

July 31, 2014

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Public Utility Commission of Oregon
3930 Fairview Industrial Dr. S.E.
Salem, OR 97302-1166

Attn: Filing Center

**RE: UE 287—2015 Transition Adjustment Mechanism
Pacific Power's July Update to Net Power Costs**

Enclosed for filing by PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) in the 2015 Transition Adjustment Mechanism docket (TAM) is the July update to the 2015 forecast of net power costs (NPC), incorporating corrections and updates in accordance with the TAM guidelines. This update also reflects the adjustments to NPC from the concurrently filed stipulation in this docket and in docket UM 1689, PacifiCorp's request for deferred accounting and prudence determination relating to the Energy Imbalance Market. Under that stipulation, the settling parties agreed that the 2015 TAM is \$1.496 billion on a total-company basis, or \$370.0 million on an Oregon-allocated basis, subject to the July update and November Indicative and Final updates.

The July update produces only a slight change to the 2015 TAM baseline in the stipulation; \$1.497 billion in NPC on a total-company basis, and \$369.7 million on an Oregon-allocated basis. After accounting for a correction to Other Revenue, the total TAM July update reflects an overall rate increase of \$9.8 million, a reduction of \$8.5 million from the Company's initial filing.

The following exhibits are provided in support of this filing:

- Exhibit A—Summary of NPC corrections and updates since the initial filing and the impacts on total-company NPC.
- Exhibit B—Description of corrections and updates.
- Exhibit C—Update of the Oregon allocation of NPC, including the settlement adjustments.

Attached are CDs with the GRID project and NPC report and workpapers supporting this filing, as required by the TAM guidelines.

Please direct informal correspondence and questions regarding this filing to Natasha Siores, Director, Regulatory Affairs and Revenue Requirement, at (503) 813-6583.

Oregon Public Utility Commission
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A copy of this filing has been served on all parties to this proceeding, as indicated on the attached certificate of service.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bryce Dalley". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

R. Bryce Dalley
Vice President, Regulation

cc: UE 287 Service List

Exhibit A

Oregon TAM 2015 (April 2014 Initial Filing)		NPC (\$) =	1,529,835,581
		\$/MWh =	25.53
Corrections (One-offs from Initial Filing, Naughton 3 Gas Conversion)			
C01 - Small Qualifying Facility (QF) Pricing	(610,576)	NPC (\$)	
C02 - Mona Summer Transmission Rights	17,392		
C03 - Latigo Wind Profile	495,183		
C04 - Non-owned East Contingency Reserve Obligation	2,686		
C05 - Indexed QF pricing	(931,866)		
Total Corrections =	(1,027,181)		
Updates (One-offs from Initial Filing, Naughton 3 Gas Conversion)			
U01 - Chehalis Lateral Rate	(58,176)		
U02 - Portland General Electric Company Cove Annual Cost	(88,077)		
U03 - Long Ridge I and II Termination	(52,172)		
U04 - BAL-002-WECC-2	(1,754,256)		
U05 - BAL-003-1	3,239,420		
U06 - Tata Chemicals QF	(1,839)		
U07 - Douglas Public Utility District Pro-forma	45,166		
U08 - Mariah Wind QF	621		
U09 - Platte River Power Authority Real Power Loss Factor	(2,207)		
U10 - Arizona Public Service Transmission Rate	98,792		
U11 - Small QF Contract Updates	(501,014)		
U12 - Idaho Power Company Transmission Rate	(40,500)		
U13 - Pavant Solar QF	415		
U14 - Official Forward Price Curve and Short-Term Transactions	6,699,031		
U15 - Mona Transmission Termination	736,973		
U16 - Orem Family Wind QF	621		
U17 - Postpone Champlin Blue Mountain Wind QF	(883,582)		
U18 - Black Hills Corporation Sales Contract	(529,311)		
U19 - Gadsby Gas Tariff Rates	504,381		
Total Updates =	7,414,285		
Naughton Coal-Fired Operation Updates			
Naughton 3 Continued Coal-fired Operation	(32,043,700)	vs Initial Filing	
N01 - Coal Cost Update	(394,191)	vs N3 Continued Coal	
Total Coal Updates =	(32,437,892)		
System balancing impact of all adjustments	(5,591,968)		
Settlement Adjustment	(1,300,000)		
Total Change from April 2014 Initial Filing	(32,942,755)		
Oregon TAM 2015 (July 2014 Filing)		NPC (\$) =	1,496,892,826
		\$/MWh =	24.98

Exhibit B
July 2014
Oregon Transition Adjustment Mechanism (TAM) July Update
Correction and Update Explanations

Settlement:

- Settlement Adjustments—In accordance with the settlement stipulation agreed upon by the parties and filed concurrently with this update, the overall TAM request includes recognition of \$6.7 million of benefits on a total-company basis from participating in an energy imbalance market (EIM), offset by \$6.7 million of EIM-related costs. The TAM request also reflects an additional one-time “black box” reduction to net power costs of \$1.3 million on a total-company basis.

Correction to Other Revenue:

- Seattle City Light (SCL) Storage and Integration Agreement Revenue—The forecast for the SCL revenues did not use the 2015 contract rate and did not reflect megawatt hours consistent with the 2015 NPC model. This correction reduces total-company other revenue by approximately \$273,000. Please note that the Other Revenue adjustment is reflected on line 52 in Exhibit C.

NPC Corrections:

- Small Qualifying Facility (QF) Pricing—The Company incorrectly calculated the contract prices for several QF contracts expected to extend through 2015. Correcting the contract prices decreases total-company NPC by approximately \$611,000.
- Mona Summer Transmission Rights—The Company has additional network transmission rights from Mona to its Utah loads during July through September. The Company inadvertently included these additional transmission rights in October. Correcting these transmission rights increases total-company NPC by approximately \$17,000. Supporting document: *Pac_Trans_Constellation_Network_Resource_Approval_100MW_774346_dtd_4-25-12.pdf*.
- Latigo Wind Profile—The Company inadvertently relied on a previous version of the wind profile for Latigo Wind Park QF, rather than the estimates contained in Exhibit A of the contract. This correction increases total-company NPC by approximately \$495,000.
- Non-owned East Contingency Reserve Obligation—The Company incorrectly calculated the Non-Owned East Contingency Reserve Obligation, omitting the expected generation from one facility. The correction increases total-company NPC by approximately \$2,700.
- Indexed QF Pricing—The Company inadvertently omitted several energy charge inputs for Chevron Wind QF and Douglas County Forest Products QF. This correction decreases total-company NPC by approximately \$932,000.

NPC Updates:

- Naughton 3 Continued Coal-Fired Operation—On June 20, 2014, the Wyoming Division of Air Quality issued the final amended best available retrofit technology (BART) permit, which allows for continued coal operations at Naughton Unit 3 through December 31, 2017, with conversion to natural gas operations by June 30, 2018. As indicated in the Company’s Initial Filing, the impact of this update reduces total-company NPC by approximately \$32 million.

- Northwest Pipeline Chehalis Lateral Rate—Northwest Pipeline provided an updated cost-of-service calculation for the Chehalis Pipeline Lateral, with the new monthly payment taking effect April 2014. The impact of the update reduces total-company NPC by approximately \$58,000. Supporting document: *Chehalis Pipeline Lateral Cost-of-Service True-Up Calculation 3-25-14.pdf*.
- Portland General Electric Company (PGE) Cove Annual Cost—The annual purchase power expense for PGE Cove has been updated to reflect the latest projection by PGE. The impact of this update reduces total-company NPC by approximately \$88,000. Supporting document: *PGE Cove 2014 Estimate Accrual Invoice.pdf*.
- Long Ridge I and II Termination—On March 17, 2014, Long Ridge I and II, LLC notified the Company on the termination of the respective power purchase agreements. This update reduces total-company NPC by approximately \$52,000. Supporting documents: *Long Ridge I 3-17-14 TERMINATION of QF PPA 80 MW per Sec 2.10 Endur 21024.pdf* and *Long Ridge II 3-17-14 TERMINATION of QF PPA 80 MW per Sec 2.10 Endur 21025.pdf*.
- BAL-002-WECC-2—In accordance with NERC Reliability Standard BAL-002-WECC-2, beginning October 2014, the Company's contingency reserve obligation will be calculated based on three percent of generation and three percent of load. Before October 2014, the contingency reserve obligation is calculated based only on generation differentiated as five percent hydro and seven percent thermal. This update reduces total-company NPC by approximately \$1.8 million.
- BAL-003-1—NERC Reliability Standard BAL-003-1 includes requirements pertaining to the provision of reserves for frequency response, effective April 1, 2015. The impact of this update increases total-company NPC by approximately \$3.2 million.
- Tata Chemicals QF—The Company has signed a new QF contract with Tata Chemicals (Soda Ash) Partners to purchase the excess energy above site load starting 2014. This update reduces total-company NPC by approximately \$1,800. Supporting document: *Tata_Chemicals (Soda_Ash)_4-25-14_TT4063_Executed_QF_PPA_for_Gas_CoGen_Endur_20910[1].pdf*.
- Douglas Public Utility District Pro-forma—This update incorporates the fiscal year September 1, 2014 – August 31, 2015 preliminary pro-forma published by the Douglas Public Utility District on May 2, 2014. The impact of this update increases total-company NPC by approximately \$45,000. Supporting document: *Douglas_PUD_5-2-14_Wells_Preliminary_Pro-Forma_Statement.pdf*.
- Mariah Wind QF—The Company signed a new QF contract with Mariah Wind, LLC to purchase the energy from the wind QF located in Morrow County, Oregon, starting December 31, 2015. This update increases total-company NPC by \$621. Supporting document: *Mariah Wind LLC TT4511 QF PPA Endur ID 21107.pdf*.
- Platte River Power Authority Real Power Loss Factor—Platte River updated its Real Power Loss factor to 1.7 percent, effective May 1, 2014. Updating the real power loss factor decreases total-company NPC by approximately \$2,200. The supporting documentation is available online at: http://www.oatiaoasis.com/PRPA/PRPAdocs/PRPA_2014_SUMMARY_Tariff_effective_May_1_2014.pdf.
- Arizona Public Service Company (APS) Firm Point-to-Point (PTP) Transmission Rate—This update reflects the updated firm PTP transmission rate for APS posted on OASIS with an effective date of June 1, 2014. The updated rate is also applied to the Company's transmission rights under the Long-Term Power Transactions Agreement and Asset Purchase

and Power Exchange Agreement with APS. This update increases total-company NPC by approximately \$99,000.

- Small QF Contract Updates—The Company executed seven new QF contracts for the test period; however, four of these were renewals of existing contracts and were already reflected in the initial filing at the current Schedule 37 rate. In addition, one QF has delayed its commercial operation date and is no longer expected to deliver during the forecast period. Updating these contracts decreases total-company NPC by approximately \$501,000.

Supporting documents:

- *Foote Creek II 6-17-14 TT4459 QF Power Purchase Agreement.pdf*
- *Lower_Valley_7-3-14_TT4519_QF_PPA_-_Preliminary[1].pdf*
- *Loyd_Fery_6-17-14_TT4522_QF_PPA_Eff_7-1-14_to_6-30-15_Endur_21117.pdf*
- *REUT Origination Milford 2 Solar_5.17.14_TT4513_QF_PPA_Endur_21110[1].pdf*
- *Roush_Hydro_7-3-14_TT4518_QF_PPA_Endur_21116[1].pdf*
- *Stahlbush_Island_Farms_5.28.14_TT4515_QF_PPA_Endur_21112.pdf*
- *Warm_Springs_Hydro_5-5-14_TT4517_EXECUTED_QF_PPA_2.75_MW_Endur_21114.pdf*
- *CBG_Portland_Ltr_6-19-14_Cure_of_Delayed_COD_Default_to_12-31-15_Endur_20962.pdf*
- Idaho Power Company (Idaho Power) Firm PTP Transmission Rate—This update reflects the updated PTP transmission rate for Idaho Power for fiscal year ending September 30, 2015, posted on OASIS on May 30, 2014, with an effective date of October 1, 2014. This update increases total-company NPC by approximately \$41,000.
- Pavant Solar QF—The Company signed a new QF contract with Pavant Solar, LLC to purchase the energy from the solar QF located in Utah starting December 31, 2015. This update increases total-company NPC by \$415. Supporting document: *Pavant Solar 4-11-14 TT4508 PRELIMINARY QF PPA for 50 MW UT Solar.pdf*.
- Official Forward Price Curve and Short-Term Firm (STF) Transactions—The July update replaces the official forward price curve dated December 31, 2013, with the official forward price curve dated June 30, 2014. The Company has entered a number of new wholesale STF transactions for electricity and natural gas for the forecast period, both physical and financial, through June 30, 2014. This update increases total-company NPC by approximately \$6.7 million. Supporting document: *U14 - ORTAM15w_Short-term Transactions JUL15 CONF.xlsx*.
- Mona Transmission Termination—The Company terminated certain PTP transmission rights from Mona to its Utah loads, effective August 1, 2014. This update increases total-company NPC by approximately \$737,000. Supporting documents: *Pac_Trans_Ltr_6-5-14_APPROVAL_for_Termination_of_PTP_Service_Agt_412_-_MDWP-PACE-NNH_50_MW_-_77873246[1].pdf* and *Pac_Trans_Ltr_6-5-14_APPROVAL_Termination_of_PTP_Service_Agt_508_-_MPAC-PACE_250_MW_-_558588.pdf*.
- Orem Family Wind QF—The Company signed a new QF contract with Orem Family Wind, LLC to purchase the energy from the wind QF located in Morrow County, Oregon, starting December 31, 2015. This update increases total-company NPC by \$621. Supporting document: *Orem Family Wind LLC TT4512 QF PPA Endur ID 21108.pdf*.
- Postpone Champlin Blue Mountain Wind QF—Blue Mountain Power Partners, LLC has declared Force Majeure on its power purchase agreement obligations as a result of an ongoing legal dispute and is not expected to meet its Scheduled Commercial Operation Date or deliver output in the forecast period. This update decreases total-company NPC by approximately \$884,000.

- Black Hills Corporation (Black Hills) Sales Contract—This update reflects the new annual fixed and variable costs the Company provided to Black Hills on May 28, 2014, for its sales contract with Black Hills. This update decreases total-company NPC by approximately \$529,000. Supporting documents: *Black Hills_5-28-14_-_2014 Adjusted Variable Cost Rate Calculations.pdf* and *Black_Hills_Ltr_5-28-14_Fixed_Costs_Calc_for_2014-2015.pdf*.
- Gadsby Gas Tariff Rates—This update reflects revised fixed gas transportation costs for the Gadsby plant as a result of Questar Gas Company’s tariff changes. This update increases total-company NPC by approximately \$504,000. Supporting document: *QGCGadsby0314Rev.pdf*.
- Coal Costs—Contract prices are updated per terms of the contracts to reflect changes in volumes, as well as market price indexes and inflation rates. The update to coal prices decreases total-company NPC by approximately \$0.4 million.

PacifiCorp
Oregon - CY 2015 TAM
Exhibit C - July Update

Line no	ACCT.	Total Company					Factor	Factors CY 2014	Factors CY 2015	Oregon Allocated			
		UE-264 Final		Naughton 3		UE-264 Final				Naughton 3 Coal			
		Final TAM CY 2014	Initial Filing TAM CY 2015	Coal TAM	July Update TAM CY 2015	Final TAM CY 2014				Initial Filing TAM CY 2015	TAM CY 2015	July Update TAM CY 2015	
1	Sales for Resale												
2	Existing Firm PPL	447	26,770,321	13,961,671	13,961,671	14,465,891	SG	26.053%	25.687%	6,974,472	3,586,366	3,586,366	3,715,886
3	Existing Firm UPL	447	30,332,094	29,139,801	29,139,801	29,139,801	SG	26.053%	25.687%	7,902,421	7,485,207	7,485,207	7,485,207
4	Post-Merger Firm	447	392,665,570	365,630,296	368,124,192	401,665,709	SG	26.053%	25.687%	102,301,167	93,920,287	94,560,900	103,176,786
5	Non-Firm	447	-	-	-	-	SE	24.687%	24.484%	-	-	-	-
6	Total Sales for Resale		449,767,986	408,731,768	411,225,663	445,271,401				117,178,061	104,991,860	105,632,473	114,377,879
7													
8	Purchased Power												
9	Existing Firm Demand PPL	555	2,867,295	3,292,634	3,292,634	2,922,322	SG	26.053%	25.687%	747,016	845,787	845,787	750,663
10	Existing Firm Demand UPL	555	52,532,746	55,379,617	55,379,617	55,229,049	SG	26.053%	25.687%	13,686,357	14,225,488	14,225,488	14,186,812
11	Existing Firm Energy	555	25,971,161	29,154,344	29,154,344	28,198,847	SE	24.687%	24.484%	6,411,431	7,138,141	7,138,141	6,904,197
12	Post-merger Firm	555	519,804,990	526,772,591	522,547,710	523,535,609	SG	26.053%	25.687%	135,424,802	135,313,275	134,228,020	134,481,784
13	Secondary Purchases	555	-	-	-	-	SE	24.687%	24.484%	-	-	-	-
14	Other Generation Expense	555	3,344,256	3,515,487	3,515,487	3,524,912	SG	26.053%	25.687%	871,279	903,031	903,031	905,452
15	Total Purchased Power		604,520,448	618,114,674	613,889,792	613,410,739				157,140,886	158,425,722	157,340,467	157,228,909
16													
17	Wheeling Expense												
18	Existing Firm PPL	565	27,297,335	27,165,030	27,165,030	27,165,030	SG	26.053%	25.687%	7,111,775	6,977,943	6,977,943	6,977,943
19	Existing Firm UPL	565	-	-	-	-	SG	26.053%	25.687%	-	-	-	-
20	Post-merger Firm	565	110,997,010	112,112,433	112,112,433	112,170,725	SG	26.053%	25.687%	28,918,053	28,798,576	28,798,576	28,813,550
21	Non-Firm	565	5,066,934	6,899,428	6,898,211	6,899,281	SE	24.687%	24.484%	1,250,860	1,689,254	1,688,956	1,689,218
22	Total Wheeling Expense		143,361,280	146,176,891	146,175,674	146,235,036				37,280,689	37,465,773	37,465,475	37,480,711
23													
24	Fuel Expense												
25	Fuel Consumed - Coal	501	744,132,904	733,921,363	763,406,650	763,827,432	SE	24.687%	24.484%	183,702,102	179,693,090	186,912,259	187,015,283
26	Fuel Consumed - Coal (Cholla)	501	55,644,930	61,820,042	60,836,095	61,890,360	SSECH/SE	24.687%	24.484%	13,736,915	15,136,001	14,895,092	15,153,217
27	Fuel Consumed - Gas	501	4,104,921	4,798,513	4,951,993	5,494,173	SE	24.687%	24.484%	1,013,371	1,174,866	1,212,444	1,345,192
28	Natural Gas Consumed	547	336,503,960	363,638,686	310,916,855	342,689,991	SE	24.687%	24.484%	83,071,834	89,033,188	76,124,791	83,904,116
29	Simple Cycle Comb. Turbines	547	6,699,935	5,991,022	4,734,327	5,588,350	SSECT/SE	24.687%	24.484%	1,653,995	1,466,840	1,159,151	1,368,250
30	Steam from Other Sources	503	3,441,624	4,106,159	4,106,159	4,328,145	SE	24.687%	24.484%	849,624	1,005,351	1,005,351	1,059,702
31	Total Fuel Expense		1,150,528,274	1,174,275,784	1,148,952,077	1,183,818,451				284,027,841	287,509,336	281,309,087	289,845,760
32													
33	Net Power Cost (Per GRID)		1,448,642,016	1,529,835,581	1,497,791,881	1,498,192,826				361,271,356	378,408,972	370,482,557	370,177,501
34													
35													
36	Settlement Adjustment				(1,300,000)	(1,300,000)	SG	26.053%	25.687%			(333,934)	(333,934)
37	EIM Benefits				(6,700,000)	(6,700,000)	SG	26.053%	25.687%			(1,721,044)	(1,721,044)
38	Oregon Situs Solar Project Benefit		(131,319)	(154,164)	(154,164)	(154,164)	OR	100.000%	100.000%	(131,319)	(154,164)	(154,164)	(154,164)
39	Total NPC Net of Adjustments		1,448,510,698	1,529,681,417	1,489,637,717	1,490,038,662				361,140,037	378,254,808	368,273,415	367,968,359
40													
41	EIM Costs				6,700,000	6,700,000	SG	26.053%	25.687%			1,721,044	1,721,044
42	Total TAM Net of Adjustments		1,448,510,698	1,529,681,417	1,496,337,717	1,496,738,662				361,140,037	378,254,808	369,994,459	369,689,403
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Exhibit C - Page 1

Oregon-allocated NPC Baseline in Rates from UE-264 \$361,140,037
 \$ Change due to load variance from UE-264 forecast (1,852,305)
 2015 Recovery of NPC in Rates \$359,287,732

Increase Absent Load Change 17,114,771 8,854,422 8,549,366

Increase Including Load Change 18,967,076 10,706,727 10,401,671

Add Other Revenue Change (642,976) (642,976) (572,771)

Total TAM Increase 18,324,099 10,063,751 9,828,900

CERTIFICATE OF SERVICE

I certify that I served a true and correct copy of PacifiCorp's July Update to Net Power Costs on the parties listed below via electronic mail and/or US mail in compliance with OAR 860-001-0180.

SERVICE LIST UE 287

OPUC Dockets (W)
Citizens' Utility Board of Oregon
610 Broadway, Suite 400
Portland, OR 97205
dockets@oregoncub.org

G. Catriona McCracken (C)(W)
Citizens' Utility Board of Oregon
610 Broadway, Suite 400
Portland, OR 97205
catriona@oregoncub.org

S Bradley Van Cleve (C)(W)
Davison Van Cleve PC
333 SW Taylor – Ste 400
Portland, OR 97204
bvc@dvclaw.com

Katherine A McDowell (W)
McDowell Rackner & Gibson PC
419 SW 11th Ave, Suite 400
Portland, OR 97205
Katherine@mcd-law.com

Michael T Weirich (C)(W)
PUC Staff – Department of Justice
Business Activities Section
1162 Court Street NE
Salem, OR 97301-4096
Michael.weirich@state.or.us

Sarah Wallace (C)(W)
Pacific Power
825 NE Multnomah St Ste 1800
Portland, OR 97232
Sarah.wallace@pacificcorp.com

Robert Jenks (C)(W)
Citizens' Utility Board of Oregon
610 Broadway, Suite 400
Portland, OR 97205
bob@oregoncub.org

Tyler C Pepple (C)(W)
Davison Van Cleve PC
333 SW Taylor – Ste 400
Portland, OR 97204
tcp@dvclaw.com

Kevin Higgins (C)(W)
Energy Strategies LLC
215 State St Ste 200
Salt Lake City, UT 84111-2322
Khiggins@energystrat.com

Bradley Mullins (C)(W)
Mountain West Analytics
333 SW Taylor – Ste 400
Portland, OR 97204
brmullins@mwanalytics.com

Greg Bass (W)
Noble Americas Energy Solutions, LLC
401 West A St., Ste. 500
San Diego, CA 92101
gbass@noblesolutions.com

Oregon Dockets (W)
PacifiCorp, DBA Pacific Power
825 NE Multnomah St, Ste 2000
Portland, OR 97232
oregondockets@pacificcorp.com

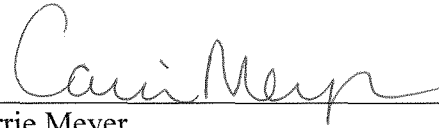
Gregory M. Adams (C)(W)
Richardson Adams, PLLC
PO Box 7218
Boise, ID 83702
greg@richardsonadams.com

Douglas C. Tingey (W)
Portland General Electric
121 SW Salmon St. 1WTC1301
Portland, OR 97204
Doug.tingey@pgn.com

Dated this 31st of July 2014.

Jorge Ordonez (C)(W)
Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088
jorge.ordonez@state.or.us

Jay Tinker (W)
Portland General Electric
121 SW Salmon St. 1WTC-0702
Portland, OR 97204
pge.opuc.filings@pgn.com



Carrie Meyer
Supervisor, Regulatory Operations