

**PUBLIC UTILITY COMMISSION OF OREGON
INTEROFFICE CORRESPONDENCE**

DATE: May 29, 2015
TO: Jason Eisdorfer
THROUGH: Marc Hellman
FROM: George Compton, Matt Muldoon, Linnea Wittekind, and Suparna Bhattacharya
SUBJECT: **PacifiCorp Compliance Filing Advice No. 15-009, for Deer Creek Mine Transactions, Docket UM 1712: Verification of Tariff Rates effective June 1, 2015.**

In Order No. 15-161 in this Docket (entered May 27, 2015), the Public Utility Commission of Oregon ordered a number of actions regarding PacifiCorp's disposition of the Deer Creek Mine assets. In response to that Order, PacifiCorp (or Company) filed its Compliance Advice No. 15-009 on May 29, 2015. Two original tariff sheets were filed as the primary compliance elements. Schedule 196, contains the *negative* rates that take into consideration the removal of the Deer Creek assets from the rate base. Schedule 196 will remain in effect until a new general rate case goes into effect incorporating that same rate base removal. Schedule 197, contains the *positive* rates that will allow the Company to recover, over a four-year amortization period, the un-depreciated investment associated with the portion of the Deer Creek assets that is not subject to be sold. Net proceeds/losses from that sale will be dealt with pursuant to Schedule 96 (an existing property sales balancing account).

Based upon analyses performed by Matt Muldoon, Linnea Wittekind, Suparna Bhattacharya, and myself, I can affirm the accuracy of PacifiCorp's filed tariff rates, to be effective June 1, 2015.

PacifiCorp's Compliance Filing included the following:

- Tariff sheets for newly authorized Schedules 196 and 197.
- A summary "Table A" which shows, for each Customer Schedule, the proposed revenues and percentage impacts of the new Schedules 196 and 197 as compared with the revenues produced by current prevailing rates.
- Advice No. 15-009 Work Papers regarding Schedule 196 as follows:
 - A table that shows how the annual revenue requirement reduction associated with the removal of Deer Creek assets from the rate base is to be spread across

the customer schedules. That allocation follows the generic functionalized generation allocation factors from the UE 263. The Company revised the revenue reduction amount upwards slightly following an extensive discussion with Marc Hellman in the morning of May 29th. Footnote 3 of PacifiCorp's compliance filing memorandum documents conclusions from that discussion.

- A table that develops the per-kwh rates that will yield each customer schedule's revenue reduction target, assuming calendar-year 2015 energy forecasts.
- Advice No. 15-009 Work Papers regarding Schedule 197 as follows:
 - A table showing the monthly and average annual amortization over a four-year period of the Commission-ordered \$21.1 million Oregon allocation of the un-depreciated investment.
 - A table that shows how the annual revenue requirement increase that would produce the average annual amortization associated with the \$21.1 million is to be allocated among the customer schedules. Again, that allocation follows the generic functionalized generation allocation factors from the UE 263.
 - A table that develops the per-kwh rates that will yield each customer schedule's targeted annual revenue requirement increase, again assuming calendar-year 2015 energy forecasts.

The checks and analytic tasks performed to affirm the accuracy of rates included the following:

- Verify that draft tariff pages embody the rates developed as described above.
- Verify that the new draft schedules do not prematurely address matters deferred by Order No. 15 161 to the next PacifiCorp general rate case.
- Validate the basic logic of the application as expressed in the work papers and as reflecting the Commission's Order.

Finally, it warrants noting that this was a highly complicated docket that entailed various issues to be addressed in a forthcoming general rate case and other relevant proceedings.

CC: Joan Grindeland