

March 25, 2015

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

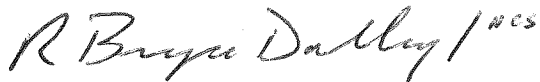
Attn: Filing Center

**RE: Docket UM 1712—Application for Approval of Deer Creek Mine Transaction
Partial Stipulation**

PacifiCorp d/b/a Pacific Power (Company) encloses for filing the stipulation between the Company and the Citizens' Utility Board of Oregon. The settling parties will file a brief in support of the stipulation by April 3, 2015, to allow other parties to respond in simultaneous opening briefs due April 21, 2015. Confidential information is provided in accordance with Order 14-431.

If you have any questions please contact me at (503) 813-6389 or bryce.dalley@pacificorp.com.

Sincerely,



R. Bryce Dalley
Vice President, Regulation

Enclosure

cc: UM 1712 Service List

CERTIFICATE OF SERVICE

I certify that I electronically filed a true and correct copy of PacifiCorp's Stipulation with the Public Utility Commission of Oregon Filing Center, who will serve the parties listed below via electronic mail in compliance with OAR 860-001-0180. PacifiCorp will provide a Confidential CD to the following parties that can receive confidential information via Overnight Delivery.

UM 1712

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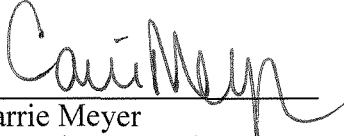
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Dated this 25th of March, 2015.


Carrie Meyer
Supervisor, Regulatory Operations

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1712**

In the Matter of
PACIFICORP d/b/a PACIFIC POWER
Application for Approval of Deer Creek Mine
Transaction.

STIPULATION

INTRODUCTION

1 1. PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) and the Citizens'
2 Utility Board of Oregon (CUB) (collectively the Settling Parties) enter into this Stipulation
3 to resolve the issues in docket UM 1712, PacifiCorp's application for approval of the Deer
4 Creek mine transaction.

BACKGROUND

5 2. On December 12, 2015, PacifiCorp filed an application for approval of the
6 closure of the Deer Creek mine, located near Huntington, Utah, and related matters. The
7 mine is operated by Energy West Mining Company (Energy West), a wholly-owned
8 subsidiary consolidated with PacifiCorp for regulatory purposes. PacifiCorp filed the
9 application on its own behalf and on behalf of Energy West.

10 3. The closure of the Deer Creek mine consists of four major components:
11 (a) the Company will permanently close the mine and incur direct closure costs; (b) Energy
12 West will withdraw from the United Mine Workers of America (UMWA) 1974 Pension
13 Trust, incurring a withdrawal liability; (c) the Company will sell certain Mining Assets;
14 and (d) the Company will execute a replacement coal supply agreement (CSA) for the
15 Huntington generating plant and an amended CSA for the Hunter generating plant. Energy

1 West also settled the Company's retiree medical obligation related to Energy West union
2 participants (Retiree Medical Obligation). Together, the four components of the closure
3 and the settlement of the Retiree Medical Obligation constitute the Transaction to close the
4 Deer Creek mine.

5 4. The Company's December 12, 2014 application requested that the Public
6 Utility Commission of Oregon (Commission) issue an order:

- 7 • Finding that the closure of the mine is in the public interest and the decision to
8 enter into the Transaction, including the withdrawal from the 1974 Pension Trust,
9 the settlement of the retiree medical obligation, and the new and amended coal
10 supply agreements (CSAs) for the Huntington and Hunter plants (respectively), is
11 prudent;
- 12 • Approving the Deer Creek Mine Closure tariff, resulting in a one-year rate
13 increase of \$42.6 million or 3.4 percent overall, effective June 1, 2015. The tariff
14 includes the following:
 - 15 ○ Accelerated recovery of the undepreciated investment in the mine
16 (approximately \$86.0 million total company or \$21.1 million Oregon
17 allocated);
 - 18 ○ Closure costs (approximately \$[REDACTED] million total company or \$[REDACTED] million
19 Oregon allocated);
 - 20 ○ Net loss on assets sold (approximately \$[REDACTED] million total company, \$[REDACTED]
21 million Oregon allocated);
 - 22 ○ One-time retiree medical settlement loss (approximately \$[REDACTED] million total
23 company or \$[REDACTED] million Oregon allocated); and
 - 24 ○ A credit (reduction) for the difference between fuel costs from June 1, 2015,
25 through December 31, 2015, included in rates through the 2015 transition
26 adjustment mechanism (TAM) for the Huntington and Hunter plants and fuel
27 costs under the CSAs (approximately \$1.0 million total company or
28 \$0.25 million Oregon allocated).
- 29 • Authorizing continued recovery of annual payments (\$3.0 million total company)
30 to the 1974 Pension Trust through net power costs until the payments end,
31 change, or the withdrawal obligation is otherwise satisfied;
- 32 • Authorizing the creation of regulatory assets associated with the Transaction or
33 deferred accounting if necessary to effectuate the requested regulatory treatment;
34 and

- 1 • Approving the sale of the mining assets and allowing recovery of the loss through
2 the Deer Creek Mine Closure tariff.

3 5. The Company requested that the Commission issue an order by May 27, 2015,
4 because the CSAs and the agreement to sell the Mining Assets are contingent upon
5 receiving the necessary regulatory approvals by May 31, 2015.

6 6. CUB, the Industrial Customers of Northwest Utilities (ICNU), and the Sierra
7 Club intervened in this docket. All parties participated in a technical workshop on
8 January 23, 2015, and a Commission workshop on February 12, 2015. All parties also
9 participated in three settlement conferences held February 12, February 23 and March 9,
10 2015. No settlement was reached during these conferences.

11 7. During a meeting on March 23, 2015, CUB and PacifiCorp reached a
12 comprehensive settlement of the issues raised in this case. The settlement addresses the
13 Company's requests for a prudence determination, a determination that the closure of the
14 mine is in the public interest, and approval of the sale of Mining Assets. The settlement
15 also addresses the ratemaking treatment of certain Transaction costs while reserving the
16 determination of the appropriate ratemaking treatment of other Transaction costs for the
17 Company's next general rate case.

AGREEMENT

18 8. The Settling Parties agree to submit this Stipulation to the Commission and
19 request that the Commission approve the Stipulation as presented. The Settling Parties
20 agree that this Stipulation will result in rates that meet the standard in ORS 756.040.

21 9. The Settling Parties agree that the decision to enter into the Transaction—
22 including the decisions to close the mine, withdraw from the 1974 Pension Trust, settle the

1 Retiree Medical Obligation, sell the mining assets, and enter into the new and amended
2 CSAs for the Huntington and Hunter plants (respectively)—was prudent.

3 10. The Settling Parties agree that the decisions to close the mine and sell the
4 Mining Assets are in the public interest.

5 11. The Settling Parties agree to a two-year amortization period for the
6 Deer Creek Mine Closure tariff, beginning January 1, 2016, with interest accruing at
7 3.31 percent, effective June 1, 2015, and continuing through amortization. The Settling
8 Parties also agree that the Company may establish a regulatory asset for amounts included
9 in the tariff. This regulatory asset will be amortized as amounts are collected from
10 customers through the tariff.

11 12. The Settling Parties agree that the Deer Creek Mine Closure tariff includes the
12 following:

13 a. The Company's unrecovered investment in the Deer Creek mine
14 (\$86.0 million total company or \$21.1 million Oregon allocated); and

15 b. Actual closure costs incurred through November 30, 2015 (estimated
16 at approximately \$[REDACTED] million total company or \$[REDACTED] million Oregon allocated).

17 13. The Company agrees to permanent suspension of the Deer Creek Mine
18 Closure tariff, Schedule 198, included with the Company's December 12, 2014 filing. The
19 Company agrees to file a revised tariff Schedule 198 on December 1, 2015, with a
20 January 1, 2016 effective date. The revised tariff will include actual closure costs incurred
21 through October 31, 2015, and estimated closure costs for November 2015. The Company
22 will update the compliance tariff with actual amounts from November 1, 2015, through
23 November 30, 2015, on or before December 15, 2015.

1 14. Attached as Exhibit A to this Stipulation is an illustrative tariff and supporting
2 work papers showing the anticipated impact of revised tariff schedule 198. The overall
3 annual rate impact is estimate to be \$15.8 million, or 1.3 percent. Exhibit A also shows the
4 estimated rate spread, which is calculated using the generation allocation factors from the
5 Company's most recent general rate case, docket UE 263.¹

6 15. The Settling Parties agree that the Company may establish a regulatory asset,
7 with interest accruing beginning June 1, 2015, at the Company's authorized weighted
8 average cost of capital,² that includes the following components for consideration in the
9 company's next general rate case:

10 a. One-time retiree medical settlement loss (estimated at approximately
11 \$■■■ million total company or \$■■■ million Oregon allocated) net of benefits from reduced
12 retiree medical expense;

13 b. Actual closure costs incurred after November 30, 2015 (estimated at
14 approximately \$■■■ million total company or \$■■■ million Oregon allocated);

15 c. Any difference between estimates included in the Deer Creek Mine
16 Closure tariff and actual amounts; and

17 d. A credit (reduction) for the difference between fuel costs from June 1,
18 2015, through December 31, 2015, included in rates through the 2015 TAM for the
19 Huntington and Hunter plants and replacement fuel costs, including the CSAs (approximately
20 \$1.0 million total company or \$0.25 million Oregon allocated).

¹ Use of the generation allocation factors from the Company's most recent rate case is consistent with the parties' agreement in paragraph 18 of the stipulation approved by the Commission in that docket. *In the Matter of PacifiCorp d/b/a Pacific Power Request for a General Rate Revision*, Docket No. UE 263, Order No. 13-474, Appendix A at 7 (Dec. 18, 2013).

² *Id.* at 3-4 (paragraph 12).

1 16. The Settling Parties agree that this regulatory asset will be offset by a credit of
2 \$0.22 million per month (or \$2.6 million annually), beginning June 1, 2015, for the “return
3 on” the undepreciated Deer Creek assets currently included in rates.

4 17. The Settling Parties agree to continue recovery of annual payments
5 (\$3.0 million total company) to the 1974 Pension Trust through net power costs in the
6 TAM until the payments end, change, or the withdrawal obligation is otherwise satisfied.
7 The Settling Parties also agree to creation of a regulatory asset for the pension withdrawal
8 liability.

9 18. The Settling Parties agree to recommend that the Commission approve the
10 sale of the Mining Assets and allow recovery of the loss through the Company’s existing
11 property sales balancing account (Schedule 96).

12 19. The Settling Parties agree that the CSAs should be included in base rates
13 through the Company’s 2016 TAM.

14 20. The Settling Parties agree to recommend that the Commission issue an order
15 approving this settlement before the May 31, 2015 deadline for regulatory approvals.

16 21. This Stipulation will be offered into the record as evidence under OAR 860-
17 001-0350(7). The Settling Parties agree to support this Stipulation throughout this
18 proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing, and
19 recommend that the Commission issue an order adopting the Stipulation. The Settling
20 Parties also agree to cooperate in drafting and submitting joint testimony or a brief in
21 support of the Stipulation in accordance with OAR 860-001-0350(7).

22 22. If this Stipulation is challenged by any other party to this proceeding, the
23 Settling Parties agree that they will continue to support the Commission’s adoption of the

1 terms of this Stipulation. The Settling Parties agree to cooperate in cross-examination and
2 put on such a case as they deem appropriate to respond fully to the issues presented, which
3 may include raising issues that are incorporated in the settlements embodied in this
4 Stipulation.

5 23. The Settling Parties have negotiated this Stipulation as an integrated
6 document. If the Commission rejects all or any material portion of this Stipulation or
7 imposes additional material conditions in approving this Stipulation, any of the Settling
8 Parties are entitled to withdraw from the Stipulation or exercise any other rights provided
9 in OAR 860-001-0350(9). To withdraw from the Stipulation, a settling party must provide
10 written notice to the Commission and other Settling Parties within five days of service of
11 the final order rejecting, modifying, or conditioning this Stipulation.

12 24. By entering into this Stipulation, no settling party approves, admits, or
13 consents to the facts, principles, methods, or theories employed by any other settling party
14 in arriving at the terms of this Stipulation other than those specifically identified in the
15 body of this Stipulation. Except as expressly provided in this Stipulation, nothing in this
16 Stipulation limits the issues that any settling party may raise in future proceedings.

17 25. This Stipulation is not enforceable by any settling party unless and until
18 adopted by the Commission in a final order. Each signatory to this Stipulation avers that
19 they are signing this Stipulation in good faith and that they intend to abide by the terms of
20 this Stipulation unless and until the Stipulation is rejected or adopted only in part by the
21 Commission. The Settling Parties agree that the Commission has exclusive jurisdiction to
22 enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation,
23 the Settling Parties reserve the right to seek reconsideration or rehearing of the Commission

1 order under ORS 756.561 and OAR 860-001-0720 or to appeal the Commission order
2 under ORS 756.610

3 26. This Stipulation may be executed in counterparts and each signed counterpart
4 constitutes an original document.

5 This Stipulation is entered into by each settling party on the date entered below the
6 settling party's signature.

PACIFICORP

CUB

By: 

By: _____

Date: 3/25/15

Date: _____

EXHIBIT A

Purpose

This schedule recovers costs associated with the closure of the Deer Creek Mine, as authorized by Order No. 15-xxx in Docket UM 1712.

Monthly Billing

All bills calculated in accordance with Schedules contained in presently effective Tariff Or. No.36 will have applied an amount equal to the product of all kWh multiplied by the following applicable rate as listed by Delivery Service schedule.

Delivery Service Schedule

Schedule 4, per kWh	0.127¢
Schedule 5, per kWh	0.127¢
Schedule 15, per kWh	0.086¢
Schedule 23, 723, per kWh	0.120¢
Schedule 28, 728, per kWh	0.124¢
Schedule 30, 730, per kWh	0.119¢
Schedule 41, 741, per kWh	0.123¢
Schedule 47, 747, per kWh	0.109¢
Schedule 48, 748, per kWh	0.109¢
Schedule 50, per kWh	0.086¢
Schedule 51, 751, per kWh	0.086¢
Schedule 52, 752, per kWh	0.086¢
Schedule 53, 753, per kWh	0.086¢
Schedule 54, 754, per kWh	0.086¢

This schedule will terminate when ordered amounts have been fully recovered.

DEER CREEK MINE CLOSURE - SUPPLY SERVICE ADJUSTMENT
Schedule 198 -- Settlement Agreement

	<u>Tariff Increases</u>		<u>Net Tariff</u>
	Projected Balances at 12/31/2014	Closure Costs	
<u>Existing Costs:</u>			
<i>Deer Creek assets¹</i>			
Gross electric plant in service	\$ 217		
Accumulated depreciation	(130)		
CWIP	5		
Expected salvage	(6)		
Net book value	<u>86</u>		
Total net rate base			
<u>New costs:</u>			
Closure costs (estimated through Nov. 30, 2015)		[REDACTED]	
Total amounts flowing into tariff	\$ 86	\$ [REDACTED]	\$ 123
Oregon SE factor (per 2015 TAM)	24.484%	\$ 21.1	\$ 30.0

DEER CREEK MINE CLOSURE - SUPPLY SERVICE ADJUSTMENT
Schedule 198 Interest Calculation

Interest Rate **3.31%**

(\$ millions)

	Beginning Balance	Proposed Amort.	Interest	Ending Balance
June-15	30.0		0.08	30.1
July-15	30.1		0.08	30.2
August-15	30.2		0.08	30.2
September-15	30.2		0.08	30.3
October-15	30.3		0.08	30.4
November-15	30.4		0.08	30.5
December-15	30.5		0.08	30.6
January-16	30.6	(1.3)	0.08	29.3
February-16	29.3	(1.3)	0.08	28.1
March-16	28.1	(1.3)	0.08	26.9
April-16	26.9	(1.3)	0.07	25.6
May-16	25.6	(1.3)	0.07	24.4
June-16	24.4	(1.3)	0.07	23.1
July-16	23.1	(1.3)	0.06	21.9
August-16	21.9	(1.3)	0.06	20.6
September-16	20.6	(1.3)	0.06	19.3
October-16	19.3	(1.3)	0.05	18.1
November-16	18.1	(1.3)	0.05	16.8
December-16	16.8	(1.3)	0.04	15.5
January-17	15.5	(1.3)	0.04	14.3
February-17	14.3	(1.3)	0.04	13.0
March-17	13.0	(1.3)	0.03	11.7
April-17	11.7	(1.3)	0.03	10.4
May-17	10.4	(1.3)	0.03	9.1
June-17	9.1	(1.3)	0.02	7.8
July-17	7.8	(1.3)	0.02	6.5
August-17	6.5	(1.3)	0.02	5.2
September-17	5.2	(1.3)	0.01	3.9
October-17	3.9	(1.3)	0.01	2.6
November-17	2.6	(1.3)	0.01	1.3
December-17	1.3	(1.3)	0.00	(0.0)
		(31.6)	1.6	

Annual Amortization	(15.8)
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Deer Creek Mine Closure

PACIFIC POWER
ESTIMATED EFFECT OF PROPOSED PRICE CHANGE
ON REVENUES FROM ELECTRIC SALES TO ULTIMATE CONSUMERS
DISTRIBUTED BY RATE SCHEDULES IN OREGON
FORECAST 12 MONTHS ENDING DECEMBER 31, 2015

Line No.	Description	Sch No.	No. of Cust	MWh	Present Revenues (\$000)			Proposed Revenues (\$000)			Change				Line No.
					Base Rates	Adders ¹	Net Rates	Base Rates	Adders ¹	Net Rates	Base Rates		Net Rates		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
						(5) + (6)			(8) + (9)	(8) - (5)	(11)/(5)	(10) - (7)	(13)/(7)		
Residential															
1	Residential	4	484,343	5,253,064	\$596,641	\$5,735	\$602,376	\$596,641	\$12,398	\$609,039	\$0	0.0%	\$6,662	1.1%	1
2	Total Residential		484,343	5,253,064	\$596,641	\$5,735	\$602,376	\$596,641	\$12,398	\$609,039	\$0	0.0%	\$6,662	1.1%	2
Commercial & Industrial															
3	Gen. Svc. < 31 kW	23	76,950	1,121,146	\$122,085	\$5,208	\$127,293	\$122,085	\$6,559	\$128,644	\$0	0.0%	\$1,351	1.1%	3
4	Gen. Svc. 31 - 200 kW	28	10,093	2,014,017	\$181,669	\$3,141	\$184,810	\$181,669	\$5,646	\$187,315	\$0	0.0%	\$2,505	1.4%	4
5	Gen. Svc. 201 - 999 kW	30	857	1,343,078	\$107,746	\$1,055	\$108,801	\$107,746	\$2,649	\$110,395	\$0	0.0%	\$1,594	1.5%	5
6	Large General Service ≥ 1,000 kW	48	203	3,046,739	\$212,223	(\$9,425)	\$202,798	\$212,223	(\$6,117)	\$206,106	\$0	0.0%	\$3,308	1.6%	6
7	Partial Req. Svc. ≥ 1,000 kW	47	7	61,069	\$6,441	(\$199)	\$6,242	\$6,441	(\$135)	\$6,306	\$0	0.0%	\$63	1.6%	7
8	Agricultural Pumping Service	41	7,942	228,528	\$26,253	(\$1,240)	\$25,013	\$26,253	(\$959)	\$25,294	\$0	0.0%	\$280	1.1%	8
9	Total Commercial & Industrial		96,052	7,814,577	\$656,417	(\$1,459)	\$654,958	\$656,417	\$7,642	\$664,059	\$0	0.0%	\$9,101	1.4%	9
Lighting															
10	Outdoor Area Lighting Service	15	6,579	9,214	\$1,177	\$221	\$1,398	\$1,177	\$229	\$1,406	\$0	0.0%	\$8	0.6%	10
11	Street Lighting Service	50	246	8,768	\$970	\$195	\$1,165	\$970	\$203	\$1,173	\$0	0.0%	\$8	0.7%	11
12	Street Lighting Service HPS	51	736	19,319	\$3,374	\$712	\$4,086	\$3,374	\$728	\$4,102	\$0	0.0%	\$17	0.4%	12
13	Street Lighting Service	52	26	565	\$73	\$13	\$86	\$73	\$14	\$87	\$0	0.0%	\$0	0.6%	13
14	Street Lighting Service	53	249	9,518	\$597	\$120	\$717	\$597	\$129	\$726	\$0	0.0%	\$8	1.1%	14
15	Recreational Field Lighting	54	105	1,246	\$104	\$20	\$124	\$104	\$21	\$125	\$0	0.0%	\$1	0.9%	15
16	Total Public Street Lighting		7,941	48,630	\$6,295	\$1,281	\$7,576	\$6,295	\$1,323	\$7,618	\$0	0.0%	\$42	0.6%	16
17	Total Sales before Emp. Disc. & AGA		588,336	13,116,271	\$1,259,353	\$5,557	\$1,264,910	\$1,259,353	\$21,362	\$1,280,715	\$0	0.0%	\$15,805	1.3%	17
18	Employee Discount				(\$463)	(\$3)	(\$466)	(\$463)	(\$8)	(\$471)	\$0		(\$5)		18
19	Total Sales with Emp. Disc		588,336	13,116,271	\$1,258,890	\$5,554	\$1,264,444	\$1,258,890	\$21,354	\$1,280,244	\$0	0.0%	\$15,800	1.3%	19
20	AGA Revenue				\$2,439		\$2,439	\$2,439		\$2,439	\$0		\$0		20
21	Total Sales		588,336	13,116,271	\$1,261,329	\$5,554	\$1,266,883	\$1,261,329	\$21,354	\$1,282,683	\$0	0.0%	\$15,800	1.3%	21

¹ Excludes effects of the Low Income Bill Payment Assistance Charge (Sch. 91), BPA Credit (Sch. 98), Klamath Dam Removal Surcharges (Sch. 199), Public Purpose Charge (Sch. 290) and Energy Conservation Charge (Sch. 297).

² Percentages shown for Schedules 48 and 47 reflect the combined rate change for both schedules.