent grounds for reviewing the PCAM.⁴ AWEC cites to testimony that was filed in Oregon regarding a dispute that PacifiCorp has with Wildcat Coal LLC that is currently being litigated in federal court. However, AWEC has not conducted any discovery or fact-finding on this issue (or any other issue) in this proceeding during the 90 day review period—that was stipulated to and approved by the Commission in Docket No. UE-140762.⁵ Consequently, there is no evidentiary basis for opening an adjudication at this time.⁶ Additionally, AWEC raises issues that were raised in Oregon from the Staff of the Public Utility Commission of Oregon that deal with fuel stock and force majeure claims from certain coal suppliers. Again, there is no evidentiary basis to open an adjudication based on these issues. Additionally, while one of the force majeure claims deals with Jim Bridger, most of the Force Majeure claims deal with coal plants that are not included in Washington rates in accordance with the Washington Inter-jurisdictional Allocation

² Comments from Public Counsel at 1, Docket UE-240461 (Dated Sept. 23, 2024).

³ *WUTC v. Pacific Power & Light Co.*, Docket No. UE-140762, Order No. 09 at ¶30 (May 26, 2015).

⁴ Comments of the Alliance of Western Energy Consumers at 2, Docket UE-240461 (Sept. 23, 2024).

⁵ *WUTC v. Pacific Power & Light Company, a Division of PacifiCorp*, Docket No. UE-140762, Order No. 09 (May 26, 2015) (approving PCAM stipulation which provides “[t]he review period for the filing will be 90 days”).

⁶ The only party that has served any discovery in this proceeding is Staff, which served a single set of discovery on September 6, 2024; *see also WUTC v. Pacific Power & Light Company*, Docket No. UE-190458, Order 01 (Oct. 24, 2019) (After issuing discovery Staff requested suspension and adjudication of the PCAM on issues relating to an outage at the Colstrip, a coal-fired generating unit located in Montana. After consideration of the evidence presented, the Commission opened an adjudication: “The Commission finds it necessary to require Commission staff (Staff) to open an investigation into the prudence of the decision making leading up to the outage in 2018 at Colstrip and the increased costs incurred for replacement power.”).

Methodology (WIJAM). Furthermore, the fuel stock issues are related to issues that arose in PacifiCorp's ongoing Oregon general rate case. Fuel stock is not a rate base item in Washington, but rather is included in the calculation of investor supplied working capital, and is not included in the PCAM.

PacifiCorp requests that the Commission find that these claims are not an appropriate basis to open an adjudication, and that the impacts from the 2022 PCAM should be dealt with through a compliance filing to the order in that proceeding.

Although there is no evidentiary basis to open an adjudication, the Commission may determine otherwise. In the alternative, if the Commission determines that an adjudication is appropriate on the narrow issues identified by AWEC, then PacifiCorp requests that the Commission order interim rates be implemented for this PCAM on October 1, 2024, to prevent an additional \$6 million from accruing in the PCAM balancing account. In the event that the Commission orders an interim rate, the 2023 PCAM balance and possible the 2024 PCAM balance can be adjusted to reflect the outcome of any adjudication. The Commission has previously granted interim rate relief in order to "prevent gross hardship or gross inequity."⁷ In the event that the Commission grants an adjudication, it would be grossly inequitable to delay the collection of this balance in a manner that increases the balance by \$6 million dollars and imposes greater costs on customers. This is especially important when there is no evidentiary basis for an adjudication and any impact from the 2022 PCAM order can be resolved in a compliance filing.

Conclusion

The Company continues to recommend that the Commission reject the arguments for adjudication, approve the collection of the deferral balance, and allow for the incorporation of any impact from the 2022 PCAM order through a compliance filing for the 2023 PCAM. In the event that the Commission determines that adjudication is warranted, then the Company recommends that the Commission adopt an interim rate in order to prevent the accrual of a significant and unnecessary interest balance in the PCAM balancing account.

Sincerely,

 /s/
Matthew McVee
Vice President, Regulatory Policy and Operations
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
(503) 813-5585
matthew.mcvee@pacificorp.com

⁷ *WUTC v. Washington Natural Gas Co.*, Docket No. U-80-111

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