

January 31, 2017

***VIA ELECTRONIC FILING***

Commission Chair Lisa Hardie  
Commissioner John Savage  
Commissioner Stephen Bloom  
Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
Salem, Oregon 97301-3398

**RE: UE 307 Post-Order Workshops  
Item 2, January 24, 2017 Public Meeting**

Dear Commissioners:

Thank you for addressing Staff's report on Pacific Power's Jim Bridger coal plant long-term fuel supply plan collaborative at the public meeting of the Public Utility Commission of Oregon (Commission) on January 24, 2017. Pacific Power received the Citizens' Utility Board of Oregon's (CUB) letter on this subject late on January 23, 2017, so the Company was unable to provide a complete response at the public meeting. PacifiCorp is submitting its response now to clarify several points CUB raised in its letter.

First, CUB states that the Company's Transition Adjustment Mechanism (TAM) is broken because CUB and other parties have lost most of the issues raised in the last two TAM proceedings. The fundamental test of whether the TAM is working, however, is whether it produces an accurate net power cost (NPC) forecast, not the number of adjustments approved. The evidence in docket UE 307 was that the Company has increased the accuracy of the forecast NPC in the TAM (*i.e.*, the Company's NPC under-recovery has decreased), in part based on modeling changes that CUB and others contested in the last two TAMs. The Commission's approval of the Company's latest TAM filings without major adjustments demonstrates that the TAM is working to set NPC at a fair and reasonable level, not the opposite.

Second, CUB expresses concern that PacifiCorp is approaching the TAM workshops as a compliance obligation instead of a chance to collaborate on outstanding issues. The Company views the workshops as an excellent opportunity to freely share information, present analysis, and develop potential new solutions to key modeling issues in the TAM. PacifiCorp has a strong interest in working with CUB and other stakeholders to avoid another litigated TAM proceeding and plans to engage fully in the collaborative process. The Company regrets the initial scheduling complications for the first workshop which led to CUB's concerns, and is pleased that a mutually agreeable date was available in the end.

Third, perhaps because these issues are inherently complex, CUB's comments do not accurately describe the alternative proposals the Company presented at the January 20, 2017 workshop for

completing the Jim Bridger plant long-term fuel plan. The meeting was a preliminary step, where parties were able to request additional details on the options presented by Pacific Power, provide input for additional options, and propose different analyses to evaluate the alternatives. Specifically, the Company presented two possible approaches. First, the Company proposed to file a long-term fuel supply plan based on the four scenarios it has been evaluating. The Company sought to encourage feedback by presenting the scenarios as high-level proposals, not as completed analyses. This is consistent with the Commission's direction that the parties meet in workshops to discuss the "information and analyses needed to meaningfully evaluate PacifiCorp's long-term fuel supply plan in future [TAM] proceedings." Order No. 16-482 at 24. The Company was clear that it was far enough in its analysis of these basic scenarios, however, to complete a new fuel plan quickly and file it with the Commission within the next two months.

PacifiCorp's alternative proposal was to broaden and update its planning assumptions and scenarios relying on the Company's 2017 Integrated Resource Plan (IRP), including the fuel requirements reflected in the Company's latest environmental compliance planning. The Company will file the IRP at the end of March. While incorporating the new information and scenarios will delay completion of the long-term fuel plan until late 2017, this approach avoids the likely need to update a plan that does not reflect the information presented in the latest IRP.

Parties spent the bulk of the workshop considering these two different approaches, with general support for the proposal to prepare a more up-to-date and comprehensive plan tied to the IRP. The Company identified and the parties discussed how to approach the third-party contracts related to Jim Bridger fuel supply that are up for review in 2017 during preparation of the long-term fuel plan. Staff offered constructive and detailed feedback, proposing various different assumptions and sensitivities for the Company to consider in developing the long-term fuel plan.

The Company appreciates that CUB ultimately agrees that this initial workshop was helpful and that the Company provided a reasonable overview of its proposed planning process. The Company hopes that these sentiments, along with the clarifications provided in this letter, will provide a solid foundation for the collaborative process ahead.

Fourth, CUB provided comments on the day-ahead and real-time balancing adjustment. The parties are working on scoping the first workshop on this issue and others flagged in Order No. 16-482, which will be held in February.

Fifth, CUB raised concerns about the transparency of the TAM. CUB is incorrect that the Company has no incentive to improve the TAM to respond to parties' concerns. The Company has a strong interest in streamlining the TAM and avoiding contentious litigation. The collaborative development and refinement of the original TAM Guidelines demonstrates that there is a shared interest in getting the TAM process right. As I mentioned at the Commission's public meeting, the Company supports adding CUB's proposals on the transparency of the TAM, some of which are drawn from Portland General Electric Company's Annual Update Tariff process, to the workshop discussions. Because of the complexity of PacifiCorp's system, however, the Annual Update Tariff modeling approaches and processes may not be transferable to PacifiCorp.

CUB also claims that the Company's NPC model is constantly changing without notice to the parties, even when changes are prohibited by the Commission. The Company disagrees and notes that the Commission has never found that the Company improperly updated its NPC modeling in the TAM or failed to provide information on modeling changes. Nevertheless, the Company wants to ensure that CUB has the tools it needs to analyze TAM filings and remains committed to providing CUB information and analytical support. To this end, the Company recently invited CUB staff to an onsite visit and training on the Generation and Regulation Initiative Decision Tools model in advance of the TAM workshops and the 2018 TAM filing.

Finally, the Company agrees with CUB's conclusion in its letter that "[n]othing would be better than reducing the number of contested issues," with a TAM that produces "fair results from a transparent and understandable process." With full and open engagement from all parties, the Company is optimistic that the TAM workshops can help achieve these goals.

Sincerely,



R. Bryce Dalley  
Vice President, Regulation

Enclosures

cc: Service List UE 307