



ADAM LOWNEY
Direct (503) 595-3926
adam@mrg-law.com

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VIA ELECTRONIC FILING

Attention: Filing Center
Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, Oregon 97308-1088

Re: UE 420 – *In the Matter of PACIFICORP, dba PACIFIC POWER, 2024 Transition Adjustment Mechanism.*

Attention Filing Center:

Attached for filing in the above-referenced docket is the Stipulating Parties' Joint Brief in Support of the Stipulation.

Please contact this office with any questions.

Sincerely,

Adam Lowney

Attachment

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UE 420**

In the Matter of
PACIFICORP d/b/a PACIFIC POWER,
2024 Transition Adjustment Mechanism.

STIPULATING PARTIES' JOINT BRIEF IN SUPPORT OF STIPULATION

September 12, 2023

I. INTRODUCTION

In accordance with OAR 860-001-350(7)(a), PacifiCorp (PacifiCorp or the Company), Staff of the Public Utility Commission of Oregon (Commission) (Staff), the Oregon Citizens' Utility Board (CUB), Calpine Energy Solutions, LLC (Calpine Solutions), Vitesse, LLC (Vitesse), and the Klamath Water Users Association (KWUA) (collectively, the Stipulating Parties) submit this brief, which explains and supports the Stipulation filed in this proceeding on September 12, 2023. The Sierra Club and the Alliance of Western Energy Consumers (AWEC) are the only parties to this case that are not parties to the Stipulation.

This Stipulation resolves all issues in PacifiCorp's 2024 Transition Adjustment Mechanism (TAM) proceeding among the Stipulating Parties except the appropriate ratemaking treatment of the costs associated with the Washington Cap and Invest Program. In addition, this Stipulation does not resolve the issues raised by Sierra Club, although the non-PacifiCorp Stipulating Parties agree as part of the Stipulation to take no position on Sierra Club's recommendations.

II. BACKGROUND

The TAM is PacifiCorp's annual filing to update its net power costs (NPC) in rates and to set the transition adjustments for customers who choose direct access during the open enrollment window in November. Along with the forecast NPC, the 2024 TAM also includes test period forecasts for: (1) incremental benefits related to the company's participation in the energy imbalance market (EIM) with the California Independent System Operator; and (2) renewable energy production tax credits (PTC).

On April 3, 2023, PacifiCorp filed its 2024 TAM, with direct testimony and exhibits from Ramon Mitchell, James Owen, and Judith Ridenour. PacifiCorp also filed revised tariff sheets for Schedule 201 to implement the 2024 TAM.

PacifiCorp's April 3, 2023 TAM filing (Initial Filing) reflected total-company NPC for the test period (the 12 months ending December 31, 2024) of approximately \$2.642 billion. NPC

in the Initial Filing were approximately \$754.7 million on an Oregon-allocated basis. This amount was approximately \$255.1 million higher than the \$499.6 million Oregon-allocated NPC from the Final Update in the 2023 TAM (Docket No. UE 400), and \$163.8 million higher when adjusted for forecasted load changes and PTCs. The Initial Filing reflected an overall average rate increase of approximately 9.5 percent.

On April 4, 2023, AWEC filed to intervene in this proceeding. On April 6, 2023, Calpine Solutions filed a petition to intervene. On April 11, 2023, Sierra Club filed a petition to intervene. On April 12, 2023, CUB filed a Notice of Intervention. On April 17, 2023, Administrative Law Judge Katharine Mapes granted AWEC's and Calpine Solutions' petitions to intervene. On April 21, 2024, Vitesse filed a petition to intervene. On April 24, 2023, Administrative Law Judge Katharine Mapes held a prehearing conference and subsequently issued a Prehearing Conference Memorandum granting intervention to Sierra Club, Vitesse, and CUB and adopting a procedural schedule. On May 5, 2023, KWUA filed a petition to intervene and the intervention was granted on May 11, 2023.

On June 23, 2023, Staff, AWEC, CUB, Sierra Club, Vitesse, and Calpine Solutions filed opening testimony, which included numerous monetary adjustments and non-monetary recommendations.

On July 24, 2023, PacifiCorp filed reply testimony from Ramon Mitchell, James Owen, Zepure Shahumyan, and Matthew McVee, along with an updated NPC forecast (Reply Update). The Reply Update reflected normalized, total-company NPC for the test period (the 12 months ending December 31, 2024) of approximately \$2.527 billion. On an Oregon-allocated basis, NPC in the Reply Update were approximately \$722.1 million. This amount was approximately \$222.5 million higher than the \$499.6 million NPC allocated to Oregon in the final 2023 TAM update (Docket No. UE 400), and \$130.8 million higher when adjusted for forecasted load changes and PTCs.

On August 16, 2023, Staff and intervenors filed rebuttal testimony. Two weeks later, on August 30, 2023, PacifiCorp filed surrebuttal testimony from Ramon Mitchell, James Owen,

Matthew McVee, Ryan Fuller, and Michael Wilding. In that testimony, the Company indicated that it would remove costs associated with the Ozone Transport Rule (OTR) from the 2024 TAM, for a \$19 million decrease in total company NPC, or \$5.5 million in Oregon-allocated NPC.

The parties convened settlement conferences on August 11, 21, and 28, 2023. All parties initially engaged in the settlement discussions, although AWEC and Sierra Club ultimately ceased their participation. At a final settlement conference on September 6, 2023, the Stipulating Parties reached a settlement in principle that resolved all issues among the Stipulating Parties, except the treatment of Washington Cap and Invest program costs. The Stipulating Parties informed the Commission of this settlement at the start of the hearing in this case on September 7, 2023.

The settlement establishes baseline 2024 NPC in rates, subject to the Final Update. The terms of the settlement are reflected in the concurrently filed Stipulation.

III. DISCUSSION

A. Terms of the Stipulation

1. Overall Agreement

The Stipulation results in a decrease to the Reply Update of approximately \$18.5 million on an Oregon-allocated basis, consisting of the removal of OTR costs (\$5.5 million Oregon-allocated),¹ as discussed in the Company's surrebuttal testimony, and a \$13 million Oregon-allocated, unspecified adjustment to NPC.² The Stipulation results in a total company NPC baseline of \$2.463 billion and an Oregon-allocated NPC baseline of \$703.6 million, subject to the Final Update. This reflects an overall average rate increase of approximately \$112.3 million when adjusted for forecasted load changes and PTCs, or 6.5 percent on an overall basis. The

¹ Stipulation ¶ 13.

² Stipulation ¶ 18. Any adjustment to PacifiCorp's Initial or Reply Update not incorporated into the Stipulation directly or by reference is resolved without an adjustment or recommendation for the purposes of this proceeding, except for the Washington Cap and Invest issue. Stipulation ¶ 20.

Stipulating Parties agree that the rate change resulting from the Stipulation, including the resolution of the remaining unsettled issue, results in rates that are fair, just, and reasonable, as required by ORS 756.040.

2. TAM Adjustments and Update

The Stipulating Parties agree that PacifiCorp will file a Final Update to its 2024 TAM filing consistent with the TAM Guidelines, including the adjustments described in the Stipulation.³ The Stipulating Parties recognize that the estimated impact of the agreed-upon adjustments may change in the TAM Final Update, along with the NPC baseline and overall rate change.

3. Ozone Transport Rule (OTR)

PacifiCorp agrees to remove the modeling impacts of the OTR on the Company's generation, which is approximately \$5.5 million Oregon-allocated, in the 2024 TAM Final Update.⁴ If PacifiCorp is required to implement the OTR in 2024 and the costs of OTR implementation exceed \$5.5 million on an Oregon-allocated basis, then the Company will file a deferral to capture these costs. The Stipulating Parties agree not to oppose PacifiCorp's deferral. However, the Stipulating Parties may contest the amortization of any costs included in the deferral in the proceeding in which PacifiCorp seeks to amortize the deferral.

4. Technical Workshops

PacifiCorp agrees to hold the technical workshops. To this end, the intent of the participants in the workshop is to identify, specify, and describe the modeling, inputs, and forecasting of the following topics:⁵

- Coal Contracting
- Coal Dispatch
- Day-Ahead and Real-Time (DA/RT) Adjustment
- Wind Forecasting

³ Stipulation ¶ 12.

⁴ Stipulation ¶ 13.

⁵ Stipulation ¶ 14.

- Short-Term Transmission
- Extended Day-Ahead Market/Energy Imbalance Market

As part of PacifiCorp’s participation in the workshops, PacifiCorp will provide workshop attendees standalone descriptions of how these topics are modeled in Aurora or outside of the NPC model. The Stipulating Parties reserve the right to object to the Company’s approach to these issues in the 2025 TAM, including but not limited to the purpose of the Company’s modeling adjustments.

5. Coal Reporting

PacifiCorp will work with Staff to provide the following information in the 2023 Power Cost Adjustment Mechanism (PCAM) filing regarding the operation of PacifiCorp’s coal facilities.⁶

- Generation per plant
 - Forecasted in the previous TAM;
 - Actual; and
 - Variance.
- Amount of coal consumed per plant
 - Forecasted in the previous TAM;
 - Actual; and
 - Variance.
- Price of coal consumed for the month at each plant
 - Forecasted in the previous TAM;
 - Actual
 - Variance.
- PacifiCorp will provide a report comparing the monthly actual generation against the forecasted generation for each coal facility and provide an explanation for each variance in coal generation greater than 10 percent when compared to the forecast. This report will also compare the annual forecasted coal price for each facility in the TAM against the actuals provided in the PCAM. For each variance greater than 10 percent, PacifiCorp will provide an explanation of the variance.

In addition, the Stipulating Parties agree to meet prior to the filing of the 2026 TAM to discuss if the reporting should be modified and continued for subsequent years.

⁶ Stipulation ¶ 15.

6. PCAM Rate Effective Date

The Company agrees to work with the Stipulating Parties on the rate effective date of revised Schedule 206 in the 2022 PCAM, Docket No. UE 421, to minimize the impact on customers during the 2023-2024 winter heating season.⁷ PacifiCorp agrees that if the combined January 1, 2024, rate increase for residential customers from the 2024 TAM, 2022 PCAM, and any other rate change occurring on January 1 exceeds 15 percent, PacifiCorp will seek to delay the rate effective date of revised Schedule 206, the PCAM tariff, until April 1, 2024 to mitigate the rate impact on customers.

7. DA/RT Adjustment in the Calculation of the Transition Charge

In calculating the transition adjustment for direct access, PacifiCorp will apply the DA/RT adjustment for the market prices used for valuing changes in generation⁸ for months when the net change in the Company's generation is a reduction of generation attributable to direct access.⁹ For months in which there is a net increase in PacifiCorp generation attributable to direct access, PacifiCorp will not apply the market adjustment to the net generation increase, but rather PacifiCorp will value it at cost. PacifiCorp will continue to apply the DA/RT adjustment to changes in sales and purchases.

8. Washington Cap and Invest Program

The treatment of Washington Cap and Invest program in PacifiCorp's 2024 TAM is excluded from the Stipulation and will remain a contested issue in this proceeding.¹⁰

B. The Stipulation Is Supported by the Record and Reflects a Reasonable Resolution of the Issues among the Stipulating Parties.

The Commission has adopted stipulations that are supported by competent evidence in

⁷ Stipulation ¶ 16.

⁸ PAC/100, Mitchell/44, line 17 – PAC/100, Mitchell/45, line 10.

⁹ Stipulation ¶ 17.

¹⁰ Stipulation ¶ 19.

the record, appropriately resolve the issues in a case, and result in just and reasonable rates.¹¹ The Commission has found that the record in support of a stipulation is satisfactory where, as here, the parties “conducted a thorough investigation of the company's testimony and exhibits, served numerous data requests, participated in settlement conferences, and filed insightful testimony.”¹² When evaluating the rates, the Commission examines “the reasonableness of the overall rates.”¹³ Here, the Stipulation satisfies these standards.

1. The Stipulation is supported by a robust evidentiary record.

The Company’s direct, reply, and surrebuttal testimony and the opening and rebuttal testimony filed by CUB, Staff, Vitesse, and Calpine Solutions creates a comprehensive evidentiary record supporting the Stipulation. In addition to the prefiled record, the Company responded to hundreds of data requests and conducted its own discovery into the testimony filed by Staff and intervenors. The Commission held an evidentiary hearing on September 7 and 8, 2023, allowing additional development of the evidentiary record. Indeed, because the Stipulating Parties reached agreement the day before the evidentiary hearing, the prefiled record was completely developed by every party in this case.

2. The Stipulation is a reasonable compromise of competing interests.

The Stipulating Parties held several settlement conferences that resulted in a Stipulation

¹¹ See *In re PacifiCorp Request for a General Rate Revision*, Docket No. UE 374, Order No. 20-473 at 140 (Dec. 18, 2020) (“We find that the stipulation as a whole represents a reasonable resolution of the identified issues related to rate spread and rate design, and contributes to an overall settlement in the public interest. Accordingly, we adopt the partial stipulation in its entirety.”); *In re PacifiCorp’s 2010 Transition Adjustment Mechanism*, Docket No. UE 207, Order No. 09-432 at 6 (Oct. 30, 2009) (“The Commission concludes that the Stipulation is an appropriate resolution of all primary issues in this docket.”); *In re PacifiCorp Request for a General Rate Revision*, Docket No. UE 210, Order No. 10-022 at 6 (Jan. 26, 2010) (“When considering a stipulation, we have the statutory duty to make an independent judgment as to whether any given settlement constitutes a reasonable resolution of the issues.”); *In re PacifiCorp Request for a General Rate*, Docket No. UE 217, Order No. 10-473 at 7 (Dec. 14, 2010) (“We have reviewed the Stipulation, and find that it will result in rates that are fair, just, and reasonable.”).

¹² *In re Portland General Electric Company, Request for a General Rate Revision*, Docket No. UE 335, Order No. 18-464 at 10-11 (Dec. 14, 2018).

¹³ *In re Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement*, Docket No. DR 10 et al., Order No. 08-487 at 7-8 (Sept. 30, 2008).

that resolved their differences through dialogue and negotiations. The Stipulation represents a reasonable compromise of all but one of the numerous and complex issues raised in this case among the Stipulating Parties.

First, the Stipulation results in a decrease to the Reply Update of approximately \$18.5 million on an Oregon-allocated basis. This decrease includes both a \$13 million (Oregon-allocated) unspecified adjustment and the removal of the modeling impacts of the OTR on the Company's generation, which is anticipated to be a \$5.5 million reduction to NPC. The Stipulation also creates a process for potential recovery of costs associated with the OTR in the event PacifiCorp is required to implement the OTR in 2024. Overall, the Stipulation results in a total company NPC baseline of \$2.463 billion and an Oregon-allocated NPC baseline of \$703.6 million, subject to the Final Update. This reflects an overall average rate increase of approximately \$112.3 million when adjusted for forecasted load changes and PTCs, or 6.5 percent on an overall basis.

Second, PacifiCorp has agreed to hold numerous technical workshops to further a mutual understanding of the Company's NPC modeling, both within and outside the Aurora model. The agreed-upon workshops will address coal contracting, coal dispatch, the DA/RT Adjustment, wind forecasting, short-term transmission, and the Extended Day-Ahead Market and EIM.

Third, PacifiCorp has agreed to work with Staff to provide extensive information in the 2023 PCAM filing regarding the operation of PacifiCorp's coal facilities. The Stipulating Parties also agreed to meet prior to the filing of the 2026 TAM to discuss if the reporting should be modified and continued for subsequent years.

Fourth, to minimize the impact on customers during the winter heating season, the Company has agreed to work with Stipulating Parties to modify the rate effective date of the PCAM (in the PCAM proceeding), if necessary so the cumulative January 1 rate increase for residential customers will not exceed 15 percent.

Fifth, the Stipulating Parties agree to a modification to the calculation of the transition

adjustments for direct access customers to account for the DA/RT adjustment in the calculation of market prices used to value changes in generation for months when the net change in PacifiCorp generation is a reduction of generation attributable to direct access. For months in which there is a net increase in PacifiCorp generation attributable to direct access, there will not be any market adjustment for changes in generation, but rather it will be valued at cost.

The overall agreement encompassed in the Stipulation represents a reasonable compromise that resolves all but one of the complex issues amongst a diverse group of nearly all parties and results in an overall outcome that is fair and balanced.

3. The Stipulation will result in just and reasonable rates.

The rates resulting from the Stipulation, including the resolution of the remaining unsettled issue, are just and reasonable as required by ORS 756.040 and fall within the “range of reasonableness” for resolution of these issues.¹⁴ The rates resulting from the Stipulation reflect an overall average rate increase of approximately \$112.3 million, or 6.5 percent on an overall basis, subject to the Final Update. The final Oregon-allocated NPC of \$703.6 million reflected in the Stipulation is a reduction of \$51.1 million from the \$754.7 million Oregon-allocated NPC in the Initial Filing and a reduction of \$18.5 million from the \$722.1 million Oregon-allocated NPC in the Reply Update.

The Stipulation also includes a provision to limit the residential customer impact of rate changes occurring during the winter heating season by deferring the rate effective date of the Company’s PCAM, if the cumulative impact of January 1 rate changes would otherwise exceed 15 percent.

IV. CONCLUSION

For the foregoing reasons, the Stipulating Parties recommend that the Commission

¹⁴ See *In re US West*, Docket No. UM 773, Order No. 96-284 at 31 (Nov. 1, 1996). Sierra Club proposed several coal-related adjustments in the 2024 TAM. Non-Company Stipulating Parties do not take a position on Sierra Club’s coal recommendations, or whether resolution of Sierra Club’s recommendations result in rates that are fair, just, and reasonable.

approve the Stipulation without condition and without modification. The Stipulating Parties' agreement represents a reasonable and balanced outcome that will produce customer rates that are just and reasonable.

Dated this 12th day of September 2023.



Katherine A. McDowell
Adam Lowney
McDowell Rackner Gibson PC
419 SW 11th Ave., Suite 400
Portland, OR 97205

Carla Scarsella
Ajay Kumar
Attorneys for PacifiCorp

Stephanie Andrus
Attorney for Public Utility Commission of Oregon Staff

Michael P. Goetz
Attorney for Oregon Citizens' Utility Board

Irion Sanger
Joni Sliger
Attorneys for Vitesse, LLC

Greg Adams
Attorney for Calpine Energy Solutions, LLC

Paul S. Simmons
Attorney for Klamath Water Users Association