

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PACIFICORP d/b/a PACIFIC POWER &
LIGHT COMPANY,

Petitioner,

2024 Power Cost Adjustment Mechanism
Annual Report

DOCKET UE-250474

ORDER 01

APPROVING POWER COST
ADJUSTMENT MECHANISM 2024
ANNUAL REPORT AND
REQUIRING TARIFF REVISIONS
FOR SCHEDULES 97 AND 99

BACKGROUND

1 On June 13, 2025, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its electric tariff, WN U-76, Schedule 97, Power Cost Adjustment Mechanism (PCAM), and Schedule 99, Product Tax Credit Tracker (PTC), requesting an effective date of October 1, 2025, and approval of its annual report for 2024 (2024 PCAM Report). PacifiCorp filed its 2024 PCAM Report in accordance with RCW 80.28.060, WAC Chapter 480-80 *et. seq.*, and consistent with Order 09 of Dockets UE-140762, *et.al*. In Order 09, the Commission approved a Settlement Agreement for PacifiCorp to implement a PCAM allowing for rate adjustment to account for changes in net power costs (NPC) outside of a band for recovery in base rates.¹ Under the current terms of the PCAM, PacifiCorp and its customers share any difference between actual and base NPC, and “unexpected variations in power costs that exceed an annual dead band of +/- \$4 million,” that aggregate to a balancing account with a surcharge, or pass-back threshold of \$17 million,² which are tracked in a deferral account.³ The terms of the PCAM also established a standard 12-month amortization recovery period, allowing for a

¹ *Washington Utilities and Transportation Commission (WUTC) v. Pacific Power & Light Co. (PacifiCorp)*, Docket UE-140762 (*Consolidated* UE-140617, UE-131384, UE-140094), Final Order 09 at 10-11 ¶ 28-29 (May 26, 2015).

² PacifiCorp determines its monthly net power costs (NPC) variances by calculating the difference between actual and authorized NPC, the sum of which then receive deferred accounting treatment and accrue interest at the quarterly FERC rate.

³ Docket UE-140762 *et.al*, Final Order 9 at 11 ¶ 29-30.

90-day review period for Commission Staff and interested parties to evaluate the prudence of the PCAM deferral and PTC tracker adjustments.

- 2 However, in Final Order 09/07/12 in Docket UE-191024, *et. al.*, entered on December 14, 2020, the Commission approved the parties Settlement for the PTC variances to receive separate accounting treatment and an annual true-up without flowing through the PCAM,⁴ and granted PacifiCorp's request to modify the annual filing deadline from June 1 to June 15 of each following year.⁵ Additionally, on March 29, 2022, the Commission entered Order 06 in Docket UE-210402 updating the PTC calculation rate from 2.5 cents to 2.6 cents per kWh and baseline forecasts to reflect a Production Factor Adjustment⁶ of 99.437 percent.⁷
- 3 In its currently proposed tariff revisions, PacifiCorp seeks a total NPC variance recovery with interest for the 2024 period of \$57.3 million and an anticipated recovery period interest accrual of \$2.2 million, which after application of the deadband and asymmetrical sharing band results in a deferral charge to customers of approximately \$46.7 million. Including interest, the total PCAM recovery for the deferral period is \$57.3 million. While PacifiCorp expects to recover \$59.5 million, including interest over the course of the 12-month amortization period, the combined impact of the tariff revisions for Schedule 97 and Schedule 99 represents an overall revenue increase of \$55.6 million, or 10 percent. This in turn results in a typical residential ratepayer consuming 1,200 kWh per month experiencing a utility bill increase of approximately 9.2 percent, or \$15.77 per month. Through this filing, PacifiCorp also seeks to credit back customers approximately \$3.9 million over 12 months under Schedule 99 of its PTC tracker.

⁴ *WUTC v. PacifiCorp*, Docket UE-191024 (*Consolidated*) UE-190750, UE-190929, UE-190981, UE-180778), Final Order 09/07/12, Rejecting Tariff Sheets; Approving & Adopting Settlement Stipulation subject to Conditions; Authorizing & Requiring Compliance Filing at 28 ¶69 (December 14, 2020).

⁵ Docket UE-191024 *et. al.*, Final Order 09/07/12, Appendix B, General provisions, Comprehensive Settlement at 16 ¶46 (December 14, 2020) adopting recommendation of PacifiCorp Witness Wilding, Exh. MGW-1CT, at 70:5 (December 13, 2019).

⁶ A Production Factor Adjustment adjusts power cost calculations to reflect the intensity and consistency of electricity usage, typically by relating energy to demand. Before calculating a final NPC baseline rate and forecasted revenue deficiencies, PacifiCorp applies a Production Factor Adjustment to proposed NPC baselines to reduce forecasted power cost for the rate year to the test year level.

⁷ *WUTC v. PacifiCorp*, Docket UE-210402, Order 06 at 48 ¶180 (March 29, 2022).

- 4 Commission staff (Staff) evaluated PacifiCorp's PCAM and PTC activities for 2024. Staff explains that the Company calculated its NPC applying the Washington Interjurisdictional Allocation Methodology (WIJAM) and actual allocation factors from the relevant calendar year,⁸ and reported an overall weighted total base WIJAM-allocated NPC of \$163 million.⁹ Additionally, PacifiCorp reported an actual adjusted WIJAM-allocated NPC of \$234.6 million and \$176.1 million in actual adjusted NPC base ratepayer revenues for a PCAM differential of \$58.5 million. Staff notes that this represents a variance of approximately 28 percent between the approved baseline and actuals compared to a 29 percent variance in 2023, and an increase of approximately \$52.41 per megawatt-hour compared to \$51.56 megawatt-hour in 2023, for a year-over-year increase of 13 percent.
- 5 Staff observes that the drivers that contributed to the variances in the net power costs were due to extreme weather patterns in January 2024, higher than anticipated secondary power market prices, coal generation constraints, and reduced water resources combined with required decommissioning of Company hydroelectric generating plants. These factors are discussed more fully in Staff's September 11, 2025, open meeting memo posted to this docket.
- 6 Given that the cumulative PCAM differential of \$58.5 million after application of the deadband and asymmetrical sharing bands results in a deferral charge of \$46.7 million, with the NPC variance exceeding the \$17 million balancing account threshold, this increase triggers the Company's requested rate adjustment. In an attempt to remain focused on the cumulative rate increases impacting ratepayers and to smooth rate volatility arising from PacifiCorp's initial recovery proposal, Staff collaborated with the Company to evaluate various alternatives to rate recovery period amortization schedules for the Schedule 97 tariff revisions. Specifically, Staff evaluated a delayed twelve-month amortization schedule with a February 1, 2026, rate effective and an extended 18-month amortization schedule with an October 1, 2025, rate effective date. Ultimately, after conducting its assessments, Staff determined that these alternative approaches offered insufficient offsetting benefits to outweigh additional accumulated interest liability for ratepayers, further compromised inter-period equity rate making principles and that a

⁸ Docket UE-191024 *et. al.*, Final Order 09/07/12 at 36 ¶ 92.

⁹ Base WIJAM-allocated net power costs (NPC) of \$146 million was set in Power Cost Only Rate Case Docket UE-210402 for the period from May 1, 2022, through April 2, 4 2024. Base WIJAM-allocated NPC of \$191 million was set in General Rate Case Docket No. UE-230172 effective April 3, 2024.

continued deviation from the standard cost recovery period of the Company's PCAM as set and determined by prior Commission orders was unjustified.

7 Staff also examined PacifiCorp's PTC tracker, which is counted as an offset to the Company's federal income taxes and is credited for ratemaking purposes, and noted that the Washington allocated 2024 PTC activities show a variance of approximately \$1.1 million above baseline revenue forecast. When combined with 2021 collections true-up and accrued interest, there is a ratepayer pass-back of approximately \$3.8 million, which Staff proposes be returned to customers through Schedule 99 amortized over 12 months.

8 In light of the substantial cost impacts facing PacifiCorp's rate payers over several rate adjustments in the 2022-2025 period, Staff recommends that the Commission issue an order:

- (1) Approving PacifiCorp d/b/a Pacific Power & Light Company's Power Cost Adjustment Mechanism annual report for 2024 with the \$57.3 million accumulated deferral; and
- (2) Requiring PacifiCorp d/b/a Pacific Power & Light Company to file a Tariff revision establishing a revised rate effective date for Schedule 97 and Schedule 99 of February 1, 2026, with a 12-month amortization period expiring January 31, 2027; and
- (3) Requiring PacifiCorp d/b/a Pacific Power & Light Company to file a Tariff revision and workpapers for Schedule 97 and Schedule 99 that include all applicable interest accruals through the new 12-month amortization period expiring January 31, 2027.¹⁰

9 On September 5, 2025, Public Counsel of the Washington State Attorney General's Office (Public Counsel) filed a Declaration of Robert L. Earle (Earle) in the docket raising concerns about how PacifiCorp calculates its system balancing adjustment related to short-term firm power purchases. Earle raised concerns about how PacifiCorp calculated its system balancing adjustment related to short-term firm power purchases, arguing that the \$57.3 million PCAM recovery amount PacifiCorp is requesting should

¹⁰ Estimated incremental interest cost of \$1,357,141 for Schedule 97 and estimated incremental interest gain of \$26,953 for Schedule 99 (assuming FERC interest rate of 7.55 percent current June 2025).

be adjusted to \$4.5 million to account for its shortfall of 617,672 MWh in production and purchases attributed to meet its 2024 load.

- 10 On September 9, 2025, the Alliance of Western Energy Consumers (AWEC) filed comments in the docket noting that although it does not challenge PacifiCorp's power costs, it requests the Commission revise the cost recovery period for a single customer class over a one-year period beginning April 1, 2026.
- 11 On September 10, 2025, PacifiCorp filed reply comments requesting that the Commission adopt Staff's recommendations and direct the Company to make the applicable tariff revisions outlined in Staff's September 12, 2025, open meeting memo.
- 12 This matter came before the Commission at its regularly scheduled open meeting on September 11, 2025. The Commission heard comments from Staff, PacifiCorp, Public Counsel and AWEC.
- 13 There was discussion during the open meeting about timing and whether the factual and legal issues involved in this docket were different enough from the Company's pending power cost only rate case (PCORC) in Docket UE-250224. Staff noted that the factual issues between the two matters were different enough and explained that the Commission could rule on the 2024 PCAM Annual Report and allow PacifiCorp's requested \$57.3 million recovery for this deferral period. Legal counsel for Staff recommended suspending this docket pending the legal outcome of the PCORC matter. Public Counsel also recommended suspending this docket to further develop the record so that the Commission could determine whether the deferral was appropriate. In response, PacifiCorp argued that there were no timing issues and that the two dockets were completely unrelated, primarily because the WIJAM methodology the Company used to compute the \$57.3 million in deferred costs is backwards looking and does not impact the forward-looking rates at issue in the pending PCORC matter.
- 14 While AWEC did not challenge PacifiCorp's 2024 Annual Report, or the \$57.3 million in deferred costs, it requested that the portion of the PCAM deferral allocated to Schedule 48T customers be deferred for an additional two months and recovered over a one-year period beginning on April 1, 2026, instead of February 1, 2026. In response, PacifiCorp noted that it did not believe there should be different rate-effective dates for different classes of customers but also noted that this two-month delay would not create an administrative burden and amounted to a *de minimis* cost.

DISCUSSION

- 15 After considering all the testimony and comments submitted, we agree with Staff that PacifiCorp's annual report for 2024 with a \$57.3 million accumulated deferral should be approved, without prejudice to the arguments Public Counsel makes in this docket as it applies to a forward-looking methodology. However, because PacifiCorp's PCAM deferral balance exceeds the \$17 million threshold established by Order 09, with a 2024 PCAM, resulting in a surcharge of approximately \$46.7 million and an increase of 10.7 percent for all Schedule 97 affected ratepayers, we reject PacifiCorp's proposed 12-month amortization period beginning October 1, 2025, and ending September 30, 2026.
- 16 Instead, we direct PacifiCorp to file revised tariff sheets adopting Staff's recommendation to establish a revised rate effective date for Schedule 97 and Schedule 99 of February 1, 2026, with a 12-month amortization period expiring January 31, 2027. Further, we require PacifiCorp to include in its revised tariff filing revisions and workpapers for Schedule 97 and Schedule 99 that include all applicable interest accruals through the new 12-month amortization period expiring January 31, 2027. Finally, we require PacifiCorp to delay the effective date of the changes approved for Schedule 48T until April 1, 2026.
- 17 Therefore, after considering PacifiCorp's proposals and Staff's recommendations, we approve PacifiCorp's filing subject to the following conditions:
- (1) PacifiCorp shall file a tariff revision no later than September 15, 2025, establishing a revised rate effective date for Schedule 97 and Schedule 99 of February 1, 2026, with a 12-month amortization period expiring January 31, 2027;
 - (2) PacifiCorp shall include in its filing revisions and workpapers for Schedule 97 and Schedule 99 that include all applicable interest accruals through the new 12-month amortization period expiring January 31, 2027; and
 - (3) PacifiCorp shall delay the effective date of the changes approved for Schedule 48T until April 1, 2026.

FINDINGS AND CONCLUSIONS

- 18 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts,

securities, transfers of property and affiliated interests of public service companies, including electric companies.

- 19 (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.
- 20 (3) This matter was brought before the Commission at its regularly scheduled meeting on September 11, 2025.
- 21 (4) As of December 31, 2024, PacifiCorp's cumulative PCAM deferral balance is \$57.3 million.
- 22 (5) After reviewing PacifiCorp's 2024 PCAM Report, supporting testimony, and giving due consideration, the Commission orders PacifiCorp to file a tariff revision, no later than September 15, 2025, establishing a revised rate effective date for Schedule 97 and Schedule 99 of February 1, 2026, with a 12-month amortization period expiring January 1, 2027.
- 23 (6) PacifiCorp shall include in its tariff filing revisions and workpapers for Schedule 97 and Schedule 99 that include all applicable interest accruals through the new 12-month amortization period expiring January 31, 2027.
- 24 (7) PacifiCorp shall delay the effective date of the changes approved for Schedule 48T until April 1, 2026.

ORDER

THE COMMISSION ORDERS:

- 25 (1) The tariff revisions PacifiCorp d/b/a Pacific Power & Light Company filed on June 13, 2025, are approved subject to the following conditions:
- (1) PacifiCorp d/b/a Pacific Power & Light Company shall file a tariff revision no later than September 15, 2025, establishing a revised rate effective date for Schedule 97 and Schedule 99 of February 1, 2026, with a 12-month amortization period expiring January 31, 2027;
- (2) PacifiCorp d/b/a Pacific Power & Light Company shall include in its filing revisions and workpapers for Schedule 97 and Schedule 99 that include all

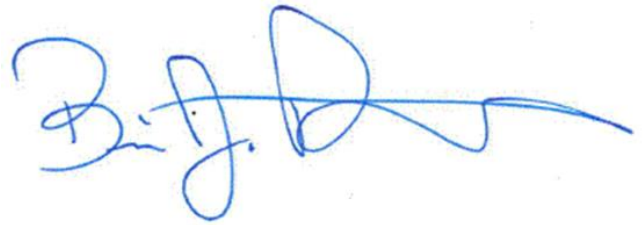
applicable interest accruals through the new 12-month amortization period expiring January 31, 2027; and

- (3) PacifiCorp shall delay the effective date of the changes approved for Schedule 48T until April 1, 2026.

- 26 (2) The Commission retains jurisdiction over the subject matter and PacifiCorp Power & Light Company d/b/a/ PacifiCorp to effectuate the terms of this Order.

DATED at Lacey, Washington, and effective September 15, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



BRIAN J. RYBARIK, Chair



ANN E. RENDAHL, Commissioner



MILTON H. DOUMIT, Commissioner