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October 5, 2016

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem OR 97301

Re: In the Matter of PACIFICORP, dba PACIFIC POWER
2017 Transition Adjustment Mechanism
Docket No. UE 307

Dear Filing Center:

Enclosed for filing in the above-referenced docket, please find the Cross-Answering Brief of the Industrial Customers of Northwest Utilities.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 307

In the Matter of)	
)	CROSS-ANSWERING BRIEF OF THE
PACIFICORP, dba PACIFIC POWER)	INDUSTRIAL CUSTOMERS OF
)	NORTHWEST UTILITIES
2017 Transition Adjustment Mechanism)	
_____)	

I. INTRODUCTION

Pursuant to the Administrative Law Judge’s July 8, 2016 Ruling, the Industrial Customers of Northwest Utilities (“ICNU”) files this Cross-Answering Brief on PacifiCorp’s (or the “Company”) 2017 Transition Adjustment Mechanism (“TAM”).

ICNU agrees with a number of the arguments and recommendations Oregon Public Utility Commission (“Commission”) Staff and the Citizens’ Utility Board (“CUB”) make in their Response Briefs. ICNU discusses its position on three of these issues below. ICNU addresses these issues because they either help clarify ICNU’s arguments in its Response Brief, or because ICNU can provide additional information to assist with the Commission’s decision. Consequently, that ICNU does not address other topics these parties raise should not be taken as an indication that ICNU opposes Staff’s or CUB’s recommendations.

II. ARGUMENT

A. ICNU Supports Staff’s and CUB’s Recommendations to Reject the DART Adjustment

Like ICNU, Staff and CUB continue to oppose the Company’s “day ahead and real time” system balancing adjustment (“DART” or “DA-RT” adjustment). CUB argues that

“the Company has not proven that its DA-RT modeling changes have resulted in an outcome that adequately benefits customers.”^{1/} Staff recites a litany of problems with the adjustment, including that it contains arbitrary price adders,^{2/} unsupported and illogical increases to market transaction volumes,^{3/} its failure to account for the benefits of historical transactions,^{4/} and others.

In the 2016 TAM, the Commission approved the DART adjustment “[b]ased on the evidence in the record” of that docket, and “encourage[d] parties to examine this modeling change in more detail in the next TAM cycle.”^{5/} This further examination has continued to reveal fundamental flaws with the DART adjustment that are contained in the record of this docket and that provide additional bases to reject the adjustment. While ICNU recognizes, then, that the Commission approved the DART adjustment in the 2016 TAM based on its acceptance of PacifiCorp’s position that it incurs costs to balance its system that are not captured within the GRID model, ICNU agrees with Staff that the Commission should reject the DART adjustment in this docket while the parties work together to develop an improved methodology that better addresses the issues the Company is attempting to resolve.^{6/} Allowing the Company to continue implementing the DART adjustment during this collaborative effort will not provide the Company with the incentive necessary to agree to modifications to the adjustment.

ICNU recommends that the Commission require PacifiCorp to host a minimum of two workshops in the interim period between this TAM and the 2018 TAM in which the

^{1/} CUB Response Br. at 18.

^{2/} Staff Response Br. at 28.

^{3/} Id. at 30.

^{4/} Id. at 31-34.

^{5/} Docket No. UE 296, Order No. 15-394 at 4 (Dec. 11, 2015).

^{6/} Staff Response Br. at 35.

Company must propose an alternative to the DART adjustment, and any other party may propose its own alternative as well. If the parties are able to reach consensus on a means of modeling the Company's costs of system balancing, PacifiCorp would then include that consensus approach in its next TAM application. If the parties are unable to reach agreement, PacifiCorp may propose its own alternative approach to the DART adjustment and the parties can litigate the issue. Any resolution of this issue in the 2018 TAM would not be subject to ICNU's recommendation to impose a moratorium on modeling changes until the Company's next general rate case.^{7/}

If the Commission determines to retain the DART adjustment, however, ICNU continues to recommend that it remove the costs of day-ahead load and wind integration, as discussed in ICNU's Response Brief.^{8/}

B. ICNU Supports Staff's and CUB's Recommendations to Reduce the Number of QFs Projected to be Commercially Operational in the Test Year

ICNU also shares Staff's and CUB's concerns with how PacifiCorp models qualifying facilities ("QFs") that are projected to come online during the test year. Both parties note that the Company includes in rates the costs of all QFs that the Company attests it has a commercially reasonable good faith belief will come online during the test period.^{9/}

This methodology is an outcome of the stipulation that settled all issues in PacifiCorp's 2015 TAM, which also settled issues in a separate docket related to the estimated costs and benefits of PacifiCorp's entry into the Energy Imbalance Market.^{10/} In the 2015 TAM, ICNU raised concerns that the Company was over-forecasting the number of QFs that would

^{7/} ICNU Response Br. at 21-22.

^{8/} Id. at 4-7.

^{9/} CUB Response Br. at 15-16; Staff Response Br. at 48-49.

^{10/} Docket Nos. UE 287 & UM 1689, Order No. 14-331, App. A ¶ 15 (Oct. 1, 2014).

come online in the test period because not all QFs come online by their forecasted commercial operation date.^{11/} ICNU recommended that a QF not be included in the NPC forecast unless it had: (1) a signed power purchase agreement; (2) a signed interconnection agreement; and (3) begun construction of its facility.^{12/} ICNU settled this issue as part of an integrated stipulation that resolved all issues in UE 287 and UM 1689, but ICNU continues to have concerns that the Company over-forecasts the number of QFs that will ultimately reach commercial operation in the test period.

Consequently, ICNU supports CUB's and Staff's recommendations that the QFs included in the NPC forecast should be discounted by what Staff calls a "historical success factor" in order to develop the most accurate NPC forecast possible.^{13/}

C. ICNU Agrees with Staff That a Separate Proceeding to Address Bridger Coal Costs Cannot Substitute for Commission Action in This Docket

In this proceeding, ICNU has proposed a lower-of-cost-or-market adjustment to the forecasted cost of coal PacifiCorp will purchase from Bridger Coal Company ("BCC").^{14/} Staff has proposed a prudence disallowance.^{15/} Both recommendations are related in part to the fact that the cost of BCC coal is well above the current market price and is unlikely to decrease in the future.^{16/} In response, PacifiCorp has proposed that the Commission open a new docket to "consider the least-cost, least-risk fuel supply plan for the Jim Bridger plant."^{17/}

^{11/} Docket No. UE 287, ICNU/100 at 24:3-26:13.

^{12/} Id. at 26:9-11.

^{13/} Staff Response Br. at 49; CUB recommends including QFs with signed contracts and discounted for historical inaccuracy. CUB Response Br. at 16.

^{14/} ICNU/100 at 8-15; ICNU/200 at 7-12; ICNU Response Br. at 7-21.

^{15/} Staff/200 at 27-69; Staff/400 at 2-31; Staff Response Br. at 4-25.

^{16/} ICNU Response Br. at 15-16; Staff Response Br. at 10-11.

^{17/} PAC/1100 at 1:16-19.

ICNU agrees with Staff that, while it does not oppose such a docket, the Company's proposal does not resolve the ratemaking issues presented in this case.^{18/} ICNU and Staff have each demonstrated through different means that PacifiCorp is proposing to charge customers unjust and unreasonable rates in 2017 based on the projected cost of coal from BCC. The outcome of PacifiCorp's proposed proceeding will not impact the Company's 2017 net power costs and, therefore, is alone an inadequate remedy. The Commission should act in this docket to ensure customers will pay fair and reasonable rates in 2017 in addition to any other relief it orders with respect to BCC.

III. CONCLUSION

For the foregoing reasons, ICNU agrees with Staff and CUB that the Commission should reject the DART adjustment while parties work collaboratively to craft an alternative to address PacifiCorp's alleged costs of system balancing. ICNU further agrees with Staff and CUB that the Commission should reduce the number of QFs included in the test period based on a historical "success factor." Finally, ICNU does not oppose PacifiCorp's request to open a new docket to address a least-cost, least-risk fuel supply plan for Jim Bridger, but agrees with Staff that such a docket cannot substitute for Commission action in this docket to ensure customers are paying fair and reasonable rates for this fuel in 2017.

^{18/} Staff Response Br. at 25.

Dated this 5th day of October, 2016.

Respectfully submitted,

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/s/ Tyler C. Pepple

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