

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

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

Respondent.

DOCKET UE-210532

ORDER 06

In the Matter of

PACIFICORP D/B/A PACIFIC
POWER & LIGHT COMPANY

Petition for an Order Approving
Deferral of Revenues Related to
Renewable Energy Credits.

DOCKET UE-210328

ORDER 03

FINAL ORDER APPROVING AND
ADOPTING SETTLEMENT
AGREEMENT

1 NATURE OF PROCEEDING. On July 1, 2021, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective tariff WN U-76. PacifiCorp characterizes its filing as a Limited-Issue Rate Filing (LIRF). In PacifiCorp’s last general rate case (GRC), the Commission approved a full settlement, subject to conditions, which required the Company to file a LIRF in 2021.¹

1 REPRESENTATIVES. Ajay Kumar and Carla Scarsella, in-house counsel, represent PacifiCorp. Daniel Teimouri, Assistant Attorney General, Olympia, Washington, represents Commission staff (Staff).² Lisa W. Gafken, Nina Suetake, Ann Paisner, and

¹ *WUTC v. PacifiCorp dba Pacific Power & Light Co.*, Docket UE-191024 et. al., Final Order 09/07/12 at ¶¶ 58-62 (December 14, 2020) (2019 GRC Order).

² In formal proceedings such as this, the Commission’s regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the

Brice Hartman, Assistant Attorneys General, Seattle, Washington, represent the Public Counsel Unit of the Attorney General's Office (Public Counsel). Yochanan Zakai, Shute Mihaly & Weinberger, LLP, represents the Energy Project (TEP). Tyler C. Pepple and Brent L. Coleman, Davison Van Cleave, P.C., represent Alliance of Western Energy Consumers (AWEC).

- 2 **SUMMARY:** The Commission approves and adopts the Settlement Stipulation and Agreement (Settlement) entered into by PacifiCorp, Staff, Public Counsel, AWEC, and TEP (the Settling Parties). We find that the Settling Parties' proposal to decrease PacifiCorp's annual revenues by \$1.9 million on a Washington- allocated basis and to provide for a one-time refund to customers of \$2.8 million will result in rates that are fair, just, reasonable, and sufficient.

MEMORANDUM

- 3 **Background.** On May 13, 2021, PacifiCorp filed a Petition for Order Approving Deferral of Revenues Related to Renewable Energy Credits (Petition), which initiated Docket UE-210328. In the Petition, PacifiCorp requests an order authorizing the Company to defer from the date of the Petition forward revenues generated by renewable energy credits (RECs) from the Pryor Mountain Wind Facility. PacifiCorp requested deferral of these revenues to track and preserve them for later ratemaking treatment and for the benefit of the Company's customers.
- 4 On July 1, 2021, PacifiCorp filed this LIRF with the Commission in Docket UE-210532. In its initial filing, PacifiCorp requested a prudency review of specified major capital additions placed in service after May 1, 2020, and included in rates approved in its last GRC, and proposed a resulting decrease in electric rates of \$616,600 as well as a refund of approximately \$2.1 million to customers. The revised tariffs included a proposed effective date of January 1, 2022.
- 5 The Commission suspended the tariff sheets included in the LIRF on July 28, 2021, and convened a prehearing conference on August 12, 2021. At the prehearing conference, the Commission granted the petitions to intervene filed by AWEC and TEP.

presiding administrative law judge, and the Commissioners' policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

- 6 The Settling Parties participated in an initial settlement conference on September 13, 2021, and held subsequent settlement meetings on September 22, 2021, and September 24, 2021.
- 7 On September 7, 2021, Staff filed a Motion to Consolidate. Staff requested that the Commission consolidate PacifiCorp's LIRF in Docket UE-210532 with Docket UE-210328 concerning the Company's Petition for deferred accounting treatment of the RECs associated with the Pryor Mountain New Wind Projects.
- 8 On September 27, 2021, counsel for Staff filed a letter advising the Commission that the Settling Parties had reached a full, multi-party settlement in principle.
- 9 On September 30, 2021, the Commission issued Order 04/01 in Dockets UE-210532 and UE-210328, Consolidating Proceedings, Suspending Procedural Schedule, and Requiring the Filing of Settlement Documents. The Commission consolidated PacifiCorp's LIRF with its Petition for deferred accounting and required the filing of any settlement and supporting testimony on or before November 8, 2021.
- 10 On November 8, 2021, PacifiCorp filed with the Commission a full Settlement and supporting testimony on behalf of the Settling Parties—Company, Staff, Public Counsel, AWEC, and TEP—pursuant to WAC 480-07-730(1).
- 11 The Commission held a public comment hearing on November 18, 2021. The Commission heard testimony from a member of the public who opposed any rate increase in light of the recent inflation experienced by U.S. consumers.³ The Commission and Public Counsel received 11 additional written comments, opposing any rate increase, and one undecided comment.⁴
- 12 The Commission convened a settlement hearing on December 9, 2021, for the purposes of clarifying certain provisions within the Settlement. The Settling Parties and Public Counsel presented a panel of witnesses: Shelley E. McCoy and Richard A. Vail for PacifiCorp; Jason L. Ball for Staff; Corey Dahl for Public Counsel; Bradley G. Mullins for AWEC; and Shawn M. Collins for TEP.
- 13 **SETTLEMENT.** The Settlement, which is attached as Appendix A to this Order, requests that the Commission approve the following terms.

³ See Torres, TR 32:19-24.

⁴ See BE-2 (Offer of Public Comment Exhibit).

- 14 First, the Settlement would approve the prudence of and set final costs for eight capital projects (“LIRF Capital Additions”) that the Commission provisionally included in rates in the Company’s last general rate case.⁵ This includes four new wind power projects: Ekola Flats, TB Flats, Cedar Springs II, and Pryor Mountain. It also includes wind repowering projects at Dunlap and Foote Creek.⁶ Finally, the Settlement includes two transmission projects, the Aeolus to Bridger/Anticline 500 kV Transmission Line Sequence 4 and associated 230 kV network upgrades.⁷ Except for the TB Flats project, all capital expenditures are reflected at their actual amounts through May 2021.⁸ The Settlement would allow for the review and prudence challenge of future costs associated with these capital additions, including the Company’s purchase or sale of RECs.⁹
- 15 The Settlement would also remove from rates the costs for certain transmission investments that should not be allocated to Washington under the Washington Inter-Jurisdictional Allocation Methodology (WIJAM).¹⁰ The WIJAM is a cost allocation methodology approved by the Commission in the Company’s previous GRC that requires transmission costs and benefits to be allocated on a system basis, regardless of the physical location of the asset.¹¹ Because WIJAM stipulates that Washington ratepayers will not be allocated the costs of transmission-voltage radial lines if their sole purpose is connecting resources not otherwise included in Washington rates,¹² the Settlement provides for a refund for the amount included in rates in the Company’s 2019 general rate case.¹³
- 16 The Settlement also resolves PacifiCorp’s petition for deferred accounting treatment in Docket UE-210328.¹⁴ The Settlement would allow PacifiCorp to defer revenue received

⁵ Settlement ¶ 10. *Accord* Joint Testimony, Exh. JT-1T at 11:19-12:20.

⁶ *Id.*

⁷ *Id.*

⁸ Settlement ¶ 10. *Accord* Joint Testimony, Exh. JT-1T at 13:1-8.

⁹ Settlement ¶ 11.

¹⁰ Settlement ¶ 9.

¹¹ McCoy, Exh. SEM-1T at 12:6-9.

¹² McCoy, Exh. SEM-1T at 12:15-18.

¹³ *See* Joint Testimony, Exh. JT-1T at 9:22-10:8.

¹⁴ Settlement ¶ 12.

from the sale of RECs from the Pryor Mountain Wind Facility.¹⁵ The revenues will be tracked and preserved for later ratemaking treatment.¹⁶

17 As a result of these adjustments, the Settlement would require PacifiCorp to decrease its annual revenues by \$1.9 million on a Washington-allocated basis.¹⁷ This rate change will be effective “on or after January 1, 2022 or as early as practicable.”¹⁸ The Settlement also requests approval for a one-time refund of \$2.8 million that will be passed back to customers over a 12-month period.¹⁹ The one-time refund is comprised of two components:

- A refund of approximately \$2.0 million related to the difference between the estimated and actual costs for the LIRF Capital Additions included in the Company’s 2021 general rate case in Docket UE-191024; and
- A refund of approximately \$0.8 million to reduce the 2021 Rate Case revenue requirement by removing certain transmission costs in accordance with the WIJAM MOU.²⁰

DISCUSSION AND DECISION

18 The Commission will approve a settlement “when doing so is lawful, the settlement terms are supported by an appropriate record, and when the result is consistent with the public interest in light of all the information available to the commission.”²¹ The Commission may approve a settlement without conditions, approve it with conditions, or reject it.²²

19 The Settlement seeks to resolve both PacifiCorp’s LIRF and the Company’s accounting Petition in Docket UE-210328. It is a full settlement, as defined by WAC 480-07-730(1), joined by all the parties and resolving all the disputed issues in each docket.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Settlement ¶ 9.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.* See also Settlement ¶ 5 (referring to Docket UE-191024 as the Company’s “2021 Rate Case”).

²¹ WAC 480-07-750(2).

²² *Id.*

20 After reviewing the Settlement, we conclude that it is lawful, supported by an appropriate record, and consistent with the public interest. The Settlement should therefore be approved without condition. The Settlement approves the prudence of the eight LIRF Capital Additions, which will have the effect of bringing additional renewable resources and transmission capacity into PacifiCorp's system, and allocated to Washington. It provides for a rate decrease and one-time refund for transmission-voltage, radial lines that connect resources not otherwise included in Washington rates to the Company's transmission system. The Settlement also allows PacifiCorp to defer the revenues from REC sales associated with the Pryor Mountain wind project, recognizing that these revenues should be tracked and preserved for the benefit of Washington customers. After reviewing the various adjustments proposed in the Settlement, we agree that the revenue decrease and one-time refund as calculated by the Settlement are supported by the record. We also conclude that the resulting rates, terms, and conditions are fair, just, reasonable, and sufficient.

21 **Prudence.** The first issue before the Commission is the prudence of the LIRF Capital Additions. Pursuant to the terms of the 2019 GRC Settlement and the 2019 GRC Order, PacifiCorp must demonstrate the "prudence and actual costs" of the LIRF Capital Additions, which came into service after May 1, 2021.²³

22 A utility bears the burden to show that it acted prudently.²⁴ Prudence is framed in terms of reasonableness. Specifically, the Commission asks, "What would a reasonable board of directors and company management have decided given what they knew or reasonably should have known to be true at the time they made that decision?"²⁵ A utility's decision should not be second-guessed purely on the basis of hindsight or information that was not available at the time of the decision.²⁶ If the Commission finds that a utility acted imprudently, the Commission may deny recovery of those expenditures.²⁷

²³ Revised and Amended Settlement Stipulation, Docket UE-191024 ¶¶ 14-15 (July 20, 2020) (2019 GRC Settlement). *Accord* 2019 GRC Order ¶¶ 61-62.

²⁴ *WUTC v. Pacific Power & Light Company*, Docket UE-152253 Order 12 ¶ 94 (asdf date). *See also Pacific Power & Light Company's Request to Change Name to PacifiCorp*, Docket UE-191004 (December 5, 2019) (requesting to change the Company's name to PacifiCorp).

²⁵ *Id.* (internal citation and quotation omitted).

²⁶ *Id.*

²⁷ *People's Org. for Wash. Energy Res. v. WUTC*, 104 Wn.2d 798, 810, 711 P.2d 319 (1985)

- 23 We agree with the Settling Parties that the LIRF Capital Additions were prudent. PacifiCorp provides testimony supporting each of the resource acquisition and transmission investments at issue. The Settling Parties have engaged in discovery and reviewed the Company's testimony and exhibits,²⁸ and have ultimately agreed to the prudence of these investments.
- 24 The evidence establishes that PacifiCorp reasonably acted to acquire new wind facilities. Company witness Timothy J. Hemstreet explains the Company's investments in the Ekola Flats, TB Flats, and Cedar Springs II new wind facilities.²⁹ These projects—comprising both Company-owned investments and power purchase agreements (PPAs)—should generate significant benefits, lowering net power costs and providing 10 years of production tax credits (PTCs).³⁰ Company witness Robert Van Engelenhoven explains the Company's development of the Pryor Mountain Wind Project.³¹ The Pryor Mountain Wind Project provides net power cost benefits and qualifies for both PTCs and incremental RECs.³² The Company provides further support for its decision making through an economic analysis provided by witness Rick T. Link.³³
- 25 The Company also acted reasonably in repowering existing wind facilities. Both Hemstreet and Link explain the Company's decisions to repower the Dunlap and Foote Creek I facilities.³⁴ The Company determined it could provide economic benefits to customers by upgrading existing wind facilities with improved components or replacing wind turbine generators (WTG) entirely.³⁵
- 26 Finally, PacifiCorp prudently invested in transmission lines and upgrades to deliver energy from the renewable resources located in Wyoming across the Company's system. Company witness Richard A. Vail provides support for the Company's investments in the Aeolus to Bridger/Anticline 500 kilovolt 11 (kV) Transmission Line Sequence 4 project

²⁸ *E.g.*, Joint Testimony, Exh. JT-1T at 9:1-2.

²⁹ *E.g.*, Hemstreet, Exh. TJH-1TC at 2:16-3:14.

³⁰ *Id.* at 5:5-13.

³¹ *E.g.*, Engelenhoven, Exh. RV-1TC at 2:3-21.

³² *Id.* at 1:18-21, 6:9-13.

³³ *E.g.*, Link, RTL-1TC at 63:20-65:19 (summarizing the economic analysis of the new wind projects).

³⁴ *E.g.*, Hemstreet, Exh. TJH-1TC at 2:16-3:14; Link, Exh. RTL-1TC at 4:3-5:30.

³⁵ *E.g.*, Hemstreet, Exh. TJH-1TC at 18:11-19-13.

and the associated 12 230 kV network upgrades.³⁶ Vail explains that these investments will increase the Company's load-serving capability, improve reliability, relieve congestion, and integrate new wind resources, among other benefits.³⁷

27 The Settling Parties agree that the LIRF Capital Additions were "prudently incurred investments, used and useful, and appropriate for recovery in the Company's Washington rates."³⁸ While we are not compelled to accept the Settling Parties agreement, it weighs in favor of a prudence finding. We have likewise considered the Company's testimony and exhibits, and we agree that the Company acted prudently in acquiring and developing the LIRF Capital Additions. In light of the Settling Parties' agreement on this issue, we will not discuss the evidence at great length.

28 We must discuss, however, the Settlement's decision to include projected, rather than actual, capital expenditure amounts through July 2021 for the TB Flats project. Using projected costs for the TB Flats project has the effect of marginally decreasing the one-time refund and ongoing rate decrease provided by the Settlement.³⁹

29 As we explained in our Policy Statement on Property that Becomes Used and Useful After Rate Effective Date (Used and Useful Policy Statement), the Commission will consider rate-effective period investments recovery requests that are consistent with longstanding ratemaking principles and standards.⁴⁰ In most cases, the rates based on these investments are subject to refund, and the Company must establish the prudence of these investments in a later proceeding.⁴¹ In this later proceeding, the utility must generally establish the prudence of these investments using known and measurable

³⁶ See Vail, Exh. RV-1Tr.

³⁷ *Id.* at 8:4-9. *Accord* Link, Exh. RTL-1TC at 63:12-19.

³⁸ Settlement ¶ 10.

³⁹ See BE-2 (Response to Bench Request No. 2) (noting that, compared to the Settlement, the use of actual costs for TB Flats would have the effect of increasing the one-time refund by \$99,384 and would decrease rates on an on-going basis by an additional \$211,716).

⁴⁰ *In re Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful After Rate Effective Date*, Docket U-190531, Policy Statement on Property that Becomes Used and Useful After Rate Effective Date ¶ 29 (January 31, 2020)

⁴¹ *Id.* ¶ 38.

costs.⁴² “[C]osts that continue to be the product of forecasts, projections, or budgets” must be refunded.⁴³

30 Consistent with the Used and Useful Policy Statement, PacifiCorp must now establish the prudence of its rate-effective period investment using known and measurable costs. The 2019 GRC Settlement echoes this guidance by requiring PacifiCorp to demonstrate the “prudence and actual costs” of the LIRF Capital Additions in this proceeding.⁴⁴

31 The Settlement departs from these principles and the 2019 GRC Settlement by including projected costs for TB Flats, even though actual amounts were available by the time the Settlement was submitted. As PacifiCorp witness Shelley McCoy explains, “the numbers, as filed, did not get updated to actuals”⁴⁵ even though “they would be known at this time.”⁴⁶ While this could be cause for concern, we will accept this decision as the outcome of settlement negotiations. The Settling Parties accepted certain adjustments only as part of a comprehensive settlement stipulation resolving all of the issues presented in PacifiCorp’s initial filing.⁴⁷ The Settlement represents a compromise of the Settling Parties’ positions to avoid the delay, uncertainty, and expense of further litigation, and it should not be considered precedent for other proceedings.⁴⁸ We therefore recognize that the use of projected costs for TB Flats is only one among many adjustments reached as part of a comprehensive settlement supported by all of the parties to this proceeding. The Settlement should not be overturned because of a single adjustment that has only a marginal effect on the outcome of the case.

32 Furthermore, the Settling Parties are not precluded from reviewing and challenging future costs associated with the LIRF Capital Additions, including TB Flats.⁴⁹ As Staff witness Jason Ball explains, the Settling Parties were attempting to “strike a balance.”⁵⁰ Ball

⁴² *Id.* ¶ 39.

⁴³ *Id.*

⁴⁴ Revised and Amended Settlement Stipulation, Docket UE-191024 ¶¶ 14-15 (July 20, 2020) (2019 GRC Settlement). *Accord* 2019 GRC Order ¶¶ 61-62.

⁴⁵ McCoy, TR 49:22-23.

⁴⁶ McCoy, TR 49:22-23.

⁴⁷ Settlement ¶ 13.

⁴⁸ Settlement ¶ 21.

⁴⁹ *See* Settlement ¶ 11.

⁵⁰ Ball, TR 60:10-61:23.

notes that ratepayers are paying for a wind facility that is used and useful.⁵¹ While there may be some final costs for landscaping and minor building additions, these will not be recovered in rates until PacifiCorp presents these costs for review in a future proceeding.⁵²

33 Considering all the testimony and evidence, we agree that the LIRF Capital Additions were prudent and should be allowed into rates. We accept the Settling Parties' decision to use projected costs for TB Flats under the specific circumstances of this case. By way of guidance to the parties, however, we emphasize the importance of using actual costs during the retrospective review process whenever possible, especially when the actual costs are available.

34 **WIJAM adjustment.** We accept the Settlement's proposed adjustment to remove certain transmission-voltage, radial lines from rates.

35 Pursuant to RCW 80.04.250, the Commission must find a resource to be used and useful in this state before its costs may be recovered in rates. We have therefore found that the resource must provide benefit to Washington ratepayers "either directly (*e.g.*, flow of power from a resource to customers) and/or indirectly (*e.g.*, reduction of cost to Washington customers through exchange contracts or other tangible or intangible benefits)."⁵³

36 In the 2019 GRC Order, we approved PacifiCorp's new proposed cost allocation methodology, WIJAM.⁵⁴ The WIJAM appropriately excluded resources that have no benefit to Washington ratepayers, such as transmission-voltage, radial lines that did not correct PacifiCorp's transmission system to resources included in Washington rates.⁵⁵ We therefore approved the WIJAM based on the Company's testimony that the costs of these

⁵¹ *Id.*

⁵² *Id.* See also Exh. BE-4 (Response to Bench Request No. 4) ("The net updated rate base balance will then be included in the Company's next general rate case for rate setting consideration.").

⁵³ *WUTC v. PacifiCorp, d/b/a Pacific Power & Light Co.*, Dockets UE-050684 and UE-050412 (Consolidated), Order 04/03, 27-28, ¶ 50 (April 17, 2006).

⁵⁴ 2019 GRC Order ¶ 95.

⁵⁵ *Id.* ¶ 101.

transmission-voltage, radial lines would be subject to refund once the Company determined the proper method for their exclusion.⁵⁶

37 We find that the Settlement appropriately removes these transmission-voltage radial lines from rates. The Settlement provides for a refund of approximately \$0.8 million to reflect Washington’s share of transmission costs pursuant to the WIJAM memorandum of understanding.⁵⁷ It also provides for a decrease to customer rates, reflecting the removal of these same transmission resources.⁵⁸ The refund and rate decrease are consistent with the public interest and our earlier findings in the 2019 GRC Order.

38 **Pryor Mountain Accounting Petition.** The Settlement also provides that PacifiCorp may defer revenue received from the sale of RECs associated with the Pryor Mountain wind facility.⁵⁹ In Docket UE-210328, PacifiCorp petitioned the Commission to allow deferred accounting treatment for the revenue from these REC sales and that it be allowed to accrue interest on the unamortized balance at the quarterly rate published by the Federal Energy Regulatory Commission (FERC).⁶⁰

39 RECs are intangible assets that represent the right to claim the environmental attributes from one MWh of renewable energy.⁶¹ As a general principle, revenues from REC sales should be returned to the utility’s customers, “because they are the ones burdened with the responsibility of paying rates sufficient for [the utility] to recover all of the costs of the resources” that generate RECs.⁶² We have therefore allowed utilities to recognize revenues from REC sales as a regulatory liability, deferring proceeds from REC sales and reducing rate base over a period of years.⁶³

40 The Settlement appropriately resolves PacifiCorp’s accounting Petition in Docket UE-210328. The Settling Parties explain that “the Company will defer these revenues to track and preserve them for later ratemaking treatment and the benefit of PacifiCorp

⁵⁶ *Id.* ¶ 107.

⁵⁷ Settlement ¶ 9.

⁵⁸ Joint Testimony, Exh. JT-1T at 9:13-10:8. *See also* Settlement App. A.

⁵⁹ Settlement ¶ 12.

⁶⁰ PacifiCorp’s Petition for Accounting Order, Docket UE-210328 ¶¶ 1, 5 (May 13, 2021).

⁶¹ *Amended Petition of Puget Sound Energy*, Docket UE-070725 Order 03 ¶ 13 (May 20, 2010).

⁶² *Id.* ¶ 59.

⁶³ *Id.* ¶ 68.

customers.”⁶⁴ This is consistent with our expectation that customers receive the benefits of REC sales.

41 We note that the Settlement does not stipulate to the calculation or the ultimate disposition of the revenues from REC sales. To that effect, the Commission makes no determination with respect to the appropriateness of the dollar amounts being deferred. These issues must be addressed in a future proceeding.

42 **Resulting electric revenue decrease and refund.** In light of these various adjustments, the Settling Parties agree that PacifiCorp will decrease annual revenues by \$1.9 million on a Washington-allocated basis.⁶⁵ The Settling Parties also agree to a one-time refund to customers of \$2.8 million that will be passed back over a 12-month period, reflecting the lower-than-projected costs for LIRF Capital Additions and the WIJAM adjustment.⁶⁶ We conclude that the Settlement reasonably decreases PacifiCorp’s revenue requirement and provides for a refund to customers. PacifiCorp must file revised tariff sheets reflecting the terms of the Settlement approved in this Order.

FINDINGS OF FACT

43 Having discussed above in detail the evidence received in this proceeding concerning all material matters, and having stated findings and conclusions upon issues in dispute among the parties and the reasons therefore, the Commission now makes and enters the following summary of those facts, incorporating by reference pertinent portions of the preceding detailed findings:

- 44 (1) The Commission is an agency of the state of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including electrical companies.
- 45 (2) PacifiCorp is a “public service company” and an “electrical company” as those terms are defined in RCW 80.04.010 and used in Title 80 RCW. PacifiCorp is engaged in Washington state in the business of supplying utility services and commodities to the public for compensation.

⁶⁴ Joint Testimony, Exh. JT-1T at 13:15-20.

⁶⁵ Settlement ¶ 9.

⁶⁶ *Id.*

- 46 (3) On July 1, 2021, PacifiCorp filed revisions to its currently effective tariff WN U-76. PacifiCorp requested a prudency review of the LIRF Capital Additions and proposed a decrease in electric rates of \$616,600 as well as a refund of approximately \$2.1 million to customers.
- 47 (4) The Commission suspended the operation of the proposed tariff revisions on July 28, 2021, pending an investigation and hearing concerning the proposed changes and whether they are fair, just, and reasonable.
- 48 (5) On November 8, 2021, PacifiCorp filed a full Settlement and supporting testimony on behalf of the Company, Staff, Public Counsel, AWEC, and TEP. The Settlement is attached as Appendix A to this Order.
- 49 (6) The Settlement provides for: (1) a decrease to the Company's annual revenues by \$1.9 million on a Washington-allocated basis; (2) a one-time refund to customers of \$2.8 million that will be passed back to customers over a 12-month period; (3) approving the prudency of the eight LIRF Capital Additions, while allowing the Settling Parties to challenge future costs associated with these capital additions; (3) removing from rates certain transmission-voltage, radial lines consistent with the Company's WIJAM; and (4) allowing PacifiCorp to defer revenues from REC sales associated with the Pryor Mountain wind project from May 13, 2021, forward.
- 50 (7) The record evidence demonstrates that PacifiCorp's decision to acquire the Ekola Flats wind project was prudent.
- 51 (8) The record evidence demonstrates that PacifiCorp's decision to acquire the TB Flats wind project was prudent.
- 52 (9) The record evidence demonstrates that PacifiCorp's decision to acquire the Cedar Springs II wind project was prudent.
- 53 (10) The record evidence demonstrates that PacifiCorp's decision to acquire the Pryor Mountain wind project was prudent.
- 54 (11) The record evidence demonstrates that PacifiCorp's decision to repower the Dunlap wind project was prudent.
- 55 (12) The record evidence demonstrates that PacifiCorp's decision to repower the Foote Creek wind project was prudent.

- 56 (13) The record evidence demonstrates that PacifiCorp's decision to acquire the
Aeolus to Bridger/Anticline 500 kV Transmission Line Sequence 4 was prudent.
- 57 (14) The record evidence demonstrates that PacifiCorp's decision to acquire the
associated 230 kV network upgrades was prudent.
- 58 (15) PacifiCorp's currently effective rates are not fair, just, or reasonable for the
services rendered.

CONCLUSIONS OF LAW

59 Having discussed above all matters material to this decision, and having stated detailed
findings, conclusions, and the reasons therefore, the Commission now makes the
following summary conclusions of law, incorporating by reference pertinent portions of
the preceding detailed conclusions:

- 60 (1) The Commission has jurisdiction over the subject matter of, and parties to, these
proceedings.
- 61 (2) PacifiCorp's proposed tariff revisions, filed on July 1, 2021, would not result in
rates that are fair, just, or reasonable.
- 62 (3) PacifiCorp should be allowed to recover the costs of the Ekola Flats wind project
in rates.
- 63 (4) PacifiCorp should be allowed to recover the costs of the TB Flats wind project in
rates.
- 64 (5) PacifiCorp should be allowed to recover the costs of the Cedar Springs II wind
project in rates.
- 65 (6) PacifiCorp should be allowed to recover the costs of the Pryor Mountain wind
project in rates.
- 66 (7) PacifiCorp should be allowed to recover the costs of the repowered Dunlap wind
project in rates.
- 67 (8) PacifiCorp should be allowed to recover the costs of the repowered Foote Creek
wind project in rates.

- 68 (9) PacifiCorp should be allowed to recover the costs of the Aeolus to
Bridger/Anticline 500kV Transmission Line Sequence 4 in rates.
- 69 (10) PacifiCorp should be allowed to recover the costs of the associated 230 kV
network upgrades in rates.
- 70 (11) The Settlement's use of projected costs for the TB Flats project is a reasonable
result of the Settling Parties' negotiations, without precedential effect, and should
be approved.
- 71 (12) The Settlement's proposed adjustment to remove transmission-voltage, radial
lines from rates is consistent with WIJAM and the Commission's decision in the
Company's 2019 GRC Order, and it should be approved.
- 72 (13) PacifiCorp should be allowed to defer revenues from REC sales associated with
the Pryor Mountain wind project from May 13, 2021, forward, and these revenues
should be tracked and preserved for the benefit of ratepayers.
- 73 (14) The Settlement, if approved, would result in rates for PacifiCorp that are fair, just,
reasonable, and sufficient.
- 74 (15) Rates determined on the basis of the terms set forth in the Settlement would be
neither unduly preferential nor discriminatory and should become effective on or
before February 1, 2022.
- 75 (16) The Settlement fully and fairly resolves the issues in these dockets and is in the
public interest.
- 76 (17) The Commission should approve and adopt the Settlement without condition,
attached to this Order as Appendix A and incorporated by reference in this Order,
as a reasonable resolution of the issues presented.
- 77 (18) The Commission Secretary should be authorized to accept by letter, with copies to
all parties to this proceeding, a filing that complies with the requirements of this
Order.
- 78 (19) The Commission should retain jurisdiction to effectuate the terms of this Order.

ORDER

THE COMMISSION ORDERS:

- 79 (1) The proposed tariff revisions PacifiCorp d/b/a Pacific Power and Light Company filed on July 1, 2021, and suspended by prior Commission order, are rejected.
- 80 (2) The Settlement filed by PacifiCorp d/b/a Pacific Power and Light Company on behalf of Commission Staff, Public Counsel, AWEC, and TEP, and attached to this Order as Appendix A, is approved and adopted.
- 81 (3) PacifiCorp d/b/a Pacific Power and Light Company's acquisitions of the LIRF Capital Additions were prudent.
- 82 (4) PacifiCorp d/b/a Pacific Power and Light Company is authorized and required to make a compliance filing that includes such new and revised tariff sheets as are necessary to implement the requirements of this Order, and the timing of which provides a minimum of five business days for Commission Staff to conduct its review prior to the effective date of February 1, 2022.
- 83 (5) The Commission Secretary is authorized to accept by letter, with copies to all parties to this proceeding, a filing that complies with the requirements of this Order.
- 84 (6) The Commission retains jurisdiction over the subject matters and parties to this proceeding to effectuate the terms of this Order.

Dated at Lacey, Washington, and effective January 18, 2022.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner

85 **NOTICE TO PARTIES: This is a Commission Final Order. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 and WAC 480-07-870.**