

Decision 16-09-046 September 29, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PacifiCorp (U901E), an Oregon Company,
for an Order Authorizing a General Rate
Increase Effective January 1, 2011.

Application 09-11-015
(Filed November 20, 2009)

**DECISION GRANTING PETITION FOR MODIFICATION
OF DECISION 15-12-018 AND WAIVER OF THREE-YEAR FILING
REQUIREMENT IN DECISION 07-07-004**

Summary

This decision grants PacifiCorp's Petition for Modification of Decision 15-12-018 and authorizes PacifiCorp to forgo filing a General Rate Case application for Test Year 2018. PacifiCorp's next General Rate Case shall be filed for rates effective January 1, 2019.

1. Background

PacifiCorp is a multi-jurisdictional utility providing electric retail service to customers in California, Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp serves approximately 48,000 customers in Del Norte, Modoc, Shasta, and Siskiyou counties in Northern California.

Pursuant to Decision (D.) 07-07-004, PacifiCorp is required to file a General Rate Case (GRC) application on a three-year cycle. PacifiCorp filed its last GRC, Application 09-11-015, in November 2009 for Test Year 2011. Since PacifiCorp's last GRC, PacifiCorp has made a series of requests that the California Public

Utilities Commission (Commission) grant PacifiCorp a waiver of the three-year GRC filing cycle. The Commission granted PacifiCorp's requests to forgo filing a GRC for Test Years 2014 through 2017 and to file Post Test Year Adjustment Mechanism (PTAM) attrition factor rate increases for those years.¹ The most recent request the Commission granted was in D.15-12-018, which authorized PacifiCorp to forgo filing its GRC for Test Years 2016 and 2017 and to file a PTAM attrition factor increase for rates effective January 1, 2017. Pursuant to D.15-12-018, PacifiCorp is required to file its next GRC for Test Year 2018.

On May 12, 2016, PacifiCorp filed a petition for modification of D.15-12-018 (Petition) requesting that the Commission: (1) modify D.15-12-018 to the extent that it requires PacifiCorp to file a GRC for Test Year 2018; (2) grant PacifiCorp a waiver of the three-year GRC filing cycle and authorize PacifiCorp to file its next GRC for rates effective January 1, 2019; and (3) expedite consideration of the Petition, which was filed within one year of the effective date of D.15-12-018.

On June 1, 2016, Sierra Club filed a response in opposition to PacifiCorp's Petition.

On June 23, 2016, PacifiCorp filed a reply to Sierra Club's Response.

¹ See D.12-10-006; D.13-07-026; D.14-06-018; and D.15-12-018. The PTAM enables PacifiCorp to timely recover prudently incurred cost increases related to inflation, new plant, general operating cost increases, and unforeseen events and changes in its capital structure without filing a GRC. (D.09-04-017, at 2, fn. 1.) The Commission first authorized PacifiCorp to use the PTAM in D.06-12-011.

2. Requested Relief

PacifiCorp's Petition requests modification to Ordering Paragraph 2.b. of D.15-12-018, which granted PacifiCorp a waiver from the three-year GRC filing cycle set forth in D.07-07-004, and authorized PacifiCorp to forgo filing a GRC application for Test Years 2016 and 2017, and to file its next GRC application for Test Year 2018. PacifiCorp requests that Ordering Paragraph 2.b. be modified to authorize PacifiCorp to forgo filing a GRC application for Test Year 2018 and to file its next GRC application for Test Year 2019.

PacifiCorp's Petition is supported by an agreement between PacifiCorp, the Office of Ratepayer Advocates (ORA), and the California Farm Bureau Federation (CFBF).² The essential elements of the agreement are:

- PacifiCorp agrees not to file a PTAM for major coal-related capital additions during the extension of the GRC cycle. Any coal-related major capital additions will be included in PacifiCorp's next GRC. During the GRC extension, PacifiCorp may continue to file PTAMs for major capital additions that are not for coal-related expenditures.
- PacifiCorp agrees not to file a PTAM attrition factor increase for rates effective January 1, 2018.
- PacifiCorp will not file a GRC for rates effective January 1, 2018; PacifiCorp's next GRC will be for rates effective January 1, 2019. The continuation of both the PTAM for non-coal-related major capital additions and the Energy Cost Adjustment Clause facilitate PacifiCorp's extension of the GRC period.

According to PacifiCorp, postponing its GRC for one year would not harm its customers. ORA had approached PacifiCorp about deferring its GRC filing

² The agreement is attached as Appendix A to this decision.

for an additional year given ORA's need to staff three other Test Year 2018 GRCs. PacifiCorp contends that allowing ORA to ensure it has sufficient staff to devote to PacifiCorp's GRC will ultimately benefit PacifiCorp's customers. PacifiCorp also contends that its customers will be saved the costs that would be incurred with filing a GRC for Test Year 2018 and will continue to be charged low and relatively stable rates during the GRC extension.

3. Other Parties' Positions

ORA and CFBF support PacifiCorp's Petition. Sierra Club is the only party that opposes the Petition.

In its response to the Petition, Sierra Club argues that if PacifiCorp's Petition is granted, it will mean an eight year gap since the Commission and stakeholders have been permitted to review PacifiCorp's capital spending and operations. In particular, Sierra Club objects to PacifiCorp's recovery of coal-related capital expenditures from California ratepayers. Since PacifiCorp's last GRC, PacifiCorp has filed advice letters to increase rates pursuant to the PTAM for major capital additions. According to Sierra Club, PacifiCorp's Advice Letters 476-E and 507-E, which were approved by Energy Division, included capital expenditures for coal plants that resulted in a California annual revenue requirement of \$781,000. Sierra Club asserts that these capital expenditures were not reviewed for prudence and will only undergo such a review in PacifiCorp's next GRC.

Sierra Club proposes that if the Commission decides to grant PacifiCorp's Petition, the Commission should immediately remove the \$781,000 currently in rates from Advice Letters 476-E and 507-E and allow PacifiCorp to file a limited rate case that includes only its capital expenditures on coal plants and related revenue requirement since the last rate case.

4. Discussion

We grant PacifiCorp's Petition. With the granting of the Petition, PacifiCorp's rates will remain low and relatively stable as PacifiCorp has agreed not to file a PTAM attrition factor rate increase for 2018 or any PTAMs for coal-related capital additions during the GRC extension. Moreover, it is in the ratepayers' best interest if the GRC is delayed a year to ensure ORA has sufficient staff to devote to PacifiCorp's GRC.

We find that that the arguments raised by Sierra Club in its response do not warrant denial of PacifiCorp's Petition and we decline to adopt Sierra Club's recommendation to hold a limited rate case to review the expenditures authorized in Advice Letters 476-E and 507-E.

Sierra Club fails to demonstrate that PacifiCorp's use of the PTAM for major capital additions was improper. The Commission authorized PacifiCorp's continued use of the PTAM for major capital additions in D.10-09-010. Energy Division reviewed Advice Letters 476-E and 507-E and approved these advice letters because they were consistent with the authority the Commission had granted to PacifiCorp in D.10-09-010. Any objections to these advice letters should have been raised in a protest to the advice letter during the advice letter process. We decline to revisit the approval of these advice letters in this proceeding.

Sierra Club objects to the fact that an additional \$781,000 will continue to be included in California customers' annual revenue requirement as a result of coal-related capital expenditures approved in these advice letters. We find that these capital expenditures do not have a significant impact on rates. Sierra Club objects to PacifiCorp's capital expenditures for emissions-control equipment installed at the following coal plants: Dave Johnston 4, Naughton 1, and

Hunter 1. According to PacifiCorp, the capital expenditures related to these plants result in a bill impact of \$0.91 to the average residential customer.³ Therefore, we do not find the rate impact of a one year deferral of the GRC to be significant. Furthermore, as PacifiCorp has agreed not to file any PTAMs for major coal-related capital additions during the extension period, no additional coal-related expenditures will be placed in rates before the next GRC.

Based on the foregoing, we find that, on balance, ratepayers will benefit from a one year deferral of the GRC filing. Therefore, we grant PacifiCorp's requested modifications to D.15-12-018.

In granting PacifiCorp's Petition, we expect that no further extension requests for the GRC filing will be necessary. PacifiCorp may not continually rely on PTAM filings in lieu of filing a GRC. Although a one year deferral of the GRC should not have a significant impact on rates, we are concerned about the potential for rate shock with continued deferral of the GRC. The PTAM for major capital additions only applies to capital expenditures in excess of \$50 million on a total-company basis. PacifiCorp's capital expenditures since its last GRC that are below this threshold have not yet been included in rates. Moreover, there are aspects of PacifiCorp's capital spending and operations that are only reviewed in a GRC proceeding. For these reasons, we expect PacifiCorp to file a GRC for rates effective January 1, 2019.

³ Attachment A to Reply of PacifiCorp to Sierra Club's Response in Opposition to PacifiCorp's Petition for Modification, dated June 23, 2016.

5. Comments on Proposed Decision

The proposed decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. On September 14, 2016, PacifiCorp filed comments in support of the proposed decision. No other comments on the proposed decision were filed.

6. Assignment of Proceeding

Michael Picker is the assigned Commissioner and Sophia J. Park is the assigned ALJ in this proceeding.

Findings of Fact

1. Pursuant to D.07-07-004, PacifiCorp is required to file a GRC application on a three-year cycle.
2. Pursuant to D.15-12-018, PacifiCorp is required to file its next GRC for Test Year 2018.
3. PacifiCorp's Petition requests a waiver of the three-year GRC filing cycle and authorization to file PacifiCorp's next GRC for rates effective January 1, 2019.
4. PacifiCorp's Petition is supported by an agreement between PacifiCorp, ORA, and CFBF. Pursuant to this agreement, PacifiCorp agrees not to file a PTAM for major coal-related capital additions during the GRC extension or a PTAM attrition factor increase for rates effective January 1, 2018.
5. PacifiCorp's rates will remain low and relatively stable during the GRC extension period.
6. ORA will have limited staff to devote to PacifiCorp's 2018 Test Year GRC filing.

7. It is in ratepayers' best interest if ORA has sufficient staff to devote to PacifiCorp's GRC.

8. The arguments raised by Sierra Club in its response do not warrant denial of PacifiCorp's Petition.

9. Sierra Club does not demonstrate that PacifiCorp's use of the PTAM for major capital additions was improper.

10. The Commission authorized PacifiCorp's continued use of the PTAM for major capital additions in D.10-09-010.

11. Energy Division reviewed Advice Letters 476-E and 507-E and approved these advice letters because they were consistent with the authority the Commission had granted to PacifiCorp in D.10-09-010.

12. PacifiCorp's capital expenditures related to the Dave Johnston 4, Naughton 1, and Hunter 1 coal plants, which are being challenged by Sierra Club, have a bill impact of \$0.91 for the average residential customer, and therefore, do not have a significant impact on rates.

13. Pursuant to PacifiCorp's agreement with ORA and CFBF, no additional coal-related capital expenditures will be placed in PacifiCorp's rates during the GRC extension period.

14. On balance, ratepayers will benefit from a one year deferral of PacifiCorp's GRC filing.

Conclusions of Law

1. Any objections to Advice Letters 476-E and 507-E should have been raised during the advice letter process.

2. Sierra Club's proposal to hold a limited rate case to review the expenditures authorized in Advice Letters 476-E and 507-E should be rejected.

3. PacifiCorp should be granted a waiver from D.07-07-004 and authorized

to forgo filing a GRC application for Test Year 2018 and to file its next GRC application for Test Year 2019.

ORDER

IT IS ORDERED that:

1. PacifiCorp's Petition for Modification of Decision 15-12-018 is granted.
2. Ordering Paragraph 2.b of Decision 15-12-018 is modified as follows:

We grant PacifiCorp a waiver from Decision 07-07-004, which allows PacifiCorp to forgo filing a General Rate Case (GRC) application for Test Years 2016, 2017, and 2018, and file its next GRC application for Test Year 2019.

3. Pursuant to PacifiCorp's agreement with the Office of Ratepayer Advocates and the California Farm Bureau Federation, attached as Appendix A to this decision, PacifiCorp will not file a Post-Test Year Adjustment Mechanism (PTAM) for major coal-related capital additions during the General Rate Case extension or a PTAM attrition factor increase for rates effective January 1, 2018. Consistent with the authority previously granted by the Commission, PacifiCorp may continue to file PTAMs for major capital additions that are not for coal-related expenditures.

4. Application 09-11-015 is closed.

This order is effective today.

Dated September 29, 2016, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

LIANE M. RANDOLPH

Commissioners

Commissioner Carla J. Peterman, being necessarily absent, did not participate.

APPENDIX A

**Agreement
Regarding PacifiCorp's Post-Test Year Adjustment Mechanism
and General Rate Case Cycle**

This Agreement between PacifiCorp (d/b/a Pacific Power) ("Company"), the Office of Ratepayer Advocates ("ORA") of the California Public Utilities Commission, and the California Farm Bureau Federation ("CFBF") (collectively, the "Parties") outlines the agreement between the Parties with respect to the following details for extension of the general rate case cycle.

By signing this Agreement, the Parties agree to the following:

- A. The Company agrees not to file a Post Test Year Adjustment Mechanism (PTAM) attrition factor rate increase for rates effective January 1, 2018.**
- B. The Company agrees not to file a PTAM for major coal-related capital additions during the extension of the general rate case cycle. Any coal-related major capital additions will be included in the Company's next general rate case. During the extension of the general rate case cycle the Company may continue to file PTAMs for major capital additions that are not for coal-related expenditures.**
- C. With the continuation of both the PTAM for major capital additions for non-coal-related expenditures and the Energy Cost Adjustment Clause adopted in Commission D.10-09-010, and subsequently modified by D.12-10-006, D.13-07-026, D.14-06-018, and D.15-12-018 the Company will not file a general rate case for rates effective January 1, 2018. The Company's next general rate case will be for rates effective January 1, 2019.**

The Parties believe that this Agreement is reasonable in light of the record in the underlying proceedings, consistent with the law, and in the public interest. ORA and CFBF agree not to oppose PacifiCorp's petition for modification or other necessary actions to effectuate this Agreement. This agreement will terminate without survival of any obligation if PacifiCorp is required by the California Public Utilities Commission to file a general rate case for rates effective January 1, 2018.

[SIGNATURES ON PAGE 2]

Agreement re: PTAM and General Rate Case Cycle
Page 2

PacifiCorp

By: *R. Bryce Dancy*
Name: *R. Bryce Dancy*
Title: *VP, REGULATION*
Date: *4/27/16*

Office of Ratepayer Advocates

By: *Robert Mark Pardo*
Name: *Robert Mark Pardo*
Title: *Program Manager*
Date: *4/26/2016*

California Farm Bureau Federation

By: *Karen Norene Mills*
Name: *Karen Norene Mills*
Title: *Associate Counsel*
Date: *May 2, 2016*