

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 307

In the Matter of

PACIFICORP, dba PACIFIC POWER,

2017 Transition Adjustment Mechanism.

PRELIMINARY ORDER

DISPOSITION: NET POWER COSTS APPROVED SUBJECT TO
ADJUSTMENT

I. INTRODUCTION

This order addresses, on a preliminary basis, PacifiCorp, dba Pacific Power's 2017 Transition Adjustment Mechanism (TAM) application. We grant PacifiCorp's net power costs (NPC), subject to one adjustment for the avian curtailments, and the company's November indicative and final updates.

Because of scheduling issues, the complex nature of a number of disputed issues in this docket, and the need to give PacifiCorp sufficient time to make its compliance filing, we provide in this order only a brief listing of the issues and our resolution. A supplemental order will be issued later describing more fully the parties' positions and the rationale for our decisions.

II. BACKGROUND

PacifiCorp's TAM is an annual filing the utility makes to project its power costs in customer rates for the following year as well as to set transition charges for customers electing direct access. This year, the company's filing, as updated, projects 2017 NPC on an Oregon-allocated basis of \$375.5 million, \$16.2 million higher than the 2016 TAM in docket UE 296, for an overall average rate increase of 1.3 percent.

The Citizens' Utility Board of Oregon (CUB), the Industrial Customers of Northwest Utilities (ICNU), and Noble Americas Energy Solutions LLC (Noble Solutions) intervened in this proceeding, and Commission Staff also participated. All parties filed testimony, briefs, and a hearing was held on August 29, 2016.

III. DISCUSSION

A. Background

The parties request several adjustments.

- Staff, ICNU, and CUB raise four coal related issues. Staff contends that PacifiCorp's decision to use coal purchased from an affiliate to fuel the Jim Bridger plant is not prudent and recommends reducing these costs by \$23.5 million on an Oregon allocated basis. ICNU contends that the affiliate coal should be repriced at lower market alternatives and recommends an adjustment of \$6.0 million on an Oregon allocated basis. In addition, CUB challenges PacifiCorp's minimum-take provisions in its coal contracts, and Staff objects to PacifiCorp's coal plant dispatch modeling adjustment.
- Staff, CUB, and ICNU recommend rejection of PacifiCorp's system balancing adjustment (DART), which increases the NPC forecast by \$9.0 million on an Oregon-allocated basis. Staff and CUB generally recommend the company refine its forward price curve to better account for the cost of system balancing transactions, and ICNU, Staff, and CUB all challenge the mechanics and accuracy of the adjustment.
- Staff and CUB take issue with PacifiCorp's quantification of Energy Imbalance Market (EIM) benefits (\$4.41 million net for Oregon). Staff and CUB believe the company's NPC should be reduced for intra-regional EIM dispatch benefits and also challenge the company's calculation of inter-regional EIM benefits.
- Staff requests an adjustment of approximately \$64,000 on an Oregon allocated basis to remove from NPC the costs associated with lost energy from avian protection curtailments.¹
- Staff and CUB contend that PacifiCorp over-estimates new QF contracts, thereby improperly increasing its NPC, and propose that the company discount new QF contracts by historical success factors.
- Noble Solutions asks that the transition adjustments include a credit for the value of renewable energy credits (RECs) freed-up by departing direct access customers.

¹ Staff determined the curtailments have increased PacifiCorp's 2017 TAM NPC by \$249,114 on a system basis. Staff/200, Kaufman/19; Staff/222 (confidential GRID run excluding the wind curtailment). For an Oregon-allocated figure, we adopt \$64,000 from PAC/801, Dickman/1.

Noble Solutions also seeks an adjustment to the five-year program consumer opt-out charge to account for accumulated depreciation so that the costs decrease, rather than increase, in years six through 10.

In reviewing the TAM, PacifiCorp has the burden of proof to show that its proposal is fair, just and reasonable.

B. Resolution

PacifiCorp has justified its proposed NPC for 2017 with evidence in the record that was not adequately rebutted by the parties. Based on information in the record, we decline all adjustments with the exception of Staff's avian curtailment adjustment.

An order fully explaining these decisions will be issued at a later date.

IV. ORDER

IT IS ORDERED that:

1. Advice No. 16-05 is permanently suspended.
2. PacifiCorp, dba Pacific Power, shall update its net power costs (NPC) to reflect the changes adopted in this order to establish its Transition Adjustment Mechanism NPC for calendar year 2017, filing tariffs to be effective January 1, 2017.

Made, entered, and effective OCT 27 2016.

Lisa D. Hardie
Chair

John Savage
Commissioner

Stephen M. Bloom
Commissioner

