

May 13, 2016

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-1166

Attn: Filing Center

RE: UE___ 2015 Power Cost Adjustment Mechanism

PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) encloses the original and three copies of its 2015 Power Cost Adjustment Mechanism (PCAM) filing. In Order No. 12-493, the Public Utility Commission of Oregon (Commission) approved a PCAM to allow the Company to recover the difference between actual net power costs (NPC) incurred to serve customers and the base NPC established in the Company's annual transition adjustment mechanism (TAM) filing. The amount recovered from or refunded to customers for a given year is subject to the following parameters:

- Asymmetrical Deadband. Any variance between negative \$15 million and positive \$30 million will be absorbed by the Company.
- Sharing Band. Any variance above or below the deadband will be shared 90 percent by customers and 10 percent by the Company.
- Earnings Test. If the Company's earned return on equity (ROE) is within plus or minus 100 basis points of the allowed ROE, there will be no recovery from or refund to customers.
- Amortization Cap. The amortization of deferred amounts are capped at six percent of the revenue for the preceding calendar year.

Included as Attachment A is a summary of the calculation of the Company's PCAM for calendar year 2015; additional descriptions of the calculation are provided below. Detailed workpapers supporting Attachment A are provided separately on the enclosed CD.¹ For calendar year 2015, adjusted actual NPC were \$1.54 billion on a total-company basis, approximately \$56.4 million higher than the base NPC of \$1.48 billion established in the 2015 TAM (docket UE 287). On an Oregon-allocated basis, actual PCAM costs exceeded base PCAM costs by approximately \$19.9 million. The application of the deadband results in no recovery for the 2015 PCAM.

PCAM Calculation

On a monthly basis, actual PCAM costs are compared to base PCAM on a per-unit basis. PCAM costs include NPC, Other Revenues, and other items included in the Oregon TAM such as EIM

¹ Confidential workpapers are provided to the Commission under OAR 860-01-0070.

costs and benefits. Any differences in the system per-unit cost are multiplied by the actual megawatt hours of Oregon retail sales in that month to determine Oregon's share of any differential. The calculation uses the formula below:

$$(PCAMC_a \div Load_a) - (PCAMC_b \div Load_b) = \text{System Per Unit Cost Differential}$$

$$\text{System Per Unit Cost Differential} \times Load_o + (SR_a - SR_b) = \text{PCAM Differential}$$

Where:

PCAM _a	= Total Company Adjusted Actual NPC (Excluding Situs Resources) plus other costs/benefits reflected in Oregon TAM
Load _a	= Actual System Retail Load
NPC _b	= Total Company Base NPC (Excluding Situs Resources) adjusted for Direct Access plus other costs/benefits reflected in Oregon TAM
Load _b	= Base System Retail Load
Load _o	= Actual Oregon Retail Load
SR _a	= Actual Situs Resource Value
SR _b	= Forecasted Situs Resource Value

The cumulative differential (under- or over-recovery) is first compared against the asymmetrical deadband. Cumulative amounts in excess of the asymmetrical deadband are then subject to the sharing band (90 percent customers, 10 percent company). Monthly balances accrue interest at the Company's authorized rate of return in Oregon for 2015. The final step is to apply, if necessary, the earnings test to determine if any amount is eligible for recovery from or refund to customers. To the extent earnings are within plus or minus 100 basis points of the authorized ROE, no recovery or refund is allowed under the approved PCAM design.

Actual NPC are compiled using amounts booked to FERC accounts 447, 501, 503, 547, 555, and 565, in a manner consistent with the calculation of NPC as modeled by the Company's Generation and Regulation Initiative Decision Tools model (GRID) in the Company's annual TAM filings. Actual NPC is adjusted to remove accounting entries booked that relate to operations before implementation of the PCAM in January 2015. The Company also adjusts actual NPC to reflect the ratemaking treatment of several items, including:

- Sacramento Municipal Utility District (SMUD) wholesale sales contract revenues;
- The exclusion of Rolling Hills wind farm from Oregon rates (consistent with UE 200);
- Reductions to coal costs for management overtime, 50 percent of management incentive compensation, and legal fees related to fines and citations;
- The true-up of energy returned to a third party to compensate for prior line losses;
- Buy-through of economic curtailment by interruptible industrial customers; and
- Revenue from a contract related to the Leaning Juniper wind resource.

Participation in the EIM provides benefits to customers in the form of reduced Actual NPC. The California Independent System Operator (CAISO) Reports estimated benefits attributable to PacifiCorp of approximately \$26.2 million on a total-company basis for 2015. The 2015 TAM included an adjustment to NPC for EIM benefits which were offset by an equal adjustment for EIM costs. EIM costs and benefits have been trued-up in the PCAM as part of the PCAM costs. Actual EIM benefits are embedded in NPC and actual non-NPC EIM costs were \$0.8 million less than the EIM costs included in the 2015 TAM on a total Company basis.

Other Revenues or Oregon Schedule 205, which are forecasted in the TAM are also included in the PCAM. On a total Company basis actual Other Revenues were \$0.4 million less than Other Revenues in the 2015 TAM.

Each year base NPC is set in the TAM, and after base NPC is determined certain customers have the option to move to Direct Access (DA) and purchase energy from another Electricity Service Provider (ESS). In the PCAM base NPC is adjusted for the lost DA load.

The PCAM includes a true-up of the value of energy from solar facilities procured to satisfy the solar capacity standard in ORS 757.370. Consistent with the Commission-approved 2010 Protocol inter-jurisdictional allocation methodology, these resources are situs-assigned to Oregon. Base NPC established in the TAM includes a situs credit for the value of the solar energy. In the PCAM, the actual value of the solar energy is compared to the prior forecast, and the difference is included in the balancing account. This treatment is necessary to ensure 100 percent of the energy benefits are assigned to Oregon customers, rather than allocated system-wide.

As described earlier, on an Oregon-allocated basis, actual PCAM costs exceeded base PCAM costs by approximately \$19.9 million. This amount does not exceed the established deadband. Accordingly, no recovery from or refund to customers is necessary. Because Schedule 206, the Power Cost Adjustment Mechanism, is currently set at zero cents per kilowatt hour for all schedules, no tariff change is required at this time.

If you have questions about this filing, please contact Erin Apperson, Manager of Regulatory Affairs, at (503) 813-6642.

Sincerely,



R. Bryce Dalley
Vice President, Regulation

CC: UE 263 Service List
UE 296 Service List

Enclosures

ATTACHMENT A

**POWER COST ADJUSTMENT MECHANISM
CALCULATION**

Oregon Power Cost Adjustment Mechanism
 January 1, 2015 - December 31, 2015
 Attachment A - Power Cost Adjustment Mechanism Calculation

Line No.	Reference	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total
Actual:														
1	Total Company NPC (2.1)	\$ 124,668,359	\$ 109,203,387	\$ 121,817,094	\$ 118,514,921	\$ 121,118,640	\$ 150,140,887	\$ 166,243,018	\$ 146,380,939	\$ 124,677,694	\$ 117,139,173	\$ 116,416,844	\$ 125,299,927	\$ 1,541,620,883
2	EIM Costs (4.1)	490,511	490,511	490,511	490,511	490,511	490,511	490,511	490,511	490,511	490,511	490,511	490,511	5,886,135
3	Other Revenues (5.1)	(1,859,955)	(1,806,533)	(1,981,768)	(1,998,597)	(1,938,377)	(1,837,681)	(2,021,756)	(2,000,263)	(1,913,296)	(2,191,675)	(2,051,688)	(2,211,062)	(23,812,651)
4	Total PCAM Actual Costs Sum Lines 1 - 3	\$ 123,298,915	\$ 107,887,365	\$ 120,325,838	\$ 117,006,834	\$ 119,670,775	\$ 148,793,718	\$ 164,711,774	\$ 144,871,187	\$ 123,254,909	\$ 115,438,010	\$ 114,855,667	\$ 123,579,375	\$ 1,523,694,367
5	Actual Retail Load (6.1)	4,792,147	4,056,967	4,315,352	4,179,602	4,244,430	4,944,117	5,050,052	4,975,546	4,337,122	4,292,573	4,547,385	4,854,265	54,589,759
6	Total Company NPC \$/MWh Line 1 / Line 5	\$ 26.73	\$ 26.59	\$ 27.88	\$ 27.99	\$ 28.19	\$ 30.10	\$ 32.62	\$ 29.12	\$ 28.42	\$ 26.89	\$ 25.26	\$ 25.46	\$ 27.91
Base:														
7	NPC (3.1)	\$ 121,469,254	\$ 112,312,754	\$ 117,809,289	\$ 114,682,128	\$ 118,292,436	\$ 121,669,854	\$ 142,592,544	\$ 142,745,113	\$ 120,019,116	\$ 119,792,313	\$ 118,926,472	\$ 129,172,394	\$ 1,479,483,666
8	Adjustment for Direct Access (3.3)	(544,573)	(477,735)	(509,787)	(477,758)	(477,160)	(498,494)	(659,988)	(690,287)	(594,948)	(598,995)	(627,345)	(695,262)	(6,852,331)
9	EIM Benefits (3.4)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(6,700,000)
10	EIM Costs (3.4)	558,333	558,333	558,333	558,333	558,333	558,333	558,333	558,333	558,333	558,333	558,333	558,333	6,700,000
11	Other Revenues (5.2)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(24,206,409)
12	Total PCAM Base Costs Sum Lines 7 - 11	\$ 118,907,480	\$ 109,817,818	\$ 115,282,301	\$ 112,187,169	\$ 115,798,075	\$ 119,154,160	\$ 139,915,355	\$ 140,037,625	\$ 117,406,968	\$ 117,176,117	\$ 116,281,927	\$ 126,459,931	\$ 1,448,424,926
13	Base Retail Load (6.1)	4,892,159	4,334,200	4,488,852	4,228,663	4,363,454	4,466,763	5,052,372	4,975,376	4,380,286	4,400,477	4,521,178	4,909,205	55,032,984
14	Base OR \$/MWh Line 7 / Line 13	\$ 24.31	\$ 25.34	\$ 25.68	\$ 26.53	\$ 26.42	\$ 26.88	\$ 27.69	\$ 28.15	\$ 26.80	\$ 26.63	\$ 25.72	\$ 25.76	\$ 26.32
15	NPC Differential \$/MWh Line 6 - Line 14	\$ 1.42	\$ 1.26	\$ 2.20	\$ 1.46	\$ 1.78	\$ 3.42	\$ 4.92	\$ 0.97	\$ 1.62	\$ 0.26	\$ (0.46)	\$ (0.30)	\$ 1.59
16	Oregon Retail Load (6.1)	1,178,135	961,704	1,041,696	1,007,767	987,576	1,114,565	1,134,034	1,164,054	935,245	988,479	1,115,800	1,233,406	12,862,461
Deferral:														
17	Monthly NPC Differential - Above or (Below) Base Line 16 * Line 15	\$ 1,677,242	\$ 1,207,522	\$ 2,293,075	\$ 1,474,582	\$ 1,755,606	\$ 3,811,113	\$ 5,582,678	\$ 1,129,721	\$ 1,510,512	\$ 261,400	\$ (515,354)	\$ (372,317)	\$ 19,815,781
<i>Situs Resource True-Up:</i>														
18	Black Cap Actual (2.2)	\$ (4,007)	\$ (3,506)	\$ (5,806)	\$ (7,716)	\$ (11,135)	\$ (19,580)	\$ (19,624)	\$ (14,169)	\$ (9,292)	\$ (6,333)	\$ (3,569)	\$ (1,616)	\$ (106,353)
19	Black Cap Forecast CY2015 TAM	\$ (5,295)	\$ (9,046)	\$ (8,995)	\$ (12,305)	\$ (13,462)	\$ (14,437)	\$ (19,598)	\$ (18,760)	\$ (16,533)	\$ (10,286)	\$ (6,488)	\$ (5,880)	\$ (141,066)
20	Total Situs Resource True-Up Line 18 - Line 19	\$ 1,288	\$ 5,540	\$ 3,190	\$ 4,589	\$ 2,327	\$ (5,143)	\$ (26)	\$ 4,591	\$ 7,241	\$ 3,952	\$ 2,899	\$ 4,264	\$ 34,713
21	Total Monthly Differential - Above or (Below) Base Line 17 + Line 20	\$ 1,678,530	\$ 1,213,062	\$ 2,296,265	\$ 1,479,171	\$ 1,757,933	\$ 3,805,970	\$ 5,582,653	\$ 1,134,311	\$ 1,517,754	\$ 265,353	\$ (512,455)	\$ (368,053)	\$ 19,850,494
22	Cumulative Differential - Above or (Below) base	\$ 1,678,530	\$ 2,891,592	\$ 5,187,857	\$ 6,667,026	\$ 8,424,961	\$ 12,230,931	\$ 17,813,584	\$ 18,947,895	\$ 20,465,649	\$ 20,731,002	\$ 20,218,546	\$ 19,850,494	
23	Positive Deadband - ABOVE Base Order: 12-493	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
24	Negative Deadband - BELOW Base Order: 12-493	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)
25	Amount Deferrable - ABOVE Deadband	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Amount Deferrable - BELOW Deadband	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27	Total Incremental Deferrable Line 25 + Line 26	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28	Total Incremental Deferral After 90%/10% Sharing Band Line 27 * 90%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Energy Balancing Account:														
29	Monthly Interest Rate Note 1	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%
30	Beginning Balance Prior Month Line 33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31	Incremental Deferral Line 28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32	Interest Line 29 * (Line 30 + 50% x Line 31)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Ending Balance Σ Lines 30-32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings Test:														
34	Earned Return on Equity (7.1)													9.36%
35	Allowed Return on Equity UE 246													9.80%
36	100bp ROE Revenue Requirement													\$ 27,807,899
37	Allowed Deferral After Earning Test													\$ -
38	Total Deferred													\$ -

Notes: Note 1: 7.621% annual interest rate based on Oregon approved rate of return

CERTIFICATE OF SERVICE

I certify that I served a true and correct copy of PacifiCorp's Notice of Application on the parties listed below via electronic mail in compliance with OAR 860-001-0180.

UE 263

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Dated this 13th of May, 2016.


Jennifer Angell
Supervisor, Regulatory Operations

CERTIFICATE OF SERVICE

I certify that I served a true and correct copy of PacifiCorp's Workpapers for the Net Power Cost Indicative update for 2016 on the parties listed below via e-mail and/or overnight delivery in compliance with OAR 860-001-0180.

UE 296

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Dated this 13th day of May, 2016.


Jennifer Angell
Supervisor, Regulatory Operations