ORDER NO. 14 331

ENTERED OCT 01 2014

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 287 and UM 1689

In the Matters of PACIFICORP, dba PACIFIC POWER, 2015 Transition Adjustment Mechanism (UE 287) and PACIFICORP, dba PACIFIC POWER Application for Deferred Accounting and Prudence Determination Associated with the Energy Imbalance Market (UM 1689).	ORDER

DISPOSITION: STIPULATION ADOPTED

I. SUMMARY

In this order, we adopt the stipulation of the parties regarding PacifiCorp, dba Pacific Power's 2015 Transition Adjustment Mechanism (TAM) filing (UE 287), and Energy Imbalance Market (EIM) application (UM 1689).

In docket UE 287, we adopt the parties' agreement that PacifiCorp's Oregon-allocated net variable power costs will be reduced by a total of $8.3 million from the initial filing, subject to updates to be filed by PacifiCorp in November. These results, which include offsetting EIM related costs and benefits, represent an increase of approximately $10.1 million over PacifiCorp's net power costs for last year.

In docket UM 1689, we adopt the parties' resolution of issues arising from PacifiCorp's request for deferral and prudence determination associated with the EIM. We accept PacifiCorp's withdrawal of its request for deferral and, instead, authorize the company to record a regulatory asset for EIM start-up expenses. The proper ratemaking treatment of these expenses, estimated at approximately $700,000 on an Oregon-allocated basis, will be addressed in a future rate proceeding. We also accept the parties' agreement to find that PacifiCorp's initial decision to participate in the EIM was prudent, while reserving the right in future proceedings to contest the prudence of PacifiCorp's continued participation and associated costs. Under this agreement, the parties—as well as this Commission—will be able to review all costs and actions of PacifiCorp related to the EIM with the exception of the $1.7 million in EIM costs and benefits included in the 2015 TAM.

II. INTRODUCTION

A. Docket UE 287 – The TAM Filing

On April 1, 2014, PacifiCorp filed revised tariff sheets for Schedules 201 and 205, effective January 1, 2015, to implement PacifiCorp's 2015 TAM. The TAM updates net power costs for 2015 and sets transition adjustments for customers who choose direct access in the November 2014 open enrollment window.

The company's initial filing reflected net power costs on an Oregon-allocated basis of $378.3 million, approximately $17.1 million higher than the 2014 TAM filing in docket UE 264, for an overall average rate increase of 1.5 percent. The overall TAM increase is mainly attributable to a decrease in wholesale power sales revenue and an increase in natural gas costs.

Since it made the initial filing, PacifiCorp has made several updates to its TAM forecast. On May 29, 2014, PacifiCorp increased net power costs by $200,000 on an Oregon-allocated basis. On June 18, 2014, the parties submitted a letter to the Administrative Law Judge (ALJ) explaining an agreement to model Naughton Unit 3 as a coal-fired unit through 2015 (because the natural gas conversion will likely be rescheduled to 2018 pending a Wyoming air permit), and this change reduced Oregon-allocated net power cost projections by $7.9 million.

On August 21, 2014, PacifiCorp responded to a bench request explaining that its off-system sales are decreasing because of the retirement of the 172 MW Carbon plant and an increase in the company's retail load. PacifiCorp stated that these changes leave it over 1,100,000 MWh shorter in 2015 than in 2014, which reduces its ability to make wholesale sales. PacifiCorp added that the level of sales for resale is also impacted by changes in the commitment and dispatch of its thermal fleet, based on changes in market prices and fuel costs.

The Citizens' Utility Board of Oregon (CUB), the Industrial Customers of Northwest Utility (ICNU), Noble Americas Energy Solutions LLC (Noble Solutions), and Portland General Electric Company (PGE) intervened in this proceeding. Staff and ICNU filed testimony, summarized below.

B. UM 1689 – The EIM Filing

On April 18, 2014, PacifiCorp filed an application for deferred accounting and prudence determination related to its participation in the Energy Imbalance Market (EIM). The

EIM will be a regional, five-minute energy imbalance market, created by the California Independent System Operator (CAISO). The EIM is planned to cover the balancing authority areas of CAISO, PacifiCorp West, PacifiCorp East, and NV Energy.[1] The EIM will replace PacifiCorp's current automated and manual dispatch processes, and instead use CAISO's bid-based, real-time energy market that automatically dispatches the least-cost resource every five minutes to serve load while resolving transmission congestion through the use of detailed network model. The EIM is expected to become operational on November 1, 2014.[2]

In its filing, PacifiCorp sought approval to defer approximately $5.425 million on an Oregon-allocated basis for the EIM. This amount includes start-up costs (approximately $4 million in capital costs and $1 million for operations and maintenance (O&M) costs), and $425,000 for annual, on-going O&M starting in 2015. PacifiCorp also sought a Commission determination that the company's decision to participate in the EIM was prudent.

CUB, ICNU, and PGE intervened in this proceeding, as well. A Commission workshop was held on May 28, 2014. Staff, CUB, and ICNU filed testimony, summarized below.

III. TESTIMONY

A. TAM Docket

Staff and ICNU filed opening testimony in the TAM docket. Staff stated that PacifiCorp's TAM filing is reasonable. Staff believes that natural gas costs are increasing because PacifiCorp's new Lake Side 2 generating facility is modeled to operate for its first full year, and that wholesale sales revenue is down because of the closing of PacifiCorp's 172 MW Carbon Power Plant.

ICNU recommended several changes to the TAM filing. First, ICNU stated that the TAM should include a base level of EIM benefits, proposing $9.4 million on an Oregon-allocated basis. Second, ICNU asserted that alleged affiliate transactions with Goldman Sachs gas swap contracts should be treated differently. Next, ICNU asserted that PacifiCorp was double-counting two integration charges by including them in both net power costs and within the GRID model. Lastly, ICNU asked for additional review of qualifying facility (QF) power purchase agreements before they are included in the TAM, since some projects do not reach commercial operation.

---

[1] *See Joint Application of Nevada Power Company d/b/a/ NV Energy and Sierra Pacific Power Company d/b/a NV Energy for approval of amendments to Energy Supply Plans to reflect participation in the energy imbalance market,* Public Utilities Commission of Nevada, Docket No. 14-04024 (Aug 29, 2014) (approving NV Energy's application to join the EIM in October 2015).

[2] *See* PacifiCorp Motion to Modify Effective Date of Tariff Provisions at 4, FERC Docket No. ER14-1578-000 (Sept 16, 2014) (PacifiCorp and CAISO's request to operate the EIM as a parallel non-binding production run during the month of October, transitioning to full market operations on November 1, 2014).

B. EIM Docket

Staff, ICNU, and CUB filed testimony in the EIM docket. Staff believed that PacifiCorp was prudent in making the decision to participate in the EIM. CUB and ICNU stated that a prudence review is premature, because prudence should be evaluated when the costs have been incurred and are sought to be included in rates.

Regarding PacifiCorp's request for deferred accounting of EIM costs, Staff, CUB, and ICNU all stated that costs and benefits must flow together. CUB and Staff asserted that any deferral must not be amortized until benefits are accounted for. ICNU stated that the deferral should be denied unless the EIM benefits are included in the net power costs in PacifiCorp's TAM. ICNU also opposed deferral of capital expenditures, costs otherwise recovered under PacifiCorp's formula transmission rates, and costs incurred before January 1, 2015, when a base level of EIM benefits would first be included in the TAM.

IV. SETTLEMENT

Due to overlapping issues, the parties convened joint settlement conferences and reached a comprehensive settlement of the issues raised in the two dockets. Although the parties filed no request to consolidate the proceedings, they filed a joint stipulation on July 31, 2014 to resolve all issues in both dockets UE 287 and UM 1689. The unopposed stipulation, attached as Appendix A, is entered between PacifiCorp, Staff, CUB, and ICNU.[3]

The parties request that we adopt the stipulation as presented and assert that the stipulation will result in rates that meet the standard in ORS 756.040. The parties emphasize that the stipulation represents a reasonable compromise of the issues presented in this case. The settling parties state that PacifiCorp's initial filings and the reply testimonies create an extensive record on 2015 net power costs and PacifiCorp's decision to participate in the EIM.

The settlement establishes baseline 2015 net power costs on an Oregon-allocated basis of \$370.0 million—an increase of \$10.1 million from the 2014 baseline. This amount is subject to the July update (which was filed concurrently with the settlement on July 31, 2014) and the November indicative update and final update. Compared to the initial filing, the settlement reflects the \$7.9 million reduction for Naughton Unit 3 and a \$334,000 black box reduction, both on an Oregon-allocated basis. The overall increase in net power costs results in a 0.8 percent rate increase overall, and a 1.4 percent rate increase for residential customers.

---

[3] PacifiCorp, CUB, ICNU, and Staff filed motions to have their pre-filed testimony and exhibits admitted into the record. The motions are granted and the stipulation and the following testimony and exhibits are received as evidence in this proceeding: docket UM 1689 – Stefan A. Bird (PAC/100-107), Robert "Bob" Jenks (CUB/100), Bradley G. Mullins (ICNU/100-103), Brittany Andrus (Staff/100-101), Deborah Garcia (Staff/200-201), Dickman, Ordonez, Garcia, Jenks & Mullins (Settling Parties/100-101); docket UE 287 – Brian S. Dickman (PAC/100-104), Cindy A. Crane (PAC 200-201), Judith Ridenour (PAC/300-303), Bradley G. Mullins (ICNU/100-105), Jorge Ordonez (Staff/100-1010), Dickman, Ordonez, Garcia, Jenks & Mullins (Settling Parties/100-101).

The settlement states that the July update, November indicative update, and final TAM update may alter the Oregon-allocated net power cost increase of $10.1 million. The settling parties reserve their right to challenge these updates. The July update produced only a slight change to the stipulated baseline power costs, with $369.7 million on an Oregon-allocated basis.

The settling parties agreed to offset the EIM costs and benefits through 2015, with the exception of the start-up O&M costs discussed below. Thus, the settlement accounts for EIM costs and benefits through 2015 by including, on an Oregon-allocated basis, both $1.7 million in EIM costs and $1.7 million in EIM benefits in PacifiCorp's 2015 TAM. The settling parties agree to the prudence of PacifiCorp's decision to participate in the EIM as of April 30, 2013, but reserve the right to contest the prudence of PacifiCorp's continued participation in the EIM and the associated costs in future proceedings. PacifiCorp agrees to address EIM-related costs and benefits in its 2016 TAM filing. Beginning in January 2015, PacifiCorp will participate in workshops to discuss operation of the EIM and the methodology for calculating EIM-related benefits.

Regarding EIM start-up O&M costs, the settling parties agree that, in lieu of deferred accounting, PacifiCorp may record a regulatory asset for these costs from the date of the application for deferred accounting, April 18, 2014, through December 31, 2014. Start-up O&M costs are estimated at $700,000 on an Oregon-allocated basis, and will not exceed this amount. The settlement states that this treatment is for accounting purposes only and does not authorize future ratemaking treatment or determine the prudence of the costs. PacifiCorp agrees to address the ratemaking treatment of this regulatory asset in its next general rate case. The settling parties request that the Commission issue, as part of this order, an accounting order authorizing PacifiCorp to record this regulatory asset.

To address ICNU's concern that certain QF contracts are included in the TAM that will not achieve commercial operation during the rate effective period, the settlement provides for an attestation by PacifiCorp. As part of its November indicative update in this, and future TAM proceedings, PacifiCorp will confirm that it has a commercially reasonable good faith belief that new QFs included in the TAM will reach commercial operation during the rate effective period.

PacifiCorp will use the functionalized revenue requirement allocation factors from docket UE 263 to develop rates for this TAM increase. When the settlement is adopted and the final TAM update filed, PacifiCorp will file updated tariff sheets with an effective date of January 1, 2015, as a compliance filing in Docket UE 287.

V. RESOLUTION

We will adopt the stipulation as filed. We find reasonable the parties' stipulated increase to PacifiCorp's net power costs for 2015. PacifiCorp explained that its increased costs are due to reduced off-system sales and rising natural gas costs, and the parties did not dispute these costs. The parties' reached a compromise to include EIM costs in the

TAM, and also agreed to a black box adjustment to PacifiCorp's net power costs. PacifiCorp has shown that amounts such as its sales for resale and fuel expenses vary with changes in market prices for power and fuel costs. This is evident in PacifiCorp's July update, which showed that sales for resale have increased $9 million (which is a credit, or decrease to net power costs), while fuel costs have increased by almost the same amount, both for coal consumed and natural gas consumed. While the July update is not part of the stipulation, these changes are indicative of the fluctuations seen in sales for resale and fuel costs.

We further find the stipulation's treatment of issues associated with EIM is reasonable because it results in no net EIM costs to ratepayers through PacifiCorp's 2015 TAM, and costs and benefits after 2015 will be evaluated in a new proceeding. All current analysis in the record, including the parties' testimony, states that the EIM should benefit PacifiCorp's ratepayers by improving dispatch and reducing flexibility reserves. Once the EIM goes live in November 2014, stakeholders will be closely monitoring its impact, and CAISO will publish a quarterly report quantifying the benefits to each balancing authority participating in the EIM.[4] This data will help the Commission and stakeholders evaluate how the EIM should be accounted for in the 2016 TAM, and at that time we will also have additional information on the EIM's' rules, such as the applicability of transmission wheeling charges.[5]

The stipulation states that the parties agree that PacifiCorp's decision on April 30, 2013, to participate in the EIM was prudent, but reserve the right in future proceedings to contest the prudence of PacifiCorp's continued participation and associated EIM costs. We accept this agreement, which effectively allows the parties and this Commission to review all costs and actions of PacifiCorp related to the EIM with the exception of the $1.7 million in EIM costs and benefits included in the 2015 TAM.

The stipulation requests a Commission accounting order authorizing EIM start-up O&M costs from the date of the EIM application, April 18, 2014, through December 31, 2014, to be recorded as a regulatory asset. The stipulation states that this regulatory asset will be based on actual costs, not to exceed PacifiCorp's estimate of $700,000 on an Oregon-allocated basis. We will authorize this accounting treatment. This does not involve a prudence determination, which will occur in PacifiCorp's next rate case. Although not expressly addressed by the parties, PacifiCorp, by entering into the stipulation, has effectively withdrawn its application for deferred accounting of the EIM start-up costs.

---

[4] Beginning in January or February 2015, CAISO will publish quarterly reports documenting the aggregated benefits to each balancing authority in the EIM. CAISO's Technical Bulletin is available at http://www.caiso.com/informed/Pages/StakeholderProcesses/EnergyImbalanceMarket.aspx.

[5] *PacifiCorp*, 147 FERC ¶ 61,227 (2014) (*reh'g pending*); *Cal. Indep. Sys. Operator Corporation*, 174 FERC ¶ 61,231 (2014) (*reh'g pending*).

VI. ORDER

1. We adopt the stipulation filed by PacifiCorp, dba Pacific Power, and the settling parties on July 31, 2014.

2. Advice No. 14-006 is permanently suspended.

3. PacifiCorp, dba Pacific Power, shall update its net power costs (NPC) to reflect the stipulation and its final update to establish its Transition Adjustment Mechanism NPC for the calendar year 2015, filing tariffs to be effective January 1, 2015.

4. PacifiCorp, dba Pacific Power's application for deferred accounting filed April 22, 2014, is effectively withdrawn and replaced by the stipulation.

Made, entered, and effective OCT 01 2014.

COMMISSIONER ACKERMAN WAS UNAVAILABLE FOR SIGNATURE

Susan K. Ackerman
Chair

John Savage
Commissioner

Stephen M. Bloom
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.

ORDER NO. 14 331

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UE 287 & UM 1689

In the Matters of PACIFICORP d/b/a PACIFIC POWER 2015 Transition Adjustment Mechanism (UE 287) & PACIFICORP d/b/a PACIFIC POWER Application for Deferred Accounting and Prudence Determination Associated with the Energy Imbalance Market (UM 1689).	**STIPULATION**

INTRODUCTION

1. PacifiCorp d/b/a/ Pacific Power (PacifiCorp or Company), Staff of the Public Utility Commission of Oregon (Commission Staff), the Citizens' Utility Board of Oregon (CUB), and the Industrial Customers of Northwest Utilities (ICNU) (collectively the Settling Parties) enter into this Stipulation to resolve the issues in docket UE 287, PacifiCorp's 2015 transition adjustment mechanism (TAM), and docket UM 1689, PacifiCorp's application for deferred accounting and prudence determination related to the Energy Imbalance Market (EIM). The Settling Parties understand that no other party to these dockets objects to this settlement and intend that this Stipulation fully resolve the issues in both dockets.

BACKGROUND

2. On April 1, 2014, PacifiCorp filed revised tariff sheets for Schedules 201 and 205, effective January 1, 2015, to implement PacifiCorp's 2015 TAM. The TAM filing

updates net power costs (NPC) for 2015 and sets transition adjustments for customers who choose direct access in the November 2014 open enrollment window.

3. The Company's April 1, 2014 TAM filing (Initial Filing) reflects normalized, total-company NPC for the test period (the 12 months ending December 31, 2015) of approximately $1.530 billion. On an Oregon-allocated basis, NPC in the Initial Filing are approximately $378.3 million. This amount is approximately $17.1 million higher than the $361.1 million included in rates through the NPC baseline established in the 2014 TAM (Docket UE 264), and $18.3 million higher when adjusted for forecasted load loss and other revenues. The TAM Initial Filing reflects an overall average rate increase of approximately 1.5 percent.

4. On April 18, 2014, PacifiCorp filed an Application for Deferred Accounting and Prudence Determination Associated with the EIM, supported with testimony and exhibits (EIM Application) (Docket UM 1689). In the EIM Application, PacifiCorp:

(a) Sought approval to defer EIM start-up costs, including $16 million in capital costs on a total-company basis (approximately $4 million Oregon allocated) and approximately $4 million in operations and maintenance (O&M) costs on a total-company basis (approximately $1 million Oregon allocated);

(b) Sought approval to defer annual O&M costs of approximately $1.7 million total company, or approximately $425,000 on an Oregon-allocated basis, until these costs are reflected in base rates;

(c) Requested a Commission determination that the Company's decision to participate in the EIM was prudent; and

(d) Proposed a collaborative process for developing a balancing account or other method for reflecting on-going EIM-related variable costs and benefits in rates.

5. The parties convened an initial settlement conference on June 10, 2014, in Docket UE 287. This conference resulted in an informal agreement among the Settling Parties and Noble Americas Energy Solutions LLC to model Naughton Unit 3 as a coal-fired plant in the July TAM Update (instead of reflecting the generating unit's conversion to natural gas in 2015), reducing total-company NPC by approximately $32.0 million and Oregon-allocated NPC by approximately $7.9 million. PacifiCorp's June 18, 2014 letter to Administrative Law Judge Pines memorializes the Naughton Unit 3 modeling agreement. The Stipulation incorporates this agreement in paragraphs 9 and 10.

6. On May 29, 2014, the Company filed a list of corrections and known updates to the TAM in docket UE 287. The impact of these corrections and updates was an increase in NPC of $0.9 million on a total-company basis, or approximately $200,000 on an Oregon-allocated basis.

7. The parties convened joint settlement conferences in dockets UE 287 and UM 1689 on July 9, 2014, and July 14, 2014, and the Settling Parties reached a comprehensive settlement of the issues raised in these two cases. The settlement establishes the baseline 2015 NPC in rates, subject to the July Update and the November Indicative and Final Updates. The settlement also resolves PacifiCorp's EIM Application, including the treatment of start-up costs and annual O&M through December 31, 2015, variable EIM costs and benefits through December 31, 2015, the prudence of Pacific Power's decision to participate in the EIM as of April 30, 2013 (but reserves the parties' rights to contest the prudence of the Company's continued participation in the EIM and the

associated costs in future proceedings), and a process for the development of a methodology for tracking EIM costs and benefits in the future.

AGREEMENT

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

9. 2015 NPC. The Settling Parties agree that the total-Company NPC for the 2015 TAM is $1.496 billion subject to the July Update and November Indicative and Final Updates. The Settling Parties agree that this total-company NPC amount equates to an Oregon-allocated NPC of $370.0 million or an increase of $10.1 million, including the load change and other revenues adjustments as shown in Exhibit A. The TAM increase is based on the Settling Parties' agreement that Oregon-allocated NPC will be reduced by a total of $8.3 million from the Initial Filing, accounting for the following adjustments:

(a) A reduction of approximately $32.0 million on a total-company basis, or approximately $7.9 million on an Oregon-allocated basis, reflecting the modeling of Naughton Unit 3 as a coal-fired unit in 2015;

(b) The addition of $6.7 million on a total-company basis, or approximately $1.7 million on an Oregon-allocated basis, in costs related to PacifiCorp's participation in the EIM;

(c) A reduction of $6.7 million on a total-company basis, or approximately $1.7 million on an Oregon-allocated basis, for benefits related to PacifiCorp's participation in the EIM; and

(d) A reduction of $1.3 million on a total-company basis, or approximately $334,000 on an Oregon-allocated basis, for a one-time "black box" adjustment, reflecting consideration of all issues raised in the testimonies of Staff, ICNU, and CUB in dockets UE 287 and UM 1689.

10. The Settling Parties agree that the stipulated $8.3 million reduction to Oregon NPC is for settlement purposes only and does not imply agreement on the merits of any adjustment. The adjustments are summarized in the table below.

	Total Company	**Oregon Allocated**
Original 2015 TAM Filing	$1,529,681,417	$378,254,808
Adjustments:		
Naughton Unit 3 Modeling	(32,043,700)	(7,926,414)
EIM Costs	6,700,000	1,721,044
EIM Benefits	(6,700,000)	(1,721,044)
"Black Box" Adjustment	(1,300,000)	(333,934)
Subtotal of Adjustments	(33,343,700)	(8,260,348)
Total NPC—2015 TAM Stipulation	$1,496,337,717	$369,994,459
TAM Increase (including changes in load and other revenues)		$10,063,751

11. July and Final TAM Updates. The adjustments outlined in paragraphs 9 and 10 resolve all issues related to the Company's 2015 NPC as of the date of the execution of this Stipulation. The July TAM Update, filed concurrently with this Stipulation, will include the corrections and updates listed in the Company's May 29, 2014 letter in docket UE 287, as well as other corrections and updates in accordance with the Commission's TAM Guidelines. Under the schedule adopted in this proceeding on April 14, 2014, and as specified in the TAM Guidelines, the Company will file its Indicative Update on November 10, 2014, and its Final TAM Update on November 17, 2014. The TAM Updates may increase or decrease the Oregon-allocated increase of $10.1 million from base NPC. The Settling Parties reserve their right to challenge the July and Final TAM Updates,

but agree not to raise any issues from the Company's Initial Filing and EIM Application, which are resolved by this Stipulation.

12. EIM Costs and Benefits. With the exception of the costs discussed in paragraph 14 below, the Settling Parties agree that this Stipulation resolves all issues related to EIM-related costs and benefits through December 31, 2015. Beginning in January 2015, PacifiCorp agrees to participate in one or more workshops with Commission Staff and other interested parties before the filing of the 2016 TAM to discuss operation of the EIM, the methodology for calculating EIM-related benefits, and potential options for addressing EIM-related costs and benefits from January 1, 2016, forward. PacifiCorp agrees to address EIM-related costs and benefits in its 2016 TAM filing.

13. EIM Prudence. The Settling Parties agree that PacifiCorp's decision on April 30, 2013, to participate in the EIM was prudent. The Settling Parties reserve the right to contest the prudence of PacifiCorp's continued participation in the EIM and the associated costs in future proceedings.

14. EIM Start-Up O&M. The Settling Parties agree that, in lieu of deferred accounting, PacifiCorp may record a regulatory asset for the start-up O&M expense associated with the Company's participation in the EIM from the date of the application for deferred accounting through December 31, 2014. This amount is currently estimated at $2.7 million on a total-company basis, or approximately $700,000 on an Oregon-allocated basis. This treatment is for accounting purposes only and does not authorize future ratemaking treatment or determine the prudence of the costs associated with the regulatory asset. The Settling Parties agree that the total amount of the regulatory asset will be based on actual costs from April 18, 2014, through December 31, 2014, but may not exceed

$2.7 million on a total-company basis. The Company agrees to address the ratemaking treatment of this regulatory asset in its next general rate case. The Settling Parties request that, as part of an order approving this Stipulation, the Commission issue an accounting order authorizing the Company to record this regulatory asset. The Settling Parties further agree that this request for an accounting order supersedes the Company's request for deferred accounting.

15. Attestation for Qualifying Facility (QF) Contracts. The Settling Parties agree that the attestation included with PacifiCorp's Indicative Update in TAM proceedings will include a statement confirming that, for the executed power purchase agreements (PPAs) with new QFs included in the TAM, PacifiCorp has a commercially reasonable good faith belief that these QFs will reach commercial operation during the rate effective period based on the information known to the Company as of the contract lockdown date. This attestation language does not require PacifiCorp to opine on the commercial viability of any of these QFs.

16. Rate Spread. As required by the stipulation in docket UE 263, which was approved in Order No. 13-474, the Company will use the functionalized revenue requirement allocation factors from docket UE 263 to develop rates for the 2015 TAM increase. Exhibit B shows the rate impact of the TAM increase agreed to in this Stipulation resulting from application of the stipulated rate spread from docket UE 263.

17. Tariff Revisions. Upon approval of this Stipulation and concurrent with the filing of the Final TAM Update, PacifiCorp will file revised Schedule 201 and revised transition adjustment Schedules 294 and 295 as a compliance filing in docket UE 287, to be effective January 1, 2015, reflecting the agreements in this Stipulation and the results of the

Final TAM Update. PacifiCorp will also file Schedule 205 to reflect the correction to Other Revenues in the July TAM Update.

18. This Stipulation will be offered into the record as evidence under OAR 860-001-350(7). The Settling Parties agree to support this Stipulation throughout this proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing, and recommend that the Commission issue an order adopting the Stipulation. The Settling Parties also agree to cooperate in drafting and submitting joint testimony or a brief in support of the Stipulation in accordance with OAR 860-001-0350(7).

19. If this Stipulation is challenged by any other party to this proceeding, the Settling Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation. The Settling Parties agree to cooperate in cross-examination and put on such a case as they deem appropriate to respond fully to the issues presented, which may include raising issues that are incorporated in the settlements embodied in this Stipulation.

20. The Settling 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 Settling Parties are entitled to withdraw from the Stipulation or exercise any other rights provided in OAR 860-001-0350(9). To withdraw from the Stipulation, a Settling Party must provide written notice to the Commission and other Settling Parties within five days of service of the final order rejecting, modifying, or conditioning this Stipulation.

21. 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

in arriving at the terms of this Stipulation other than those specifically identified in the body of this Stipulation. Except as expressly provided in this Stipulation, nothing in this Stipulation shall limit the issues that any Settling Party may raise in future proceedings.

22. 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

23. 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.

PACIFICORP	STAFF
By: [signature]	By: ______________
Date: 7/31/14	Date: ______________
CUB	ICNU
By: ______________	By: ______________
Date: ______________	Date: ______________

in arriving at the terms of this Stipulation other than those specifically identified in the body of this Stipulation. Except as expressly provided in this Stipulation, nothing in this Stipulation shall limit the issues that any Settling Party may raise in future proceedings.

22. 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

23. 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.

PACIFICORP	STAFF
By: ______________	By: Mike [illegible] (attorney)
Date: ______________	Date: 7/30/14
CUB	**ICNU**
By: ______________	By: ______________
Date: ______________	Date: ______________

in arriving at the terms of this Stipulation other than those specifically identified in the body of this Stipulation. Except as expressly provided in this Stipulation, nothing in this Stipulation shall limit the issues that any Settling Party may raise in future proceedings.

22. 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

23. 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.

PACIFICORP	STAFF
By: ______________	By: ______________
Date: ______________	Date: ______________
CUB	ICNU
By: ______________	By: ______________
Date: ______________	Date: 7/31/14

in arriving at the terms of this Stipulation other than those specifically identified in the body of this Stipulation. Except as expressly provided in this Stipulation, nothing in this Stipulation shall limit the issues that any Settling Party may raise in future proceedings.

22. 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

23. 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.

PACIFICORP

By: ______________________

Date: ______________________

STAFF

By: ______________________

Date: ______________________

CUB

By: B. Jenks

Date: 7-31-14

ICNU

By: ______________________

Date: ______________________

PacifiCorp
Oregon - CY 2015 TAM
Stipulation Exhibit A

Line no		ACCT.	Total Company: UE-264 Final Final TAM CY 2014	Total Company: Initial Filing TAM CY 2015	Total Company: Naughton 3 Coal TAM CY 2015	Factor	Factors CY 2014	Factors CY 2015	Oregon Allocated: UE-264 Final Final TAM CY 2014	Oregon Allocated: Initial Filing TAM CY 2015	Oregon Allocated: Naughton 3 Coal TAM CY 2015
1	**Sales for Resale**										
2	Existing Firm PPL	447	26,770,321	13,961,671	13,961,671	SG	26.053%	25.687%	6,974,472	3,586,366	3,586,366
3	Existing Firm UPL	447	30,332,094	29,139,801	29,139,801	SG	26.053%	25.687%	7,902,421	7,485,207	7,485,207
4	Post-Merger Firm	447	392,665,570	365,630,296	368,124,192	SG	26.053%	25.687%	102,301,167	93,920,287	94,560,900
5	Non-Firm	447	-	-	-	SE	24.687%	24.484%	-	-	-
6	**Total Sales for Resale**		449,767,986	408,731,768	411,225,663				117,178,061	104,991,860	105,632,473
7											
8	**Purchased Power**										
9	Existing Firm Demand PPL	555	2,867,295	3,292,634	3,292,634	SG	26.053%	25.687%	747,016	845,787	845,787
10	Existing Firm Demand UPL	555	52,532,746	55,379,617	55,379,617	SG	26.053%	25.687%	13,686,357	14,225,488	14,225,488
11	Existing Firm Energy	555	25,971,161	29,154,344	29,154,344	SE	24.687%	24.484%	6,411,431	7,138,141	7,138,141
12	Post-merger Firm	555	519,804,990	526,772,591	522,547,710	SG	26.053%	25.687%	135,424,802	135,313,275	134,228,020
13	Secondary Purchases	555	-	-	-	SE	24.687%	24.484%	-	-	-
14	Other Generation Expense	555	3,344,256	3,515,487	3,515,487	SG	26.053%	25.687%	871,279	903,031	903,031
15	**Total Purchased Power**		604,520,448	618,114,674	613,889,792				157,140,886	158,425,722	157,340,467
16											
17	**Wheeling Expense**										
18	Existing Firm PPL	565	27,297,335	27,165,030	27,165,030	SG	26.053%	25.687%	7,111,775	6,977,943	6,977,943
19	Existing Firm UPL	565	-	-	-	SG	26.053%	25.687%	-	-	-
20	Post-merger Firm	565	110,997,010	112,112,433	112,112,433	SG	26.053%	25.687%	28,918,053	28,798,576	28,798,576
21	Non-Firm	565	5,066,934	6,899,428	6,898,211	SE	24.687%	24.484%	1,250,860	1,689,254	1,688,956
22	**Total Wheeling Expense**		143,361,280	146,176,891	146,175,674				37,280,689	37,465,773	37,465,475
23											
24	**Fuel Expense**										
25	Fuel Consumed - Coal	501	744,132,904	733,921,363	763,406,650	SE	24.687%	24.484%	183,702,102	179,693,090	186,912,259
26	Fuel Consumed - Coal (Cholla)	501	55,644,930	61,820,042	60,836,095	SSECH/SE	24.687%	24.484%	13,736,915	15,136,001	14,895,092
27	Fuel Consumed - Gas	501	4,104,921	4,798,513	4,951,993	SE	24.687%	24.484%	1,013,371	1,174,866	1,212,444
28	Natural Gas Consumed	547	336,503,960	363,638,686	310,916,855	SE	24.687%	24.484%	83,071,834	89,033,188	76,124,791
29	Simple Cycle Comb. Turbines	547	6,699,935	5,991,022	4,734,327	SSECT/SE	24.687%	24.484%	1,653,995	1,466,840	1,159,151
30	Steam from Other Sources	503	3,441,624	4,106,159	4,106,159	SE	24.687%	24.484%	849,624	1,005,351	1,005,351
31	**Total Fuel Expense**		1,150,528,274	1,174,275,784	1,148,952,077				284,027,841	287,509,336	281,309,087
32											
33	**Net Power Cost (Per GRID)**		1,448,642,016	1,529,835,581	1,497,791,881				361,271,356	378,408,972	370,462,557
34											
35	EIM Benefits				(6,700,000)	SG	26.053%	25.687%			(1,721,044)
36	Settlment Adjustment				(1,300,000)	SG	26.053%	25.687%			(333,934)
37	Oregon Situs Solar Project Benefit		(131,319)	(154,164)	(154,164)	OR	100.000%	100.000%	(131,319)	(154,164)	(154,164)
38	**Total NPC Net of Adjustments**		1,448,510,698	1,529,681,417	1,489,637,717				361,140,037	378,254,808	368,273,415
39											
40	EIM Costs				6,700,000	SG	26.053%	25.687%			1,721,044
41	**Total Net of Adjustments**		1,448,510,698	1,529,681,417	1,496,337,717				361,140,037	378,254,808	369,994,459
42											
43											
44									Increase Absent Load Change	17,114,771	8,854,422
45											
46								Oregon-allocated NPC Baseline in Rates from UE-264	$361,140,037		
47								$ Change due to load variance from UE-264 forecast	(1,852,305)		
48								2015 Recovery of NPC in Rates	$359,287,732		
49											
50									**Increase Including Load Change**	18,967,076	10,706,727
51											
52									Add Other Revenue Change	(642,976)	(642,976)
53											
54									**Total TAM Increase**	18,324,099	10,063,751

ORDER NO.

TAM

PACIFIC POWER
ESTIMATED EFFECT OF PROPOSED PRICE CHANGE
ON REVENUES FROM ELECTRIC SALES TO ULTIMATE CONSUMERS
DISTRIBUTED BY RATE SCHEDULES IN OREGON
FORECAST 12 MONTHS ENDING DECEMBER 31, 2015

					Present Revenues ($000)			Proposed Revenues ($000)			Change				
											Base Rates		Net Rates		
Line No.	Description	Sch No.	No. of Cust	MWh	Base Rates	Adders[1]	Net Rates	Base Rates	Adders[1]	Net Rates	($000)	%[2]	($000)	%[2]	Line No.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
							(5) + (6)			(8) + (9)	(8) - (5)	(11)/(5)	(10) - (7)	(13)/(7)	
	Residential														
1	Residential	4	484,343	5,253,064	$581,608	$5,262	$586,870	$589,622	$5,262	$594,884	$8,014	1.4%	$8,014	1.4%	1
2	**Total Residential**		484,343	5,253,064	$581,608	$5,262	$586,870	$589,622	$5,262	$594,884	$8,014	1.4%	$8,014	1.4%	2
	Commercial & Industrial														
3	Gen. Svc. < 31 kW	23	76,950	1,121,146	$120,156	$5,130	$125,286	$120,587	$5,130	$125,717	$431	0.4%	$431	0.3%	3
4	Gen. Svc. 31 - 200 kW	28	10,093	2,014,017	$177,864	$3,000	$180,864	$178,931	$3,000	$181,931	$1,067	0.6%	$1,067	0.6%	4
5	Gen. Svc. 201 - 999 kW	30	857	1,343,078	$105,063	$961	$106,024	$105,983	$961	$106,944	$920	0.9%	$920	0.9%	5
6	Large General Service >= 1,000 kW	48	203	3,046,739	$209,087	($9,638)	$199,449	$208,463	($9,638)	$198,825	($624)	-0.3%	($624)	-0.3%	6
7	Partial Req. Svc. >= 1,000 kW	47	7	61,069	$6,276	($203)	$6,073	$6,254	($203)	$6,051	($22)	-0.3%	($22)	-0.3%	7
8	Agricultural Pumping Service	41	7,942	228,528	$25,686	($1,256)	$24,430	$25,952	($1,256)	$24,696	$266	1.0%	$266	1.1%	8
9	**Total Commercial & Industrial**		96,052	7,814,577	$644,132	($2,005)	$642,127	$646,170	($2,005)	$644,165	$2,038	0.3%	$2,038	0.3%	9
	Lighting														
10	Outdoor Area Lighting Service	15	6,579	9,214	$1,164	$219	$1,383	$1,169	$219	$1,388	$5	0.4%	$5	0.4%	10
11	Street Lighting Service	50	246	8,768	$956	$194	$1,150	$961	$194	$1,155	$5	0.5%	$5	0.4%	11
12	Street Lighting Service HPS	51	736	19,319	$3,339	$710	$4,049	$3,356	$710	$4,066	$17	0.5%	$17	0.4%	12
13	Street Lighting Service	52	26	565	$73	$13	$86	$73	$13	$86	$0	0.0%	$0	0.0%	13
14	Street Lighting Service	53	249	9,518	$583	$120	$703	$586	$120	$706	$3	0.5%	$3	0.4%	14
15	Recreational Field Lighting	54	105	1,246	$102	$20	$122	$102	$20	$122	$0	0.0%	$0	0.0%	15
16	**Total Public Street Lighting**		7,941	48,630	$6,217	$1,276	$7,493	$6,247	$1,276	$7,523	$30	0.5%	$30	0.4%	16
17	**Total Sales before Emp. Disc. & AGA**		588,336	13,116,271	$1,231,957	$4,533	$1,236,490	$1,242,039	$4,533	$1,246,572	$10,082	0.8%	$10,082	0.8%	17
18	Employee Discount				($452)	($3)	($455)	($458)	($3)	($461)	($6)		($6)		18
19	**Total Sales with Emp. Disc**		588,336	13,116,271	$1,231,505	$4,530	$1,236,035	$1,241,581	$4,530	$1,246,111	$10,076	0.8%	$10,076	0.8%	19
20	AGA Revenue				$2,439		$2,439	$2,439		$2,439	$0		$0		20
21	**Total Sales**		588,336	13,116,271	$1,233,944	$4,530	$1,238,474	$1,244,020	$4,530	$1,248,550	$10,076	0.8%	$10,076	0.8%	21

[1] Excludes effects of the Low Income Bill Payment Assistance Charge (Sch. 91), BPA Credit (Sch. 98), Klamath Dam Removal Surcharges (Sch. 199), Public Purpose Charge (Sch. 290) and Energy Conservation Charge (Sch. 297).

[2] Percentages shown for Schedules 48 and 47 reflect the combined rate change for both schedules

ORDER NO.