

FINAL ORDER ISSUES IN PACIFIC POWER'S WASHINGTON GENERAL RATE CASE

On March 25, 2015, the Washington Utilities and Transportation Commission ("Commission") authorized a \$9.6 million rate increase for Pacific Power (or the "Company"), equating to roughly one quarter of what the Company had requested through a general rate increase and three consolidated deferred accounting petitions. Newly authorized rates are effective March 31, 2015, and will result in an average rate increase of about 3.0%. In the final order, the Commission rejected Pacific Power proposals to include out-of-state qualifying facility costs in Washington rates, and to raise the Company's return rates and authorized equity levels (Pacific Power will continue at a 9.5% return on equity, with an equity component of 47.1%). In rejecting these proposals, the Commission noted the recent determinations against the Company in the last general rate case, with the same issues currently pending appeal in Washington state court. Other notable Company requests denied by the Commission include: 1) the use of escalation factors to increase operating expense; 2) continued use of an exceptional grant of end-of-period rate base; 3) the inclusion of 27 of 30 pro forma capital addition projects in rate base; 4) a dollar-for-dollar power cost recovery mechanism ("PCAM") for renewable resources; and 5) two of three deferred accounting petitions, with the Company denied interest on the third petition. Finally, the Commission found that it was "no longer acceptable" for Pacific Power to continue without a properly designed PCAM conforming to Commission standards for the protection of ratepayers. To this end, the Commission has ordered a "Phase Two" in this docket, in which the Company is expected to collaborate with other parties in the creation of a suitable PCAM by May 31, 2015.