

March 24, 2015

VIA ELECTRONIC FILING

Steven V. King
 Executive Director and Secretary
 Washington Utilities and Transportation Commission
 1300 S. Evergreen Park Drive, S.W.
 P.O. Box 47250
 Olympia, Washington 98504-7250

RE: Docket U-150040—Pacific Power & Light Company’s Comments

In response to the Washington Utilities and Transportation Commission’s February 5, 2015 Notice of Recessed Open Meeting and Notice of Opportunity to File Written Comments (Notice), Pacific Power & Light Company, a division of PacifiCorp (Pacific Power or Company), submits these comments regarding the investigation of possible ratemaking mechanisms to address utility earnings attrition.

Generally, there are two main issues impacting earnings attrition. One significant consideration is the lag between the time a utility incurs costs for significant capital investments in generation, transmission, and distribution infrastructure, and the time that the utility is able to recover these costs through customer rates. These investments are necessary to maintain safe, reliable, and efficient electric service to customers, but recovery of the associated costs typically occurs, in some cases, several years after the initial investment. Variances in net power costs also create significant volatility for the Company. These two concerns are further exacerbated in periods of low or no load growth.

The Company has been able to better address attrition in other jurisdictions using different ratemaking mechanisms. Short descriptions of these mechanisms are provided in the table below.

STATE	MECHANISMS
California	Post Test-year Adjustment Mechanism for Major Capital Additions <ul style="list-style-type: none"> • Allows rate adjustments outside a general rate case for capital additions exceeding \$50 million on a total-company basis • Filed as investments are placed into service Energy Cost Adjustment Clause <ul style="list-style-type: none"> • Allows for an annual update to actual and forecasted net variable power costs Post Test-year Adjustment Mechanism for Attrition <ul style="list-style-type: none"> • Allows for an annual adjustment outside a general rate case to costs other than net variable power costs (CPI minus 0.5% productivity factor)

Idaho	<p>Energy Cost Adjustment Mechanism</p> <ul style="list-style-type: none"> • Allows utilities to defer 90% of the difference between base net power costs and actual net power costs for future rate recovery. • Provides recovery of 100% of the difference in REC revenues in base rates and actual REC revenues
Oregon	<p>Transition Adjustment Mechanism</p> <ul style="list-style-type: none"> • Allows annual update to forecasted net variable power costs. <p>Separate tariff riders used for major capital additions allowing concurrent rate recovery.</p> <p>Power Cost Adjustment Mechanism</p> <ul style="list-style-type: none"> • Allows 90% of the difference between forecasted net variable power costs and actual net variable power costs to be deferred for future rate recovery. • Variance must fall outside of an established asymmetrical deadband range. • Subject to earnings test. <p>Renewable Adjustment Clause</p> <ul style="list-style-type: none"> • Allows recovery of revenue requirement of new renewable resources and associated transmission costs that are not reflected in base rates. <p>Balancing Account for REC Revenues</p>
Utah	<p>Energy Balancing Account</p> <ul style="list-style-type: none"> • Allows 70% of difference between base net power costs and actual net power costs to be deferred for future rate recovery. <p>Major Capital Additions Mechanism</p> <ul style="list-style-type: none"> • Allows recovery of capital investments that exceed 1% of rate base when a general rate case has occurred within the preceding 18 months. <p>Balancing account for REC Revenues</p>
Wyoming	<p>Energy Cost Adjustment Mechanism</p> <ul style="list-style-type: none"> • Allows 70% of difference between base net power costs and actual net power costs to be deferred for future rate recovery. <p>REC and Sulfur Dioxide Revenue Adjustment Mechanism</p> <ul style="list-style-type: none"> • Allows recovery of 100% of difference between actual and forecasted REC and sulfur dioxide revenues

Test Period Conventions

The use of a future test year would help address one of the main causes of attrition. This approach would set rates at a level representative of the costs expected during the rate year.

Net Power Cost Mechanisms

A net power cost mechanism that allows for recovery of variances between actual NPC levels and the levels set in rates would significantly improve a utility's ability to combat earnings

attrition. These mechanisms would only address prudently incurred net power cost expenses and would address volatility that is outside of the Company's control, similar to the mechanisms currently in place for the commodity and capacity costs of local gas distribution companies. A net power cost mechanism would also allow utilities to address net power cost variances outside of a general rate case.

Mechanism for Capital Additions

A mechanism for major capital additions occurring between rate cases would address regulatory lag for these investments. This type of mechanism could be developed with parameters on the financial significance (minimums and maximums) of the investments, the timing in relation to past rate cases, and a clear methodology for calculating the revenue requirement for these investments.

For example, in California, the Company is authorized to file Post Test-Year Adjustment Mechanisms to recover the California-allocated share of reasonable costs associated with any major plant additions greater than \$50 million on a total-company basis. And in Oregon, the Commission has allowed the Company to recover the costs of large major capital additions through the use of a tariff surcharge until those costs could be included in base rates. Both of these mechanisms have allowed the Company to avoid general rate cases in these states.


Other Mechanisms

A mechanism for cost changes other than net power costs could address the impacts of the general economy and other factors. This type of mechanism could address issues such as general inflation or earnings attrition. For example, in California the Company submits an annual attrition filing to adjust rates for cost increases experienced between general rate case filings. This adjustment is calculated using the consumer price index with an offsetting productivity adjustment.

Pacific Power appreciates the opportunity to provide these preliminary comments and looks forward to participating in the open meeting.

Please direct inquiries to Natasha Siores, Director, Regulatory Affairs & Revenue Requirement, at (503) 813-6583.

Sincerely,


R. Bryce Dalley
Vice President, Regulation