

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UE 309

In the Matter of

PACIFICORP, dba PACIFIC POWER,

2015 Power Cost Adjustment Mechanism.

ORDER

DISPOSITION: STIPULATION ADOPTED

**I. SUMMARY**

In this order, we adopt the parties' stipulated agreement that the 2015 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**

We adopted a PCAM for PacifiCorp in Order No. 12-493.<sup>1</sup> The PCAM works in conjunction with PacifiCorp's Transition Adjustment Mechanism (TAM) to allow the company to recover or refund the difference between actual net power costs (NPC) and the forecast NPCs approved in the TAM and included in customer rates. This docket is PacifiCorp's third PCAM filing before the Commission.<sup>2</sup>

PacifiCorp's PCAM contains a deadband, sharing mechanism, earnings test, and amortization cap.<sup>3</sup> 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.

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<sup>1</sup> 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).

<sup>2</sup> 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) and Docket No. UE 298, Order No. 15-380 (Nov 25, 2015) (both orders adopting the parties' stipulation that the PCAM calculation for 2013 and 2014 resulted in no change to existing rates after application of earnings test).

<sup>3</sup> Portland General Electric Company's PCAM contains the same components. See e.g., *In the Matter of Portland General Electric Company, 2014 Annual Power Cost Variance Mechanism*, Docket No. UE 299, Order No. 15-317 (Oct 15, 2015).

The sharing mechanism, which was established to provide PacifiCorp the incentive to manage costs effectively, allocates 90 percent of the remaining variance to customers and 10 percent to PacifiCorp. 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.

PacifiCorp calculates its PCAM by applying the above guidelines, and any resulting adjustment is reflected in its tariff Schedule 206. In its filing, PacifiCorp includes a cover letter and an attachment describing its 2015 power costs and its PCAM calculation.

### III. PACIFICORP'S FILING

PacifiCorp's PCAM filing shows 2015 actual net power costs exceeded base costs by about \$19.9 million on an Oregon-allocated basis. The company's base net power costs were set in the 2015 TAM in docket UE 287.

PacifiCorp states that, because the \$19.9 million PCAM variance is within the positive \$30 million deadband, the company absorbs the difference and there is no rate adjustment. PacifiCorp's filing also shows that the company's 2015 earned ROE was 9.36 percent, and its allowed ROE is 9.80 percent.

Since the company's current Schedule 206 includes no rate adjustment for PCAM deferrals, PacifiCorp proposed no change to customers' rates.

### IV. REVIEW AND STIPULATION

The Citizens' Utility Board of Oregon (CUB) and Commission Staff participated in this docket.

Following the parties' settlement discussions, and before the Commission Staff or any intervenor filed testimony, PacifiCorp, Staff, and CUB submitted a stipulation and joint supporting testimony on October 3, 2016. The stipulation and joint supporting testimony are admitted into the record. The stipulation is attached to this order as Appendix A.

The stipulation provides that the company's PCAM calculation for 2015, as set forth in the initial filing and summarized in the settlement, complies with Order No. 12-493 and results in no change to existing rates.

The settling parties request that the Commission adopt the settlement as presented.

V. DISCUSSION

In its application, PacifiCorp states that no rate change would be required in this proceeding because the net power cost variance is within the deadband. By their review of PacifiCorp's filing and work papers, the parties confirmed PacifiCorp's findings and reached their settlement in this case. We find the settlement reasonable and in the public interest. The stipulation should be adopted.

VI. ORDER

IT IS ORDERED THAT:

1. The stipulation between PacifiCorp, dba Pacific Power; Staff of the Public Utility Commission of Oregon; and the Citizens' Utility Board 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, 2017.

Made, entered, and effective NOV 30 2016.

**Lisa D. Hardie**  
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.

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UE 309

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

2015 Power Cost Adjustment Mechanism

STIPULATION

INTRODUCTION

1  
2 1. PacifiCorp d/b/a Pacific Power (PacifiCorp or Company), Staff of the Public  
3 Utility Commission of Oregon (Staff), and the Citizens' Utility Board (CUB) (collectively the  
4 Stipulating Parties) enter into this Stipulation to resolve all issues in docket UE 309, PacifiCorp's  
5 2015 power cost adjustment mechanism (PCAM). No other party intervened in this docket.

BACKGROUND

6  
7 2. The Public Utility Commission of Oregon (Commission) approved PacifiCorp's  
8 PCAM in Order No. 12-493 in docket UE 246. The PCAM allows the recovery or refund of the  
9 difference between actual net power costs (NPC) incurred to serve customers and the base NPC  
10 established in the Company's annual transition adjustment mechanism (TAM) filing. The  
11 amount recovered from or refunded to customers for a given year is subject to the following  
12 parameters:

- 13 • Asymmetrical Deadband – Any NPC difference between negative \$15 million and  
14 positive \$30 million is absorbed by the Company.
- 15 • Sharing Mechanism – Any NPC difference above or below the deadband is shared  
16 90 percent by customers and 10 percent by the Company.



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

4           8.       This Stipulation will be offered in to the record as evidence under OAR 860-001-  
5 0350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and  
6 any appeal, provide witnesses to sponsor the Stipulation at hearing, if required, and recommend  
7 that the Commission issue an order adopting the Stipulation.

8           9.       The Stipulating Parties have negotiated this Stipulation as an integrated  
9 document. If the Commission rejects all or any material portion of this Stipulation or imposes  
10 additional material conditions in approving this Stipulation, any of the Stipulating Parties are  
11 entitled to withdraw from the Stipulation or exercise any other rights provided in OAR 860-001-  
12 0325(9). To withdraw from the Stipulation, a Stipulating Party must provide written notice to  
13 the Commission and the other Stipulating Parties within five days of service of the final order  
14 rejecting, modifying, or conditioning this Stipulation.

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

17          11.      This Stipulation is not enforceable by any Settling Party unless and until adopted  
18 by the Commission in a final order. Each signatory to this Stipulation avers that they are signing  
19 this Stipulation in good faith and that they intend to abide by the terms of this Stipulation unless  
20 and until the Stipulation is rejected or adopted only in part by the Commission. The Settling  
21 Parties agree that the Commission has exclusive jurisdiction to enforce or modify the Stipulation.  
22 If the Commission rejects or modifies this Stipulation, the Settling Parties reserve the right to

1 seek reconsideration or rehearing of the Commission order under ORS 756.561 and OAR 860-  
2 001-0720 or to appeal the Commission order under ORS 756.61 0.

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

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

PACIFICORP

STAFF of the PUBLIC UTILITY  
COMMISSION OF OREGON

By: 

By: \_\_\_\_\_

Date: 9/29/16

Date: \_\_\_\_\_

CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

Date: \_\_\_\_\_

1 seek reconsideration or rehearing of the Commission order under ORS 756.561 and OAR 860-  
2 001-0720 or to appeal the Commission order under ORS 756.61 0.

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

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

PACIFICORP

STAFF of the PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

By: Mike [Signature]

Date: \_\_\_\_\_

Date: 9/26/16

CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

Date: \_\_\_\_\_



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 756.61 0.

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.

PACIFICORP

STAFF of the PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

CITIZENS' UTILITY BOARD

By: 

Date: 9/28/16

ORDER NO. 16 459

**ATTACHMENT A**

Oregon Power Cost Adjustment Mechanism  
 January 1, 2015 - December 31, 2015  
 Attachment A - Power Cost Adjustment Mechanism Calculation

Line No.	Reference	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total
<b>Actual:</b>														
1	Total Company NPC (2.1)	\$ 124,668,359	\$ 109,203,387	\$ 121,817,094	\$ 118,514,921	\$ 121,118,840	\$ 150,140,887	\$ 156,243,018	\$ 148,380,039	\$ 124,677,694	\$ 117,139,173	\$ 116,416,844	\$ 125,299,527	\$ 1,541,620,883
2	EIM Costs (4.1)	490,511	490,511	490,511	490,511	490,511	490,511	490,511	490,511	490,511	490,511	490,511	490,511	5,886,135
3	Other Revenues (5.1)	(1,856,955)	(1,806,533)	(1,981,758)	(1,999,597)	(1,938,377)	(1,837,681)	(2,021,796)	(2,000,263)	(1,913,295)	(2,191,675)	(2,051,898)	(2,211,062)	(23,812,651)
4	Total PCAM Actual Costs Sum Lines 1 - 3	\$ 123,298,915	\$ 107,887,365	\$ 120,325,838	\$ 117,006,834	\$ 119,679,775	\$ 148,793,718	\$ 164,711,774	\$ 144,871,187	\$ 123,254,908	\$ 115,438,010	\$ 114,855,567	\$ 123,579,375	\$ 1,523,694,367
5	Actual Retail Load (6.1)	4,792,147	4,056,967	4,315,352	4,179,902	4,244,430	4,944,117	5,060,052	4,875,546	4,307,122	4,292,573	4,547,385	4,854,265	54,589,759
6	Total Company NPC \$/MWh Line 1 / Line 5	\$ 25.73	\$ 26.59	\$ 27.86	\$ 27.99	\$ 28.19	\$ 30.10	\$ 32.62	\$ 29.12	\$ 28.42	\$ 26.89	\$ 25.26	\$ 25.46	\$ 27.91
<b>Base:</b>														
7	NPC (3.1)	\$ 121,469,254	\$ 112,312,754	\$ 117,809,289	\$ 114,662,128	\$ 118,292,436	\$ 121,669,854	\$ 142,592,544	\$ 142,745,113	\$ 126,019,116	\$ 119,792,313	\$ 118,926,472	\$ 129,172,384	\$ 1,478,483,686
8	Adjustment for Direct Access (3.3)	(544,573)	(477,735)	(509,787)	(477,758)	(477,160)	(498,494)	(659,968)	(690,287)	(564,948)	(568,995)	(527,345)	(695,262)	(6,852,331)
9	EIM Benefits (3.4)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(558,333)	(6,700,000)
10	EIM Costs (3.4)	558,333	558,333	558,333	558,333	558,333	558,333	558,333	558,333	558,333	558,333	558,333	558,333	6,700,000
11	Other Revenues (5.2)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(2,017,201)	(24,206,409)
12	Total PCAM Base Costs Sum Lines 7 - 11	\$ 118,907,480	\$ 109,817,818	\$ 115,282,301	\$ 112,187,169	\$ 115,798,075	\$ 118,154,160	\$ 138,915,355	\$ 140,037,628	\$ 117,405,968	\$ 117,176,117	\$ 116,281,927	\$ 126,459,931	\$ 1,448,424,926
13	Base Retail Load (6.1)	4,882,159	4,304,200	4,488,652	4,229,663	4,263,454	4,466,783	5,052,372	4,975,076	4,380,288	4,400,477	4,521,178	4,809,205	55,032,984
14	Base OR \$/MWh Line 7 / Line 13	\$ 24.31	\$ 25.34	\$ 25.88	\$ 26.53	\$ 26.42	\$ 28.66	\$ 27.69	\$ 28.15	\$ 26.80	\$ 26.53	\$ 25.72	\$ 25.75	\$ 26.32
15	NPC Differential \$/MWh Line 6 - Line 14	\$ 1.42	\$ 1.26	\$ 2.20	\$ 1.46	\$ 1.78	\$ 3.42	\$ 4.92	\$ 0.97	\$ 1.62	\$ 0.26	\$ (0.46)	\$ (0.30)	\$ 1.69
16	Oregon Retail Load (6.1)	1,178,135	961,704	1,041,696	1,097,767	987,576	1,114,565	1,134,034	1,164,054	935,245	988,479	1,115,800	1,233,406	12,862,461
<b>Deferral:</b>														
17	Monthly NPC Differential - Above or (Below) Base Line 16 * Line 15	\$ 1,677,242	\$ 1,207,522	\$ 2,293,075	\$ 1,474,562	\$ 1,755,608	\$ 3,811,113	\$ 5,582,678	\$ 1,126,721	\$ 1,510,512	\$ 261,400	\$ (515,354)	\$ (372,317)	\$ 19,815,781
<i>Situs Resource True-Up:</i>														
18	Black Cap Actual (2.2)	\$ (4,007)	\$ (3,505)	\$ (5,808)	\$ (7,716)	\$ (11,135)	\$ (19,580)	\$ (19,624)	\$ (14,169)	\$ (9,292)	\$ (6,333)	\$ (3,589)	\$ (1,816)	\$ (106,353)
19	Black Cap Forecast CY2015 TAM	\$ (5,285)	\$ (9,046)	\$ (8,995)	\$ (12,305)	\$ (13,452)	\$ (14,437)	\$ (19,688)	\$ (18,760)	\$ (16,533)	\$ (10,286)	\$ (6,468)	\$ (5,880)	\$ (141,066)
20	Total Situs Resource True-Up Line 18 - Line 19	\$ 1,288	\$ 5,540	\$ 3,190	\$ 4,589	\$ 2,327	\$ (5,149)	\$ (26)	\$ 4,591	\$ 7,241	\$ 3,952	\$ 2,869	\$ 4,284	\$ 34,713
21	Total Monthly Differential - Above or (Below) Base Line 17 + Line 20	\$ 1,678,530	\$ 1,213,062	\$ 2,296,265	\$ 1,479,171	\$ 1,757,933	\$ 3,805,970	\$ 5,562,653	\$ 1,134,311	\$ 1,517,754	\$ 265,353	\$ (512,455)	\$ (368,053)	\$ 19,850,494
22	Cumulative Differential - Above or (Below) base	\$ 1,678,530	\$ 2,891,592	\$ 5,187,857	\$ 6,667,026	\$ 8,424,861	\$ 12,230,831	\$ 17,813,594	\$ 18,947,895	\$ 20,465,649	\$ 20,731,002	\$ 20,218,546	\$ 19,850,484	
23	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
24	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)
25	Amount Deferrable - ABOVE Deadband	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Amount Deferrable - BELOW Deadband	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27	Total Incremental Deferrable Line 25 + Line 26	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28	Total Incremental Deferral After 90%/10% Sharing Band Line 27 * 90%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Energy Balancing Account:</b>														
29	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%	0.64%
30	Beginning Balance Prior Month Line 33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31	Incremental Deferral Line 28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32	Interest Line 29 * (Line 30 + 50% x Line 31)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Ending Balance Σ Lines 30:32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Earnings Test:</b>														
34	Earned Return on Equity (7.1)													9.36%
35	Allowed Return on Equity UE 246													9.80%
36	100bp RCE Revenue Requirement													\$ 27,807,899
37	Allowed Deferral After Earning Test													\$ -
38	Total Deferred													\$ -

Notes:  
 Note 1: 7.821% annual interest rate based on Oregon approved rate of return

APPENDIX A  
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