

ENTERED NOV 30 2018

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 344

In the Matter of

PACIFICORP, dba PACIFIC POWER,

2017 Power Cost Adjustment Mechanism.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. SUMMARY

In this order, we adopt the parties' stipulated agreement that the 2017 actual power costs for PacifiCorp, dba Pacific Power, were within the deadband of the company's power cost adjustment mechanism (PCAM) and that there should be no change in customer rates.

II. BACKGROUND

In Order No. 12-493, we established a PCAM for PacifiCorp to work in conjunction with the company's Transition Adjustment Mechanism (TAM). The PCAM is designed to allow the company to recover or refund the difference between actual net power costs (NPC) and the forecast NPC approved in the TAM and included in customer rates.¹ This docket is PacifiCorp's fifth PCAM filing.²

¹ See *In the Matter of PacifiCorp, dba Pacific Power, Request for a General Rate Revision*, Docket No. UE 246, Order No. 12-493 at 14-15 (Dec 20, 2012) (establishing features of PacifiCorp's PCAM).

² See *In the Matter of PacifiCorp, dba Pacific Power, 2013 Power Cost Adjustment Mechanism*, Docket No. UE 290, Order No. 14-357 (Oct 16, 2014); *2014 Power Cost Adjustment Mechanism*, Docket No. UE 298, Order No. 15-380 (Nov 25, 2015); *2015 Power Cost Adjustment Mechanism*, Docket No. UE 309, Order No. 16-459 (Nov 30, 2016); *2016 Power Cost Adjustment Mechanism*, Docket No. UE 327, Order No. 17-524 (Dec 27, 2017) (all orders adopting stipulations, 2013 and 2014 PCAM filings resulted in no rate change due to the earnings test, and 2015 and 2016 PCAM filing resulted in no rate change due to the deadband).

PacifiCorp's PCAM contains a deadband, sharing mechanism, earnings test, and amortization cap.³ The asymmetric deadband requires the company to absorb some normal variation of power costs, and is set at a negative annual power cost variance of \$15 million and a positive annual power cost variance of \$30 million. Any amount above or below the deadband is subject to the sharing mechanism and earnings test. PacifiCorp calculates its PCAM, and any resulting adjustment is reflected in its tariff Schedule 206.

The sharing mechanism provides PacifiCorp the incentive to manage costs effectively by allocating 10 percent of the remaining variance to PacifiCorp and the balance to customers. The earnings test, which helps guard against over- and under-earning, eliminates any power cost adjustment if the company earns within plus or minus 100 basis points of its allowed return on equity (ROE). Finally, an amortization cap limits amortization of deferred amounts under the PCAM in any year to 6 percent of PacifiCorp's revenues for the preceding calendar year.

The Oregon Citizens' Utility Board (CUB) and Commission Staff participated in this docket. All parties filed a joint stipulation and supporting testimony in support of the stipulation.

III. PARTIES' FILINGS

PacifiCorp's initial PCAM filing showed 2017 actual NPCs were above base costs by \$2.3 million on an Oregon-allocated basis. The company's base NPC were set in the 2017 TAM in docket UE 307. PacifiCorp stated that, because the \$2.3 million PCAM variance is within the positive \$30 million deadband, the company would absorb the difference and there would be no rate adjustment. PacifiCorp's filing also showed that the company's 2017 earned ROE was 11.13 percent, and its allowed ROE is 9.80 percent.

PacifiCorp's initial testimony contains detailed explanations of the PCAM calculation, a summary of NPC differences compared to the TAM forecast, and a description of the impact of participating in the EIM. PacifiCorp explains several variations in its actual power cost compared to its forecast power costs. The main increase in power costs was due to a large decrease in off-system sales (which are a credit to NPC). However, this was offset by 23 percent higher hydro generation (with zero fuel cost), 7 percent less coal generated, and 40 percent less natural gas generation.

³ Portland General Electric Company's PCAM contains the same components. *See e.g., In the Matter of Portland General Electric Company, 2016 Annual Power Cost Variance Mechanism*, Docket No. UE 329, Order No. 17-504 (Dec 18, 2017).

IV. STIPULATION

Following settlement discussions and prior to the filing of testimony by Staff and CUB, all parties reached an agreement and submitted a stipulation and joint testimony in support of the stipulation. PacifiCorp submitted a motion to admit its direct testimony and exhibits. PacifiCorp, Staff, and CUB also move to admit the stipulation and joint testimony in support of the stipulation. The motion is granted. The stipulation is attached to this order as Appendix A.

In the stipulation, the parties agree that the company's PCAM calculation for 2017 complies with Order No. 12-493 and results in no change to existing rates. The stipulation does not contain any changes to PacifiCorp's initial filing. The parties recommend we adopt the stipulation in its entirety.

V. DISCUSSION

The 2017 PCAM results in no rate change. The parties analyzed PacifiCorp's PCAM filing and workpapers, and agreed with PacifiCorp's calculations. We note that PacifiCorp's initial testimony in this PCAM contains thorough and clear explanation of the PCAM calculations and the variations in actual NPC compared to the TAM forecast. PacifiCorp committed to include this detail in the 2016 PCAM settlement, and we memorialized this requirement in last year's order. We find that the additional detail and explanation provides helpful context for understanding the PCAM and a useful connection to the annual TAM process. We adopt the stipulation in its entirety.

We also note that we recently determined that we do not have authority to allow deferrals of any costs related to capital investments.⁴ In the future, Staff, PacifiCorp, and intervenors may need to review the items in the PCAM deferral to ensure capital costs are not included in the event the amounts deferred for the PCAM are amortized and put into rates.

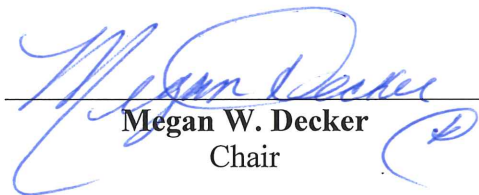
⁴ *In the Matter of Investigation of the Scope of the Commission's Authority to Defer Capital Costs*, Docket No. UM 1909, Order No. 18-423 (Oct 29, 2018).

VI. ORDER

IT IS ORDERED THAT:

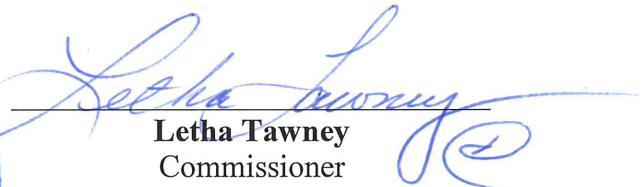
1. The stipulation between PacifiCorp, dba Pacific Power; the Oregon Citizens' Utility Board; and Staff of the Public Utility Commission of Oregon, attached as Appendix A is adopted.
2. PacifiCorp, dba Pacific Power's Schedule 206 rates should continue to be set at zero effective January 1, 2019.

Made, entered, and effective NOV 30 2018.


Megan W. Decker
Chair


Stephen M. Bloom
Commissioner




Letha Tawney
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 344

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

2017 Power Cost Adjustment Mechanism

STIPULATION

INTRODUCTION

1. PacifiCorp d/b/a Pacific Power, Public Utility Commission of Oregon (Commission) Staff, and the Oregon Citizens' Utility Board (CUB) (collectively the Stipulating Parties) enter into this Stipulation to resolve all issues in docket UE 344, PacifiCorp's 2017 power cost adjustment mechanism (PCAM). No other party intervened in this docket.

BACKGROUND

2. The Commission approved PacifiCorp's PCAM in Order No. 12-493 in docket UE 246. The PCAM allows the recovery or refund of the difference between actual costs incurred to serve customers and the rates established in PacifiCorp'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 net power cost (NPC) difference between negative \$15 million and positive \$30 million is absorbed by the company.
- Sharing Mechanism – Any NPC difference above or below the deadband is 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 is 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.¹

3. On May 15, 2018, PacifiCorp filed its PCAM for calendar year 2017.

Attachment A to this Stipulation is a summary of the company’s PCAM calculation. On an Oregon-allocated basis, actual PCAM costs exceeded base PCAM costs established in the 2017 TAM (Docket UE 307), by approximately \$2.3 million.

4. After application of the deadband, there is no recovery for the 2017 PCAM.

5. The Stipulating Parties held a settlement conference on July 20, 2018. This conference resulted in an agreement resolving all issues in this docket.

AGREEMENT

6. The Stipulating Parties agree that PacifiCorp’s PCAM calculation for calendar year 2017, as set forth in the company’s initial filing and summarized above, complies with Order No. 12-493 and results in no change to existing rates.

7. The Stipulating Parties agree to submit this Stipulation to the Commission and request that the Commission approve the Stipulation as presented. The Stipulating Parties agree that this Stipulation will result in rates that meet the standard in ORS 756.040.

8. This Stipulation will be offered in to the record as evidence under OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and

¹ *In the Matter of PacifiCorp d/b/a Pacific Power's Request for a General Rate Revision*, Docket UE 246, Order No. 12-493 at 15 (Dec. 20, 2012).

any appeal, provide witnesses to sponsor the Stipulation at hearing, if required, and recommend that the Commission issue an order adopting the Stipulation.

9. The Stipulating Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, any of the Stipulating Parties are entitled to withdraw from the Stipulation or exercise any other rights provided in OAR 860-001-0325(9). To withdraw from the Stipulation, a Stipulating Party must provide written notice to the Commission and the other Stipulating Parties within five days of service of the final order rejecting, modifying, or conditioning this Stipulation.

10. By entering into this Stipulation, no Settling Party approves, admits, or consents to the facts, principles, methods, or theories employed by any other Settling Party.

11. This Stipulation is not enforceable by any Settling Party unless and until adopted by the Commission in a final order. Each signatory to this Stipulation avers that they are signing this Stipulation in good faith and that they intend to abide by the terms of this Stipulation unless and until the Stipulation is rejected or adopted only in part by the Commission. The Settling Parties agree that the Commission has exclusive jurisdiction to enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation, the Settling Parties reserve the right to seek reconsideration or rehearing of the Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the Commission order under ORS 756.610.

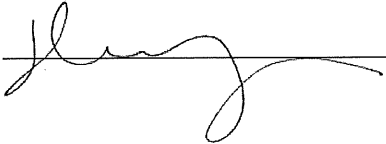
12. This Stipulation may be executed in counterparts and each signed counterpart constitutes an original document.

This Stipulation is entered into by each Settling Party on the date entered below such Settling Party's signature.

ORDER NO. 18 449

PACIFICORP

STAFF of the PUBLIC UTILITY
COMMISSION OF OREGON

By:  _____

By: _____

Date: 9/10/18 _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

By: _____

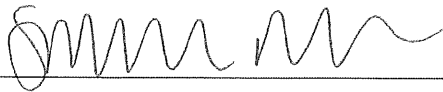
Date: _____

ORDER NO. 18 449

PACIFICORP

STAFF of the PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

By:  _____

Date: _____

Date: 9/10/18 _____

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

ORDER NO. 18 449

PACIFICORP

STAFF of the PUBLIC UTILITY
COMMISSION OF OREGON

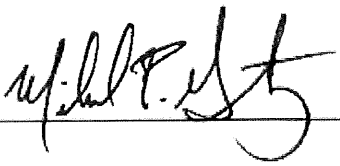
By: _____

By: _____

Date: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

By:  _____

Date: 9/10/18 _____

ORDER NO. 18 449

ATTACHMENT A

Oregon Power Cost Adjustment Mechanism
January 1, 2017 - December 31, 2017
Attachment A - Power Cost Adjustment Mechanism Calculation

Line No.	Reference	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Total	
Actual:															
1	Total Company Adjusted Actual NPC (2.1)	\$ 138,590,571	\$ 118,924,463	\$ 113,018,110	\$ 108,185,764	\$ 115,246,592	\$ 125,188,870	\$ 152,659,742	\$ 164,892,347	\$ 131,586,685	\$ 119,201,242	\$ 113,389,351	\$ 129,072,708	\$ 1,528,056,446	(1,226,972)
2	Actual Allocated PTC (4.1)	(8,454,789)	(10,428,390)	(11,459,227)	(9,983,310)	(5,479,012)	(7,040,913)	(4,518,493)	(3,508,195)	(4,194,324)	(5,309,249)	(8,245,032)	(10,722,506)	(89,343,441)	673,839
3	Actual EIM Costs (5.1)	381,196	381,196	381,196	381,196	381,196	381,196	381,196	381,196	381,196	381,196	381,196	381,196	381,196	4,574,351
4	Actual Other Revenues (6.1)	(540,918)	(768,234)	(975,206)	(1,073,334)	(767,085)	(950,069)	(885,354)	(694,411)	(729,314)	(998,584)	(869,619)	(561,113)	(9,813,243)	841,510
5	Total PCAM Adjusted Actual Costs Sum Lines 1 - 4	\$ 129,976,060	\$ 106,109,035	\$ 100,964,872	\$ 97,510,316	\$ 109,381,691	\$ 117,579,084	\$ 147,637,091	\$ 161,170,937	\$ 127,044,242	\$ 113,274,804	\$ 104,655,895	\$ 118,170,285	\$ 1,433,474,113	
6	Actual System Retail Load (8.1)	5,135,856	4,192,309	4,332,834	4,123,991	4,332,163	4,803,602	5,378,125	5,122,566	4,304,828	4,227,257	4,318,686	4,921,839	55,184,054	
7	Actual PCAM Costs \$/MWh Line 5 / Line 6	\$ 25.31	\$ 25.31	\$ 23.30	\$ 23.64	\$ 25.25	\$ 24.48	\$ 27.45	\$ 31.46	\$ 29.51	\$ 26.80	\$ 24.23	\$ 24.01	\$ 25.97	
Base:															
8	Total Company Base NPC (3.1)	\$ 130,984,697	\$ 118,713,689	\$ 122,651,318	\$ 117,262,046	\$ 123,701,137	\$ 129,386,833	\$ 151,077,299	\$ 143,761,067	\$ 122,682,472	\$ 121,024,247	\$ 122,421,004	\$ 131,903,005	\$ 1,535,568,814	
9	Adjustment for Direct Access (3.3)	(643,721)	(622,392)	(645,087)	(604,394)	(689,026)	(817,169)	(1,131,058)	(892,424)	(835,050)	(880,879)	(808,738)	(731,739)	(9,301,677)	
10	Base Allocated PTC (2.2)	(7,343,039)	(7,343,039)	(7,343,039)	(7,343,039)	(7,343,039)	(7,343,039)	(7,343,039)	(7,343,039)	(7,343,039)	(7,343,039)	(7,343,039)	(7,343,039)	(88,116,470)	
11	Base EIM Costs (3.4)	325,043	325,043	325,043	325,043	325,043	325,043	325,043	325,043	325,043	325,043	325,043	325,043	3,900,512	
12	Base Other Revenues (6.2)	(887,896)	(887,896)	(887,896)	(887,896)	(887,896)	(887,896)	(887,896)	(887,896)	(887,896)	(887,896)	(887,896)	(887,896)	(10,654,753)	
13	Total PCAM Base Costs Sum Lines 8 - 12	\$ 122,435,083	\$ 110,185,405	\$ 114,100,338	\$ 108,751,759	\$ 115,106,218	\$ 120,663,771	\$ 142,040,349	\$ 134,862,750	\$ 113,941,530	\$ 112,237,475	\$ 113,706,374	\$ 123,265,373	\$ 1,431,396,427	
14	Base System Retail Load (8.1)	4,841,400	4,367,578	4,528,701	4,222,416	4,452,704	4,549,044	5,262,767	5,101,299	4,442,315	4,340,824	4,474,948	4,958,612	55,640,607	
15	Base PCAM Costs \$/MWh Line 8 / Line 14	\$ 24.78	\$ 25.23	\$ 25.21	\$ 25.76	\$ 25.85	\$ 26.53	\$ 26.99	\$ 26.46	\$ 25.55	\$ 25.86	\$ 25.41	\$ 24.86	\$ 25.73	
16	System PCAM Unit Cost Differential \$/MWh Line 7 - Line 15	\$ 0.53	\$ 0.08	\$ (1.90)	\$ (2.11)	\$ (0.60)	\$ (2.05)	\$ 0.46	\$ 5.01	\$ 3.86	\$ 0.94	\$ (1.18)	\$ (0.85)	\$ 0.25	#
17	Oregon Retail Load (8.1)	1,398,157	1,102,176	1,095,610	973,812	992,435	1,027,506	1,167,493	1,149,408	964,488	979,879	1,068,793	1,280,524	13,200,282	
Deferral:															
18	Monthly PCAM Differential - Above or (Below) Base Line 17 * Line 16	\$ 741,255	\$ 90,791	\$ (2,085,817)	\$ (2,065,881)	\$ (597,551)	\$ (2,104,136)	\$ 539,071	\$ 5,754,384	\$ 3,725,722	\$ 921,070	\$ (1,257,187)	\$ (1,087,767)	\$ 2,583,953	
19	Oregon Situs Resource True-Up (7.1)	\$ (4,969)	\$ (7,019)	\$ 13,618	\$ (2,325)	\$ (11,579)	\$ (20,579)	\$ (48,825)	\$ (89,886)	\$ (39,782)	\$ (22,067)	\$ (14,066)	\$ (8,206)	\$ (255,684)	
20	Total Monthly PCAM Differential - Above or (Below) Base Line 18 + Line 19	\$ 736,287	\$ 83,772	\$ (2,072,199)	\$ (2,068,207)	\$ (609,130)	\$ (2,124,716)	\$ 490,246	\$ 5,664,498	\$ 3,685,939	\$ 899,003	\$ (1,271,253)	\$ (1,095,972)	\$ 2,328,268	
21	Cumulative PCAM Differential - Above or (Below) base	\$ 736,287	\$ 820,059	\$ (1,252,140)	\$ (3,310,348)	\$ (3,919,477)	\$ (6,044,192)	\$ (5,553,947)	\$ 110,551	\$ 3,796,490	\$ 4,695,493	\$ 3,424,241	\$ 2,328,268		
22	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	
23	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)	
24	Amount Deferrable - ABOVE Deadband	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
25	Amount Deferrable - BELOW Deadband	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
26	Total Incremental Deferrable Line 24 + Line 25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
27	Total Incremental Deferral After 90%/10% Sharing Band Line 26 * 90%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Energy Balancing Account:															
28	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%		
29	Beginning Balance Prior Month Line 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
30	Incremental Deferral Line 27	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
31	Interest Line 28 * (Line 29 + 50% x Line 30)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
32	Ending Balance Σ Lines 29:31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Earnings Test:															
33	Earned Return on Equity (9.1)													11.13%	
34	Allowed Return on Equity UE 246													9.80%	
35	100bp ROE Revenue Requirement													\$ 27,940,555	
36	Allowed Deferral After Earning Test													\$ (9,354,883)	
37	Total Deferred													\$ -	

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

ORDER NO. 18449

Attachment A - Joint Stipulating Parties
Wilding-Gibbens-Jenks/1